vesteda

annual report 2022

Disclaimer References in this Annual Report to 'Vesteda', 'we', 'the company' or similar terms mean Vesteda as defined in Annex 2: Legal structure of this report. This Annual Report contains forward-looking statements. Those statements may - without qualification - contain expectations on future realised and unrealised results, yields, distributions, government measures, the effect of other regulatory measures on Vesteda's activities, the partnership contributions in Vesteda, subsidiaries and joint ventures, macro-economic trends and Vesteda's performance. Such comments are preceded or followed by or contain terms such as 'believe', 'expect', 'forecast', 'of the opinion', 'anticipate' or similar terms. These forward-looking statements are based on current assumptions about future activities and are subject to known and unknown factors and other uncertainties, many of which are beyond Vesteda's control, and so actual results in the future may differ materially from these expectations.

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At home with Vesteda

Our mission is to make sure that all our stakeholders feel at home with us, especially our tenants, our investors in the fund and our employees.

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Message from the Management Board

Dear stakeholders,

We are pleased to present you with our 2022 annual report, in which we describe the key developments and account for our financial and ESG performance.

We are proud of what Vesteda accomplished in 2022. We continued to invest in sustainable and affordable homes, we kept costs under control, and we delivered solid operational results. The portfolio was almost fully leased, tenant satisfaction increased, and we added several new complexes to our portfolio and pipeline. We also completed several large renovation and sustainability projects, reducing the carbon footprint of our portfolio and improving the quality of our homes and financial performance. Finally, we took a number of actions to improve our organisation to make it a High Performance Organisation.

Last year we were confronted with a number of events, such as the after-effects of the COVID-19 pandemic and the war in Ukraine, which triggered sharp increases in energy prices, inflation, constructions costs and interest rates. Moreover, the Dutch government announced plans for increased regulation of the mid-rental segment of the housing market. After several years of positive revaluations of our portfolio, the market turned last year and we recorded negative revaluations in the third and fourth quarters.

For the first time in years, we were confronted with redemption requests from our participants. We were informed that some of our participants would like to redeem part of their investment in Vesteda, due to among others rebalancing of their total investment portfolios.

We will continue our long-term strategy and aim to be the best landlord in the Netherlands for all our stakeholders. We will manage our portfolio in an efficient and effective way, with a low vacancy rate and solid rental growth, while keeping a close eye on costs, despite current inflation. We will be highly selective with acquisitions in the short term and remain well positioned to benefit from opportunities in the future. At the same time, we are accelerating our sustainability investments to reduce energy consumption and to become Paris Proof in 2050. Finally, we are taking the lead in the search for new investors to provide liquidity for redeeming participants.

We want to thank our stakeholders for their continued support. More specifically, we want to thank our employees for their continued hard work. Our solid financial foundation and flexible organisation give us the trust and confidence that we will achieve our long-term goals, despite today's market headwinds.

Vesteda Management Board

Gertjan van der Baan (CEO) and Frits Vervoort (CFO)

Amsterdam, 23 March 2023

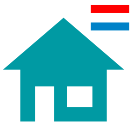
Vesteda at a glance

About Vesteda

Leading institutional residential investor

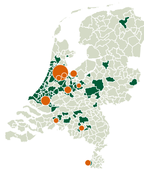
Vesteda is a residential investor and landlord that focuses on sustainable and affordable homes in the Netherlands. Vesteda invests funds for institutional investors, such as pension funds and insurance companies. The portfolio consists of 27,661 residential units with a total value of €9.4 billion. The homes are mainly located in economically strong regions and core urban areas in the Netherlands. Vesteda is internally managed, is cost-efficient and has its own in-house property management.

Key characteristics



Dutch residential rental market

Mid-rental sector



Primary regions

Fund

- Established in 1998 as a spin-off of the residential portfolio of Dutch pension fund ABP;
- Single fund manager;
- Internally managed: no management fee structures and no carried interest arrangements;
- Open-ended core residential real estate fund;
- Broad institutional investor base with a long-term horizon;
- Attractive risk profile;
- Limited use of leverage (target <30%); S&P credit rating A-;
- Active investor relations policy;
- In-house property management since 2003;
- Governance in accordance with best practice guidelines, including INREV, with the emphasis on transparency and alignment of interests;
- AIFMD (Alternative Investment Fund Managers Directive) licence obtained in 2014;
- Transparent for tax purposes: fund for the joint account of participants (Dutch FGR fund structure);
- GRESB five-star rating.

Assets

- Diversified portfolio consisting of nearly 500 residential complexes in economically strong regions;
- All in the Netherlands, all in residential and related properties;
- Focus on the mid-rental segment with monthly rents between €808 and €1,200;
- Vesteda offers sustainable housing and operates in a socially responsible manner.

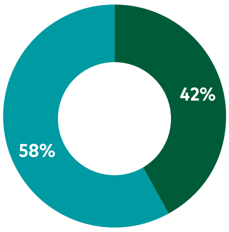
Targets

- Tenant satisfaction: Outperform the Customeyes benchmark;
- ESG performance: 99% green energy labels by year-end 2024 and outperform Paris Proof by 2050 or earlier;
- Financial performance: Outperform the three-year MSCI IPD Netherlands Residential Benchmark.

Portfolio overview

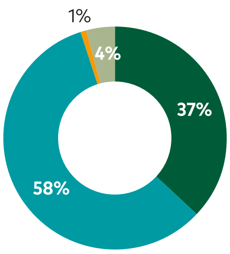
Number of residential units	Investment portfolio value	Occupancy rate	Gross rental income
27,661	€9.4 bln	98.6%	€363 mln

Portfolio by type of residential unit (weight in value)



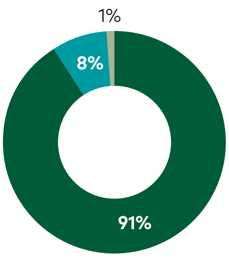
- Single-family
- Multi-family

Portfolio by rental segment (weight in value)



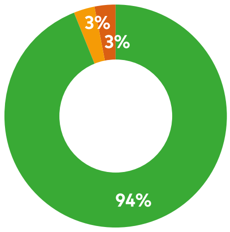
- High
- Mid
- Regulated mid
- Regulated

Portfolio by region (weight in value)



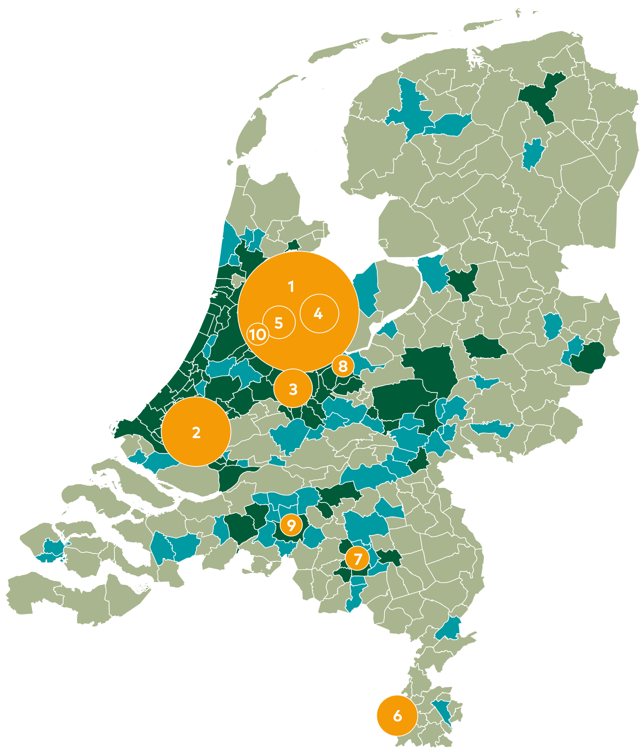
- Primary
- Secondary
- Other

Portfolio by energy label (weight in units)



- ABC
- D
- EFG

Portfolio distribution (value at year-end 2022)



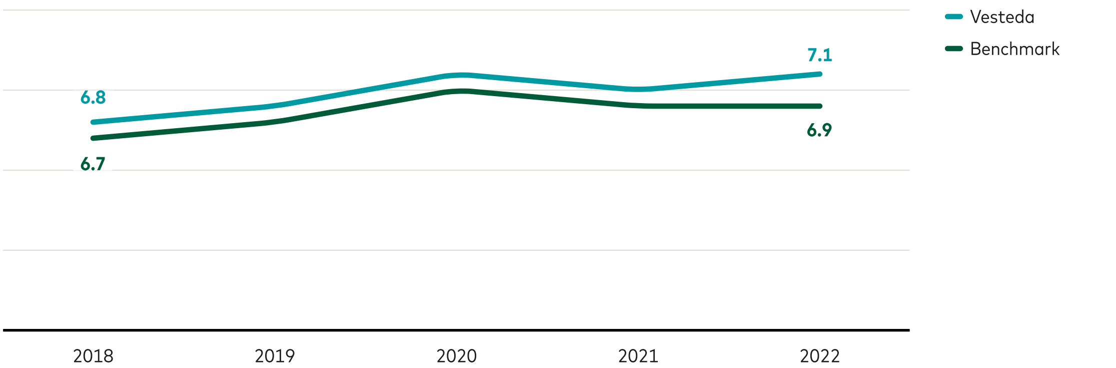
		€ million	% of total portfolio
1.	Amsterdam	1,952	21%
2.	Rotterdam	704	8%
3.	Utrecht	428	5%
4.	Almere	402	4%
5.	Diemen	317	3%
6.	Maastricht	293	3%
7.	Eindhoven	244	3%
8.	Amersfoort	233	3%
9.	Tilburg	229	2%
10.	Amstelveen	212	2%

Vesteda focus regions

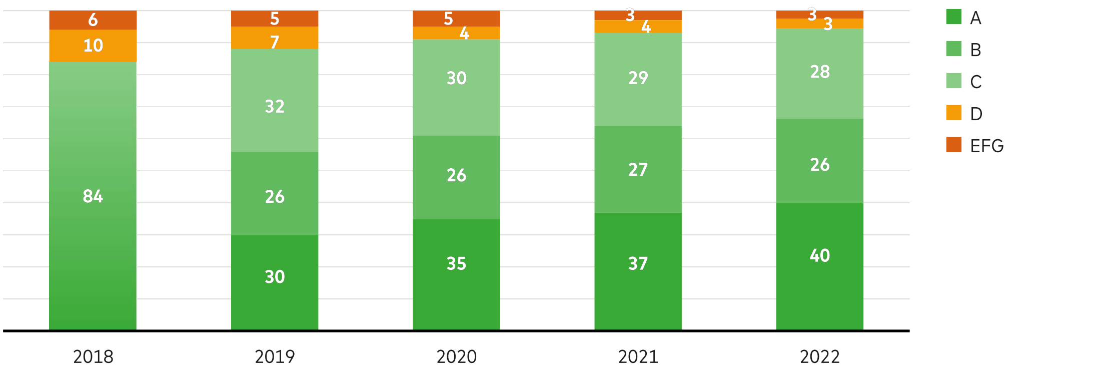
- Primary
- Secondary
- Other
- Top 10 region by portfolio value

Key figures

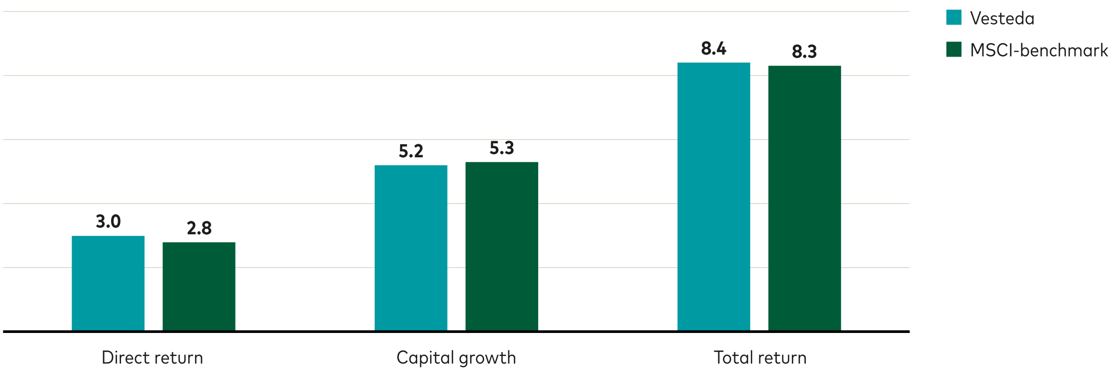
Tenant satisfaction (score out of 10)



Energy labels (%, weight in units)



Performance Vesteda vs MSCI benchmark (%, three-year average)



Note: Direct return and capital growth might not add up to total return as a result of time-weighted averages on a monthly basis.

Management report

Strategy

Our mission
At home with Vesteda. This applies to our tenants, the investors who invest in our fund and the employees who work at our company. Our mission is to make sure our key stakeholders feel at home with Vesteda. And we want to be the best landlord and residential fund in the Netherlands by outperforming on tenant satisfaction, sustainability and stable financial performance.

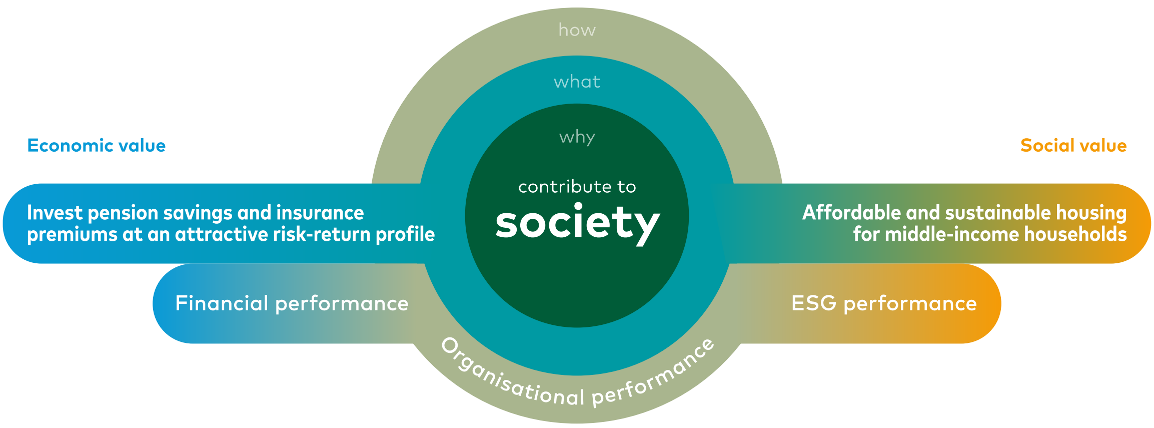
Our vision
Vesteda is the expert in residential living. We have direct contact with our tenants. This is why we know their current and future living requirements better than anyone. We use our knowledge to constantly improve our services and our existing residential portfolio. We also add residential complexes that are tailored to the living requirements of our tenants now and in the future and we do so in a sustainable and innovative manner. Together with our tenants, we create an environment in which they feel at home.

Our purpose
Vesteda invests the pension savings and insurance premiums entrusted to it by institutional investors, such as pension funds and insurance companies, in sustainable Dutch residential real estate for middle-income tenants. As such, we contribute to future income security for retirees, affordable living for Dutch middle-income households and to the continued improvement of the quality of urban communities. We focus on three areas:

- **Economic value:** we invest pension savings and insurance premiums at an attractive risk-return profile to provide income security for pensioners. Our aim is to deliver long-term outperformance on income and cost ratios;
- **Social value:** we provide middle-income households with affordable and sustainable housing. This has become even more important due to the current high inflation, driven by high energy prices. We also want our tenants to feel at home with us, which means being able to live in a safe, attractive and healthy living environment;
- **Organisation:** economic and social value are linked through our 'High Performance Organisation'. Our engaged employees make our stakeholders feel at home at Vesteda by their way of working, whether they make investment decisions, lease and manage our properties, support tenants in the best way they can or give support to their colleagues in a professional way.

We measure our performance using a number of financial and ESG criteria. In this way, we add maximum value and we can realise our goal of being the best residential investor and landlord in the Netherlands.

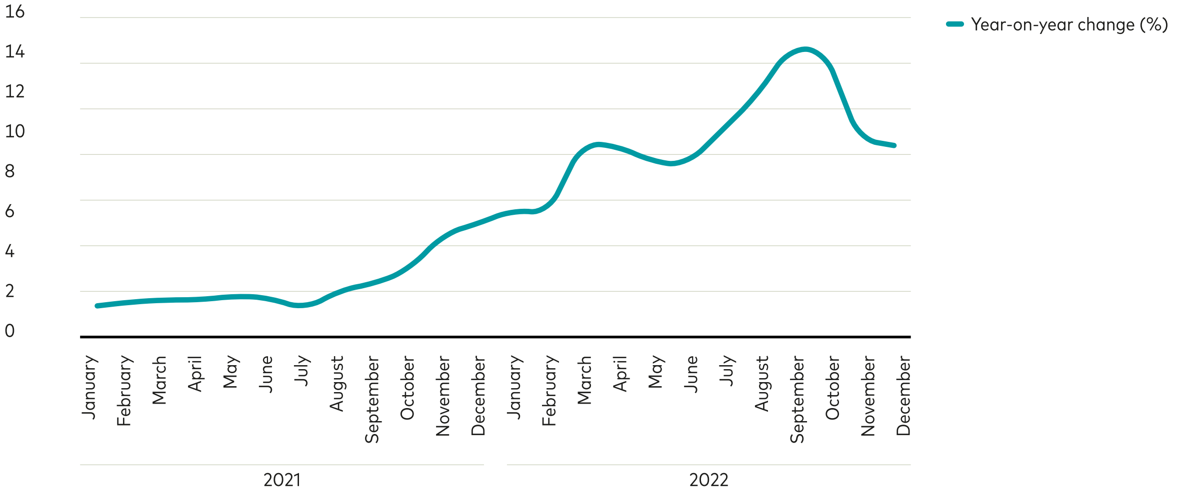
Vesteda vision framework



Market developments

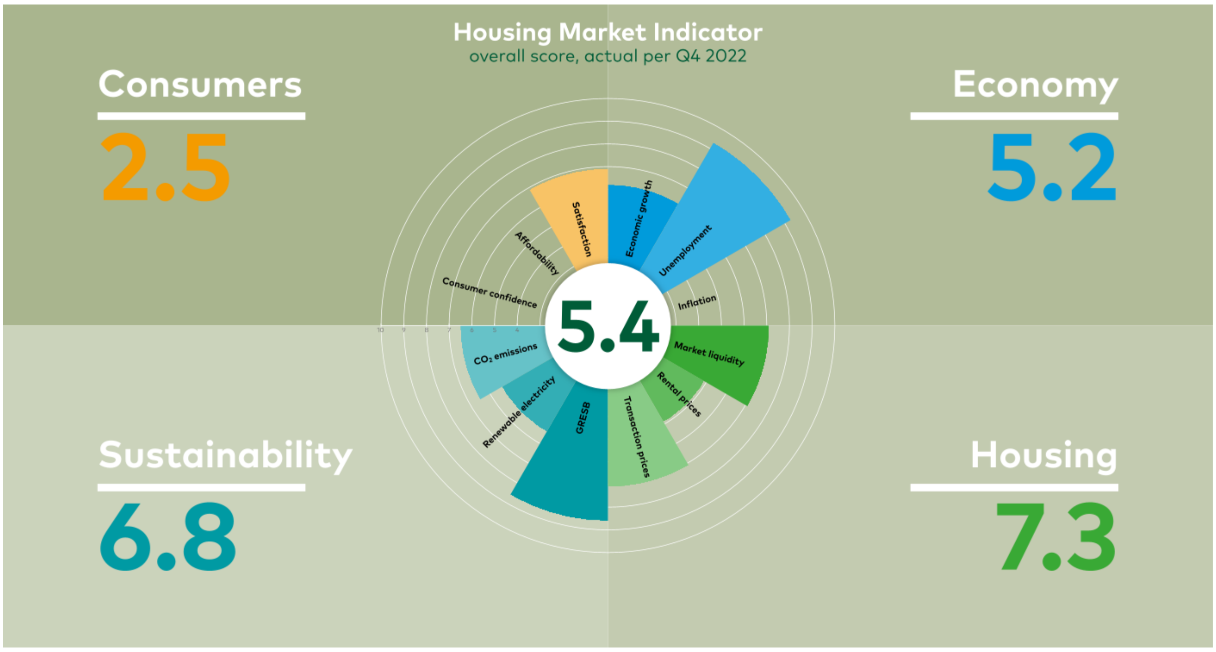
While we were still experiencing the after-effects of the COVID-19 pandemic, we were confronted with new developments. There was an unexpected sharp rise in inflation, mainly triggered by the rise in energy prices, caused by the war in Ukraine. These events have had a significant impact and have left policymakers with a number of tough challenges. Stagflation risks are looming large, owing to high inflation, the war in Ukraine and the potential for wage-price spirals. The most pressing monetary policy task is to restore low and stable inflation, while minimising the costs of economic activity and preserving financial stability. The European Central Bank (ECB) is tightening monetary policy by accelerating the phasing out of support packages and increasing policy interest rates.

Inflation 2021-2022 (CPI)



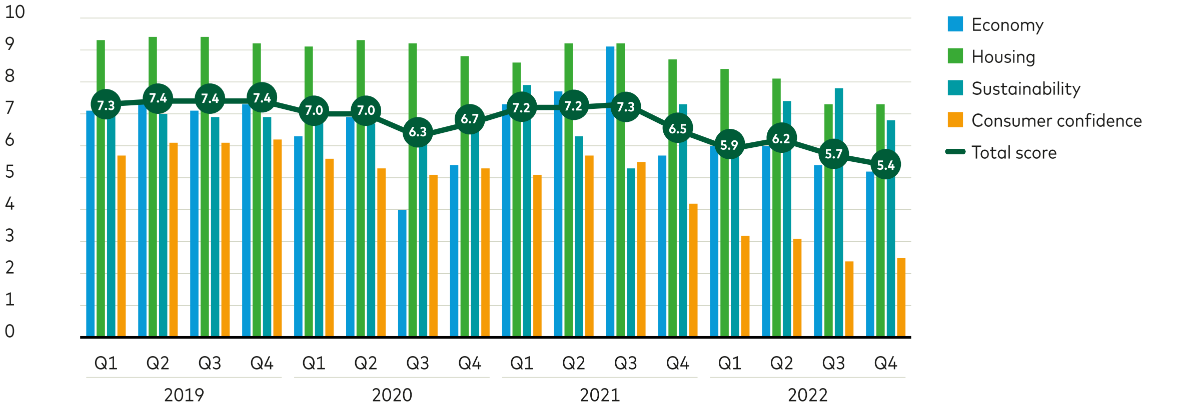
Source: Statistics Netherlands

Vesteda Housing Market Indicator, actual as per Q4 2022



Source: Vesteda

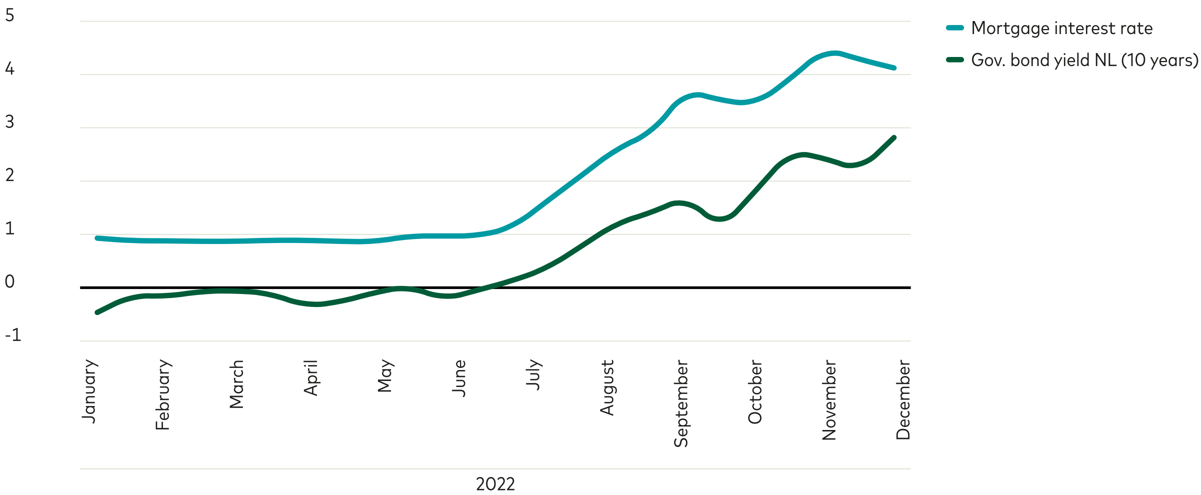
Vesteda Housing Market Indicator, Q1 2019 - Q4 2022



Source: Vesteda

Vesteda developed the HMI and this provides an overview of the most relevant drivers on the Dutch housing market from a residential investors perspective. The latest score of 5.4 in Q4 2022 is significantly lower than the scores in previous years, reflecting the current market turbulence. The sharp decline is primarily due to low consumer confidence, the high level of inflation and ongoing pressure on affordability. Furthermore, economic growth is levelling off and there has been a slight increase in the unemployment rate, despite ongoing shortages on the labour market.

Mortgage interest rate vs government bond yield NL (10 years)



Source: IEX, BLG wonen

The housing market showed clear signs of cooling and we are seeing lower transaction prices. This is mainly due to rising interest rates and further increased real estate transfer tax. However, price levels on the owner-occupier market are only slightly lower and the housing market remains tight, which is shown by low supply-demand ratios. On the rental market, prices continue to rise but the increase in the total cost of living due to high energy prices remains a serious matter of concern. Furthermore, the rise in construction costs is putting pressure on the feasibility of new building projects and sustainability measures in existing buildings. The rise in construction costs and interest rates combined with various additional requirements and regulations has led to a decline in the number of building permits. This suggests that building production will be reduced in the coming years. Since there are no signs of a decline in demand from tenants, the pressure on the housing market will increase in the upcoming years, pushing up market rents.

Regulation

The political debate on the affordability of housing and calls for the regulation of the mid-rental segment have been continuous since 2018, and this intensified due to an overheated housing market.

In May 2022, the government introduced legislation to change the WWS points system, which was originally the system for determining the rents of government-regulated social housing. This change limits the part of the WOZ value (fiscal value) to a maximum of 33% in the WWS points system, resulting in lower maximum initial rents in the most pressured markets for regulated or 'social' homes. The Dutch government also increased the transfer tax rate for investors from 8% to 10.4%, effective as per 1 January 2023.

The government then announced additional regulation for 2024, extending the regulated segment for new rental contracts to 187 WWS points, equivalent to a rent of around €1,000 per month. Additional incentives for quality and sustainability will be incorporated, which increases the number of points for a house. Furthermore, the calculation of the annual rent increase changed. This will now be linked to wage growth (agreed in collective labour agreements), if it is lower than inflation (CPI). There is another proposal from the Minister to link rent indexation entirely to wage growth, however, it is uncertain whether this will be implemented.

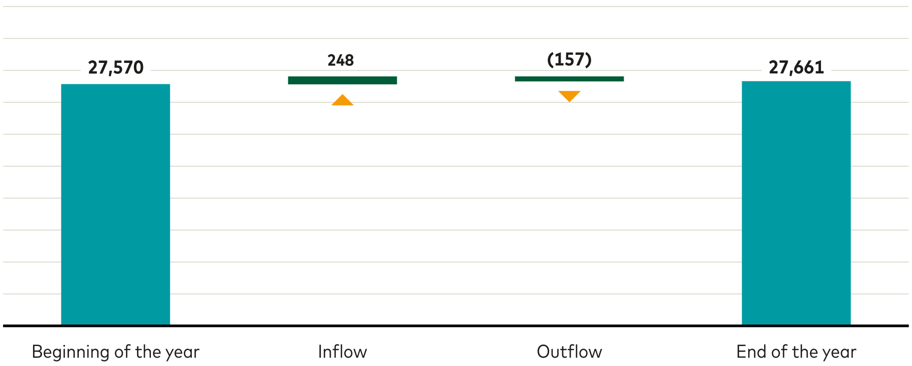
The above measures will of course impact Vesteda. Where possible, we will mitigate part of the impact, for example by investing in the quality and sustainability of our homes. We will continue with our strategy of investing in affordable and sustainable homes. At the same time, we will prepare our portfolio and asset strategies for upcoming changes.

Economic value

Portfolio

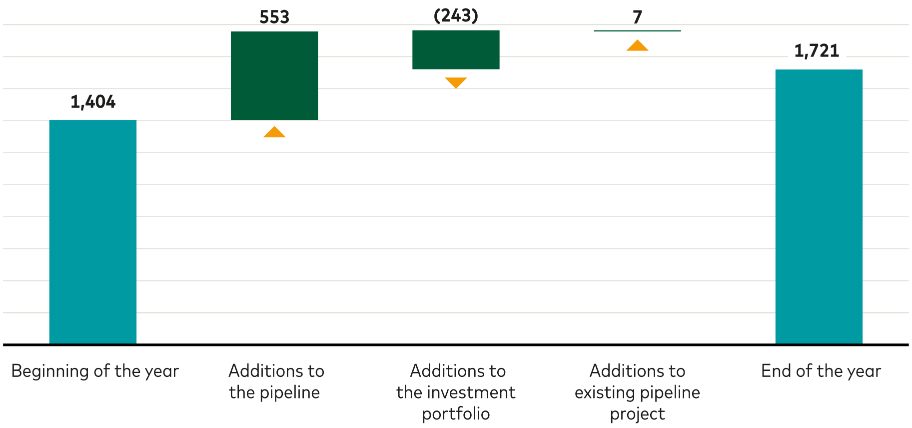
Units

Investment portfolio development in 2022 (number of units)



The total of residential units stood at 27,661 at year-end 2022, an increase of 0.3% compared with year-end 2021. In 2022, we added a total of 248 homes to our investment portfolio (243 new-build homes and five reclassification units) and we sold 157 units.

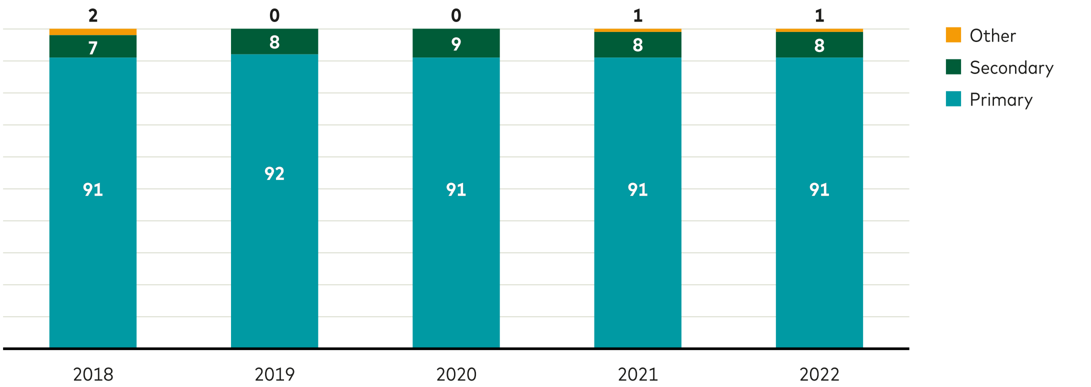
Acquisition pipeline development in 2022 (number of units)



The total committed pipeline stood at 1,721 units at year-end 2022. We signed contracts for five new-build projects, adding 553 units to the committed pipeline.

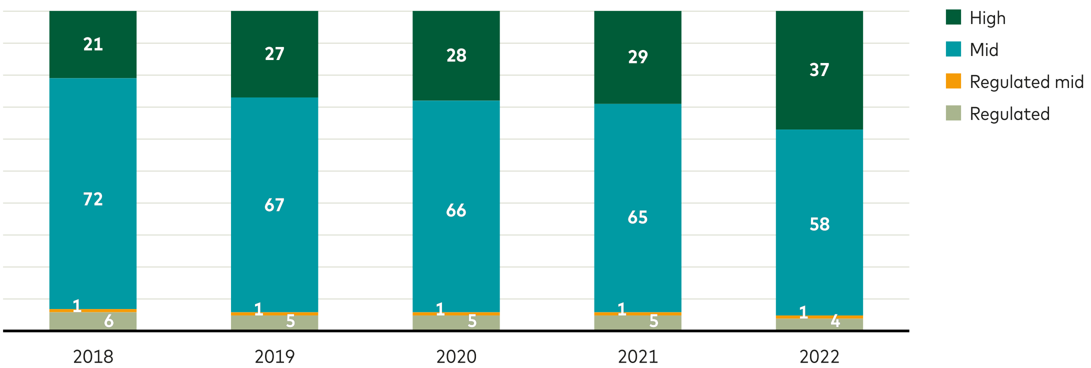
Segmentation

Investment portfolio by region (%, weight in value)



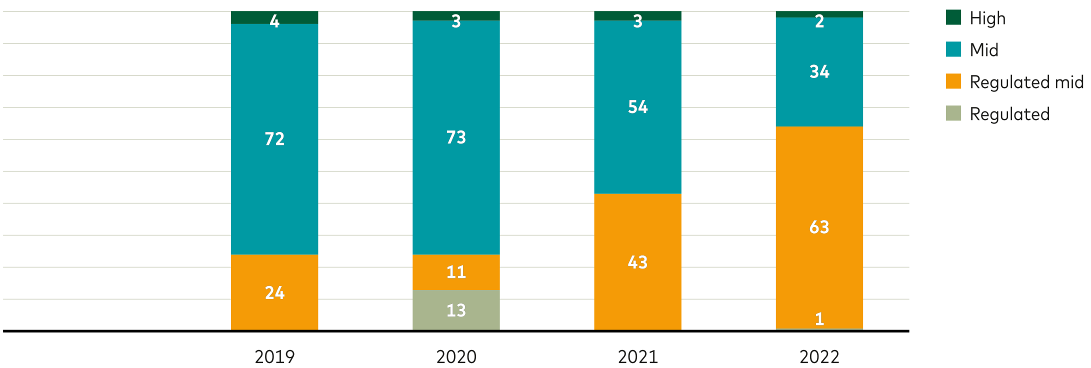
At year-end 2022, 91% of the investment portfolio was located in Vesteda's primary regions, in line with 2021.

Investment portfolio by rental segment (%, weight in value)



The portfolio showed a shift from the mid-rental segment to the high rental segment, driven by the annual rent increase, rent increases following large renovations, and relettings at higher (market) rents. This pushed rents for several units above the threshold for the high segment, which remained unchanged for several years at €1,200 rent per month. In 2022, the regulated segment consisted of rents up to €763 per month. The mid-rental segment consisted of rents between €763 and €1,200 rent per month. In 2023, we will review our rental segmentation to align with the proposed new regulation for the mid-rental segment, and the impact of high inflation and market pressure.

Acquisitions by rental segment (%, weight in units)



Our acquisition strategy is focused on affordable housing. In the past four years, our acquisitions were mainly in the mid-rental segment and since two years we also focus on regulated mid-rental homes.

Acquisitions and property sales

Current macro-economic developments, rising inflation, high interest rates and increased real estate transfer tax, are driving significant yield expansion for residential investment product. On top of that, the announced government regulation of the mid-rental segment does not contribute to a better investment climate. At the same time, construction costs have risen sharply during 2022 on the back of the energy crisis and supply chain disruptions. This makes many new build projects unfeasible at the moment and has a major effect on the ability to invest our institutional capital in residential real estate, which is needed given the large housing shortage. Despite the current macro-economic developments, we will stay active in the market and continue long-term business partnerships, also to be able to benefit from potential market opportunities in the future.

The following table provides an overview of the new-build additions to the investment portfolio in 2022.

New-build additions to the investment portfolio in 2022

Residential building	Location	Number of units	Type	Region	Rental segment	Quarter of completion
Westerwal	Groningen	171	Multi-family	Primary	Mid	Q1
Goudshof	Gouda	72	Multi-family	Primary	Mid	Q3
Total		**243**				

Vesteda sold 157 units, consisting of 109 individual unit sales and one non-strategic complex sale totalling 48 units.

Vesteda continues to prefer quality over volume in its acquisitions: quality in terms of residential product, affordability, sustainability, strategic portfolio fit, return and risk profile. We acquired a total of five new-build projects that were added to our pipeline in 2022, totalling 553 residential units. The total committed pipeline was 1,721 units at year-end 2022, with an estimated market value at completion of €602 million as per year-end 2022. All projects are in line with our portfolio strategy. The majority of the projects are located in the urban expansion sites of larger cities in the Netherlands, where Vesteda can benefit from the promising and ongoing development of the areas.

Committed acquisition pipeline at year-end 2022

Residential building	Location	Number of units	Type	Region	Rental segment	Expected completion
Regent II	The Hague	98	Multi-family	Primary	Mid	2023
De Cavaliere	Helmond	70	Multi-family	Primary	Mid	2023
The Ox	Amsterdam	168	Multi-family	Primary	Reg Mid/Mid	2024
Grote Beer	Rotterdam	193	Multi-family	Primary	Reg Mid	2024
Frank is een Binck	The Hague	205	Multi-family	Primary	Reg/Reg Mid/Mid	2024
Imagine	Rotterdam	133	Multi-family	Primary	Reg Mid/Mid	2024
Typisch Tuinstad	Amsterdam	120	Multi-family	Primary	Reg Mid	2024
New Brooklyn	Almere	167	Single & Multi-family	Primary	Reg Mid/Mid/High	2024
De Weverij	Enschede	116	Multi-family	Primary	Mid	2025
Podium	Amersfoort	68	Multi-family	Primary	Reg/Reg Mid/Mid	2025
De Kuil	Rotterdam	120	Multi-family	Primary	Reg/Reg Mid/Mid/High	2025
Singelblok	Amsterdam	185	Multi-family	Primary	Reg Mid/Mid	2025
LOOS	The Hague	78	Multi-family	Primary	Reg Mid/Mid	2025
Total		**1,721**				

1 Regent II, The Hague

2 De Cavaliere, Helmond

3 The Ox, Amsterdam

4 Grote Beer, Rotterdam

5 Frank is een Binck, The Hague

6 Imagine, Rotterdam

7 Typisch Tuinstad, Amsterdam

8 New Brooklyn, Almere

9 De Weverij, Enschede

10 Podium, Amersfoort

11 De Kuil, Rotterdam

12 Singelblok, Amsterdam

13 LOOS, The Hague

Investments in quality and sustainability

We actively pursue and execute opportunities to create value in existing assets. We do this through renovations and measures to improve the quality and sustainability. This generally involves outdated, yet attractive assets at good locations, which we transform into future-proof, sustainable and affordable product. This results in increased reversionary potential, lower future operating costs and a lower risk profile of our assets. In 2022, we completed five projects with a total of 539 residential units.

Completed renovations in 2022

Residential building	Location	Number of units	Type	Previous energy label	New energy label
Westkapellelaan	The Hague	96	Multi-family	G	B
Schuilenburg	Amersfoort	116	Single-family	E	A
New Amsterdam	Amsterdam	171	Multi-family	A	A
Klaverhof	Alphen aan den Rijn	85	Multi-family	D	B
Egelantierstraat	Badhoevedorp	71	Single-family	D	A
Total		**539**			

Moreover, we are currently renovating or preparing the renovation for three additional projects with a total of 211 residential units.

Committed renovation pipeline at year-end 2022

Residential building	Location	Number of units	Type	Current energy label	New energy label
Kluizeweg	Arnhem	60	Multi-family	E	A
Botter	Hoorn	64	Single-family	D	A
Tuindorp	Utrecht	87	Single-family	F	A
Total		**211**			

In addition to the committed renovation pipeline, another 11 projects with approximately 1,300 residential units are currently in the initiative or design phase to be renovated in the near future. The total renovation pipeline will take us to our portfolio target of 99% green energy labels by year-end 2024 and our new 2030 targets, aiming to outperform Paris Proof by 2050 or earlier.

Performance

Market rent and theoretical rent

(€ million, year-end)	2022	%-growth	2021	%-growth	2020	%-growth	2019	%-growth	2018	%-growth
Market rent	401	4.1%	385	5.8%	364	8.0%	337	(3.71%)	350	32.6%
Theoretical rent	376	3.9%	362	3.1%	351	6.4%	330	(0.60%)	332	27.7%

The total theoretical rent stood at €376 million at year-end 2022, an increase of €14 million compared with year-end 2021. This was mainly driven by the inflow of new-build homes into the portfolio, the annual rent increase in July, and rent increases due to investments in quality and sustainability in selected assets in the portfolio. The total market rent at year-end 2022 was 6.6% higher than the theoretical rent, in line with 2021.

Average monthly rent per unit

(€, year-end)	2022	2021	2020	2019	2018
Average monthly rent	1,081	1,042	1,016	986	945

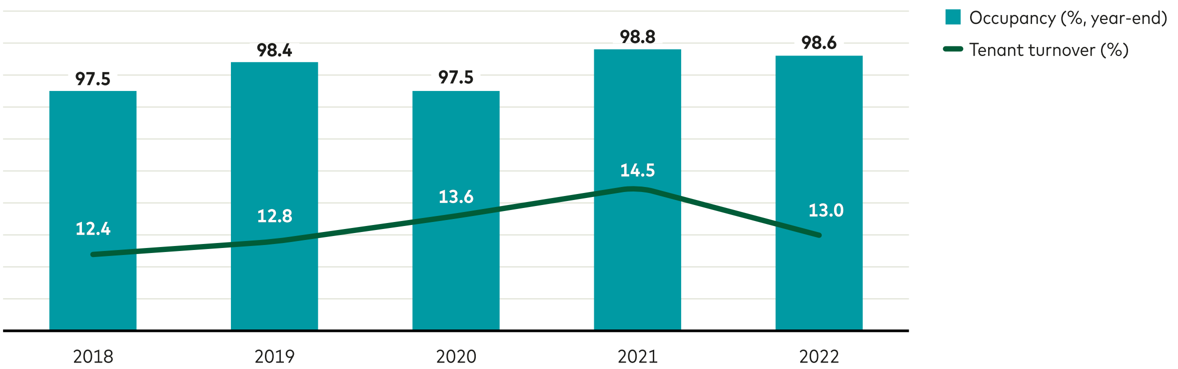
The average monthly rent (residential) had increased by 3.7% at year-end 2022, due to the like-for-like growth of our standing portfolio and changes in the composition of the portfolio due to new inflow and outflow.

Development of total theoretical rent of residential units

The table below shows the impact of the rent increase, reletting and portfolio inflow/outflow on the like-for-like rental growth.[1]

(%)	2022	2021
Average rent increase for current tenants	2.8	1.6
Re-letting	0.8	0.6
Other	0.2	0.2
Total like-for-like rent increase	**3.8**	**2.4**

Occupancy and tenant turnover



The occupancy rate (in units) declined slightly to 98.6%. The vacancy is mainly temporary due to renovation projects. Tenant turnover in the residential portfolio is now back at pre-COVID levels.

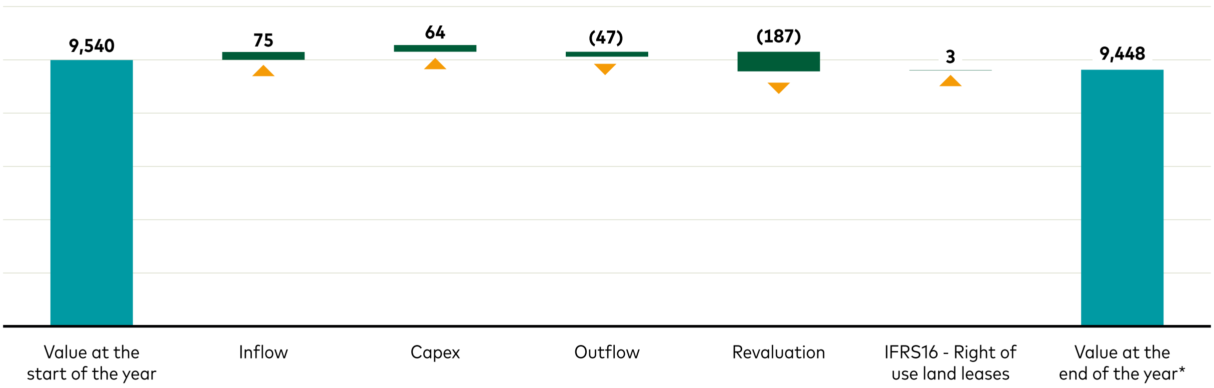
Rental income

(€ million, unless otherwise stated)	2022	2021	2020	2019	2018
Gross rental income	363	347	335	329	281
Net rental income	270	260	251	252	210
Gross/net ratio (%)	26.1	25.4	24.9	23.4	25.1

The gross rental income and net rental income of the portfolio increased last year, driven by the inflow of new-build homes, the annual rent increase and rent increases following large renovations. Our operating expenses also increased, largely due to planned maintenance, rising costs and higher non-recoverable service charges. This resulted in an increase of the gross/net ratio to 26.1% in 2022, compared with 25.4% in 2021.

1 Theoretical rent is measured at a single point in time (year-end) and therefore does not correspond with the increase in theoretical rent in 2022 compared with 2021, which you will find in Note 5 of the consolidated financial statements in this report.

Changes in market value in 2022 (€ million)



* excluding head office of Vesteda in Amsterdam (De Boel)

The graph above shows the market value development of the investment portfolio. The total value declined to €9.4 billion at year-end 2022 (including IFRS 16). This was 1.0% lower than at year-end 2021, mainly due to Q4 2022 revaluations that reflected the changing macro-economic developments and rising capital market interest rates.

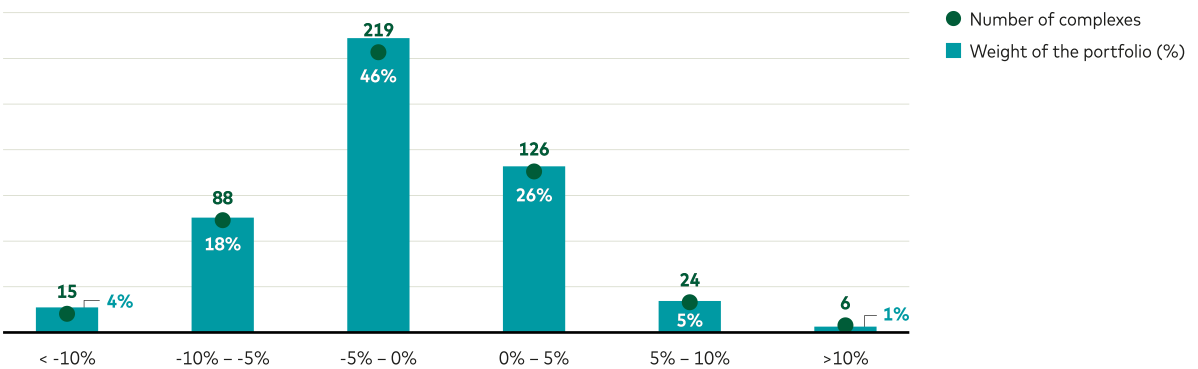
Average market value per unit

(€ thousand, year-end)	2022	2021	2020	2019	2018
Average value per residential unit	335	340	292	278	244

The average value per residential unit of Vesteda declined by 1.3% to €335 thousand at year-end 2022. This decline was largely driven by negative revaluations, which was partly offset by changes in portfolio composition (inflow/ outflow). The average value per residential unit in the Netherlands was €407 thousand at year-end 2022.

The graph below shows a breakdown of the 2022 revaluations throughout our portfolio.

Revaluation in 2022



Gross initial yield

(%, year-end)	2022	2021	2020	2019	2018
Gross initial yield	4.0	3.8	4.4	4.3	4.7

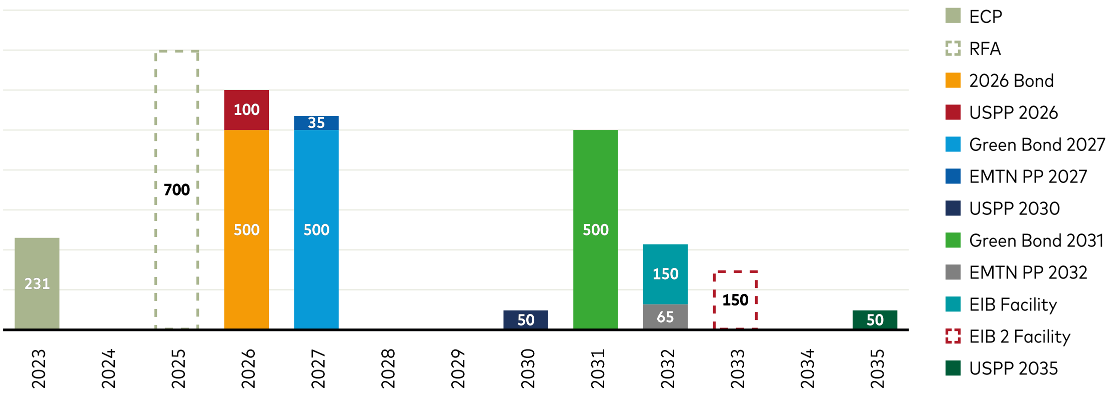
The gross initial yield of the portfolio, defined as the theoretical rent at year-end divided by the value of the portfolio at year-end (excl. IFRS 16), increased to 4.0% in 2022 from 3.8% in 2021. An increased risk perception, the higher real estate transfer tax and rising interest rates had a direct impact on buy-to-let bids and transactions. This was reflected in market values and therefore created a rising gap between market values and vacant possession values. This therefore led to a decline in the ratio between market values and vacant possession values. The rising interest rates also impacts the owner-occupied market, were we are seeing the first lower transaction prices.

Funding

Vesteda has a well-diversified fully unsecured funding structure, consisting of a combination of bank debt, Euro Commercial Paper (ECP), private placements, public bonds, and financing from the European Investment Bank (EIB). This unsecured debt profile enables Vesteda to secure debt funding through various debt markets at any point in time. This is supported by a strong credit rating of A- by Standard & Poor's.

Over the past few years, Vesteda has aligned its funding structure with its sustainable profile. Vesteda issued green bonds in 2019 and 2021, arranged a green private placement in 2020, and added EIB financing for affordable housing in 2020 and 2022. Furthermore, the Revolving Facility Agreement (RFA) was made sustainability-linked. These transactions underpin Vesteda's sustainable and social profile and help to diversify Vesteda's funding structure and to improve its cost of debt.

Debt maturity schedule



The first EIB financing of €150 million was fully used at year-end 2022. The proceeds of this loan agreement are used to fund projects in (regulated) mid-rental housing and to improve the sustainability of Vesteda's existing portfolio, up to 50% of the total investments. This agreement has a tenor of 10 years and allows fixed-rate and floating-rate funding. In December 2022, Vesteda arranged a second EIB financing of €150 million. This will also be used for the same purpose. It has an availability period up to 2025 and allows utilisations with a tenor of 10 years.

In April 2021, Vesteda agreed with its banks to amend the €700-million RFA, to make it a sustainability-linked RFA. The financing embeds four KPIs that measure Vesteda's sustainability performance. In 2022, Vesteda met three out of four KPIs, which meant that Vesteda is able to obtain a reduction in the interest margin.

Our funding strategy is based on the following funding targets:

1. Leverage of ≤ 30%;
2. Total fixed-rate and hedged floating rate exposure of ≥ 70%;
3. Weighted average maturity of ≥ four years;
4. Diversified funding profile, with at least three funding sources;
5. Sufficient liquidity headroom: to refinance debt, finance committed pipeline, and to accommodate redemption requests (Redemption Available Cash);
6. Maturity calendar ≤ 35% maturing in a single year;
7. Asset encumbrance ≤ 15% long term.

At year-end 2022, we met all our funding targets.

Vesteda's average weighted maturity of debt was 5.6 years, above our long-term minimum target of four years. The average total debt interest rate remained at 1.8% in 2022, similar to 2021. The loan-to-value ratio was 22.9% at year-end 2022, compared with 20.8% at year-end 2021. The interest cover ratio was 7.1 at year-end 2022, compared to 7.0 at year-end 2021.

Vesteda's main financial covenants, as part of its financing agreements, are a maximum loan-to-value ratio of 50% and a minimum interest cover ratio of 2.0. We comfortably met all the financial covenants of our financing arrangements in 2022. Vesteda's funding targets contribute to its robust, well-diversified and flexible funding structure. Within this funding structure, Vesteda is always looking to further optimise its average cost of debt by making use of different funding instruments at different maturities, and by floating or fixed rate debt.

Debt portfolio at year-end 2022

Committed instrument	Size (€ million)	Drawn (€ million)	Weight	Maturity	Tenor
Bond 2.00%	500	500	22.9%	2026	3.5 yr
Green Bond 1.50%	500	500	22.9%	2027	4.4 yr
Green Bond 0.75%	500	500	22.9%	2031	8.8 yr
EMTN PP 1.93%	35	35	1.6%	2027	5.0 yr
EMTN PP 2.50%	65	65	3.0%	2032	10.0 yr
Pricoa USPP 1.8%	100	100	4.6%	2026	4.0 yr
AIG Private Placement 1.03%	50	50	2.3%	2030	8.0 yr
NYL Private Placement 1.38%	50	50	2.3%	2035	13.0 yr
Syndicated RFA	700	-	0.0%	2025	2.4 yr
EIB Facility	150	150	6.9%	2032	9.7 yr
EIB 2 Facility[1]	150	-	0.0%	2033	10.0 yr
Total	**2,800**	**1,950**			

[1] EIB 2 Facility of €150 million not assigned to committed projects yet.

Uncommitted instrument	Size (€ million)	Drawn (€ million)	Weight
SMBC Uncommitted Facility	200	-	0.0%
Euro Commercial Paper programme	1,000	231	10.6%
Total	**1,200**	**231**	

Participants

Participant satisfaction

Our goal is to provide our participants with an attractive risk-return, transparency and high level of service. Participant satisfaction is one of our key performance indicators and has been stable at a high level over the past few years. The score is measured externally and anonymously, according to objective criteria, including financial performance, transparency and our strategy. We seek to continuously improve the dialogue with all our participants and maintain our participant satisfaction score by addressing the feedback from our annual satisfaction survey. The participant satisfaction score decreased to 4.18 (out of 5) in 2022, from 4.31 in 2021, driven by the demand for liquidity by participants.

Participant satisfaction (score out of 5)

4.18

List of participants

Vesteda has a strong and supportive investor base with a long-term horizon, largely consisting of pension funds and insurance companies. At year-end 2022, Vesteda's participant base consisted of the following institutional investors:

- Allianz Benelux
- APG Strategic Real Estate Pool
- AZ Jupiter 10
- Deutsche Annington Acquisition Holding GmbH
- Euler Hermes
- Nationale-Nederlanden Levensverzekering Maatschappij
- Non-disclosed Asian institutional investor
- PGGM Private Real Estate Fund
- REI Diaphane Fund
- Stichting Bedrijfstakpensioenfonds voor de Media PNO
- Stichting Pensioenfonds ABP
- Stichting Pensioenfonds Delta Lloyd
- Stichting Pensioenfonds ING
- Stichting Pensioenfonds PGB
- Stichting Pensioenfonds Rail & Openbaar Vervoer
- Stichting Pensioenfonds voor Fysiotherapeuten
- Stichting Pensioenfonds Xerox
- Stichting TKPI European Real Estate Fund
- VCRF Holding

Number of issued participations

The total number of issued participation rights had declined by 216,347 to stand at 35,681,248 at year-end 2022, following an equity redemption of €50 million on 30 September 2022.

Redemption requests

In 2022, we were informed that some of our participants would like to redeem part of their investment in Vesteda, due to among others rebalancing of their total investment portfolios. The fund has €50 million per year available (Redemption Available Cash) to fund redemption requests. In 2022, we used the full amount to accommodate part of the demand. At the same time, together with an advisor, we are taking the lead in the search for new investors to provide additional liquidity.

Profit distribution to participants

Policy: Vesteda distributes its realised results, exluding results on property sales, to its participants. 80% of budgeted distribution is paid out in four quarterly instalments, within two weeks after quarter end. The final distribution payment takes place after the adoption of the distribution proposal in April, based on audited results.

In 2022, a total amount of €195 million was distributed to participants, including €78 million consisting of the Q4 2021 interim distribution paid out in January 2022 and the 2021 final distribution paid out in April 2022. A total of €117 million was paid in three instalments as interim distributions for 2022.

In 2023, the Q4 2022 interim distribution of €39 million was paid out in January. Vesteda will propose to the General Meeting of Participants on 12 April 2023 a final distribution payment of €44 million for 2022.

Profit distributions (2022-2013)

(€ million, unless otherwise stated)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Income distribution	195	186	195	182	151	206	121	107	100	74
Capital repayment related to portfolio sale	-	-	-	162	264	-	-	-	-	-
Total distribution	**195**	**186**	**195**	**344**	**415**	**206**	**121**	**107**	**100**	**74**
Income distribution as % of time weighted average equity	*2.5*	*2.8*	*3.2*	*3.2*	*3.4*	*6.1*	*4.4*	*4.4*	*4.4*	*3.1*
Total distribution as % of time weighted average equity	*2.5*	*2.8*	*3.2*	*6.0*	*9.3*	*6.1*	*4.4*	*4.4*	*4.4*	*3.1*

Notes to the results

Income statement

(€ million)	2022	2021
Theoretical rent	369	360
Loss of rent	(6)	(13)
Gross rental income	**363**	**347**
Service charges income	11	12
Other income	1	1
Revenues	**375**	**360**
Property operating expenses (excluding service charges)	(89)	(84)
Service charges	(16)	(16)
Net rental income	**270**	**260**
Result on property sales	6	16
Management expenses	(27)	(25)
Financial results (incl. amortisation of financing costs and IFRS 16)	(42)	(39)
Realised result before tax	**207**	**212**
Unrealised result	(218)	1,233
Result before tax	**(11)**	**1,445**
Tax	(1)	(1)
Result after tax	(12)	1,444
Settlement pre-hedge contracts	1	1
Revaluation of Property Plant and Equipment (PPE)	1	-
Total comprehensive income	**(10)**	**1,445**

Gross rental income
The total theoretical rent increased by €9 million to €369 million in 2022. The average monthly rent (residential) increased to €1,081 at year-end 2022, from €1,042 at year-end 2021. The like-for-like rent increase was 3.8% in 2022 (2021: 2.4%), while the loss of rent fell to 1.8% in 2022, from 3.6% in 2021. Overall, this resulted in an increase in gross rental income of €16 million to €363 million in 2022.

Net rental income
Property operating expenses, including non-recoverable charges, amounted to €94 million in 2022, €6 million higher than in 2021, mainly due to higher planned maintenance costs. Operating expenses, including non-recoverable charges, amounted to 26.1% of gross rental income in 2022 (2021: 25.4%). This resulted in a net rental income of €270 million in 2022, compared with €260 million in 2021.

Result on property sales
In 2022, Vesteda sold a total of 157 homes from its investment portfolio, consisting of 109 individual unit sales and one complex sale consisting of 48 units. The net result on property sales amounted to €6 million (2021: €16 million).

Management expenses
Management expenses amounted to €27 million in 2022, €2 million higher than in 2021. This was mainly due to higher personnel costs, higher IT costs and lower recharged rental expenses in 2022. The Total Expense Ratio (TER) decreased to 28 basis points over Gross Asset Value (GAV) in 2022, from 29 basis points over GAV in 2021.

Financial results
Financial results decreased by €3 million to -€42 million in 2022, mainly due to higher interest expenses as a result of higher debt, higher amortisation of financing costs and less interest income. The average cost of debt remained stable at 1.8%.

Financial results and EBITDA

(€ million, unless otherwise stated)	2022	2021
Financial results (incl. amortisation of financing costs and IFRS 16)	42	39
Interest expenses	35	32
EBITDA including result on property sales	252	253
EBITDA excluding result on property sales	245	237
Interest cover ratio	7.1	7.0

Realised result

Vesteda recorded a realised result of €207 million in 2022, compared with €212 million in 2021. The decline was driven by fewer property sales, which was partly offset by rental growth. The realised return as a percentage of time weighted average equity declined to 2.6% in 2022 from 3.2% in 2021. Excluding the result on property sales, the realised result increased to €201 million in 2022 from €196 million in 2021.

Unrealised result

After several years of positive revaluations, we saw negative revaluations in the third and fourth quarter of 2022. For the full year, the unrealised result amounted to a negative €218 million in 2022, compared with a positive unrealised result of €1,233 million in 2021.

Total comprehensive income

Vesteda's total comprehensive income declined to a negative result of €10 million in 2022 from a positive result of €1,445 million in 2021, due to the negative revaluations in 2022. The total return on time-weighted average equity (ROE) was -0.1% in 2022 (2021: 22.0%), consisting of a realised return of 2.6% (2021: 3.2%) which was more than offset by an unrealised return of -2.8% (2021: 18.7%).

Statement of financial position

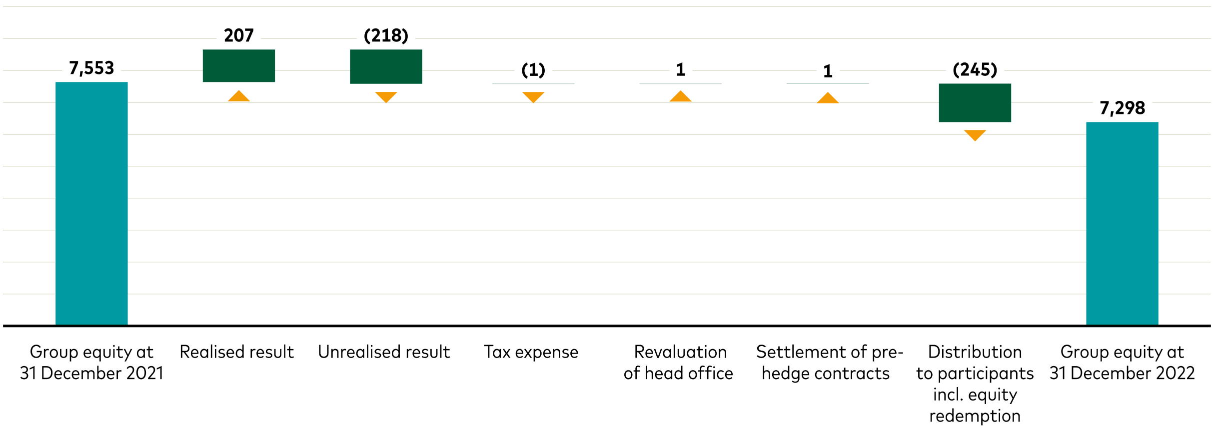
(€ million, unless otherwise stated)	31 December 2022	31 December 2021
Total assets (excl. IFRS 16)	9,567	9,714
Equity	7,298	7,553
Net debt	2,180	1,991
Leverage ratio (%, excl. IFRS 16)	22.8	20.5

At year-end 2022, the leverage ratio excluding IFRS 16 was 22.8% (year-end 2021: 20.5%). Including IFRS 16, the leverage ratio was 24.0% at year-end 2022 (year-end 2021: 21.7%).

Changes in equity

At year-end 2022, group equity amounted to €7,298 million, compared with €7,553 million at year-end 2021. The €255 million decline in equity was the balance of a realised result of €207 million, a negative unrealised result of €218 million, a €1 million income tax expense, a €1 million settlement gain on pre-hedge contracts, a positive €1 million revaluation of head office, an equity redemption of €50 million and profit distributions to participants totalling €195 million.

Changes in equity (€ million)



Return on equity

(% of time weighted average equity)	2022	2021
Realised return	2.6	3.2
- return from letting	2.6	3.0
- return from property sales	0.1	0.2
Unrealised return	(2.8)	18.7
Total return	(0.1)	21.9
Return from other comprehensive income	-	0.1
Total comprehensive return	(0.1)	22.0
Total comprehensive income in € per participation right (based on number of participations at year-end)	(0.3)	40.0
Proposed distribution over the financial year (% of time weighted average equity)	2.6	3.0

Performance compared with MSCI benchmark

In 2022, Vesteda underperformed the MSCI IPD Netherlands Residential Benchmark by 1.0%. The outperformance on direct return was 0.1%, while Vesteda underperformed on capital growth with 1.1%. However, on the three year average return Vesteda outperformed by 0.1%, driven by the substantial relative capital growth in 2021. This brings the three year average capital growth in line with the benchmark. Our focus for the coming years remains on long-term outperformance, the three-year average total return. [2]

2 Direct return and capital growth might not add up to total return as a result of time-weighted averages on a monthly basis.

Vesteda Residential Fund versus MSCI residential benchmark

(%)	2022	2021	2020	2019	2018	3 yr average	5 yr average
Direct return							
Vesteda	2.8	3.1	3.1	3.3	3.5	3.0	3.2
MSCI-benchmark	2.6	2.9	2.9	3.2	3.4	2.8	3.0
Outperformance	*0.1*	*0.2*	*0.2*	*0.2*	-	*0.2*	*0.2*
Capital growth							
Vesteda	(2.1)	14.9	3.5	9.2	15.9	5.2	8.0
MSCI-benchmark	(1.0)	12.2	5.3	10.1	14.7	5.3	8.1
Outperformance	*(1.1)*	*2.4*	*(1.7)*	*(0.8)*	*1.0*	*(0.1)*	*(0.1)*
Total return							
Vesteda	0.6	18.4	6.8	12.8	19.9	8.4	11.4
MSCI-benchmark	1.6	15.4	8.3	13.6	18.6	8.3	11.3
Outperformance	*(1.0)*	*2.6*	*(1.4)*	*(0.7)*	*1.1*	*0.1*	*0.1*

Non-financial figures

(year-end, unless otherwise stated)	2022	2021
Number of residential units	27,661	27,570
- multi-family	15,352	15,180
- single-family	12,309	12,390
Number of residential units inflow (full-year)	243	419
Number of residential units outflow (full-year)	157	331
- individual unit sales (full-year)	109	169
- portfolio sales (full-year)	-	-
- residential building sales (full-year)	48	162
Occupancy rate (% of units)	98.6	98.8
Tenant satisfaction (full-year, rating out of 10)	7.1	7.0
Number of employees (FTE)	217	217

For more information, please see the Consolidated financial statements and Company financial statements sections of this report.

Social value

Environmental

Vesteda constantly aims to improve our sustainability performance, which helps us safeguard the attractiveness of the fund and optimise our long-term risk/return ratio. Our objective is to reduce the consumption of energy and water, and cut CO_2 emissions. We also aim to use circular materials, increase biodiversity around our complexes and improve the climate adaptivity of our portfolio. Finally, we encourage our business partners to have the same high standards in terms of sustainability.

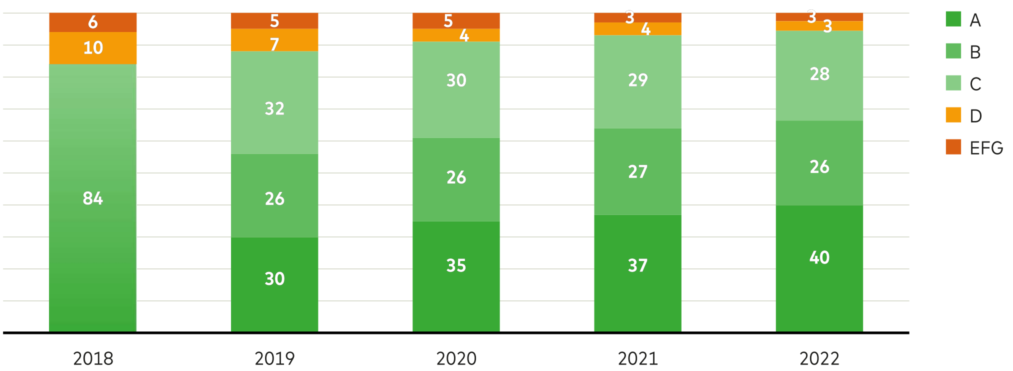
Portfolio sustainability improvement

In 2015, Vesteda's participants approved a plan to improve the energy performance of Vesteda's buildings. Our ambition for the future is to have green energy labels (A, B or C) for 99% of our portfolio by year-end 2024. It is nearly impossible to achieve 100% green labels, considering the state of city centre buildings and historical buildings, as well as local government regulations.

In 2022, we invested €19 million and improved the energy performance of 1,160 residential units. This includes 368 homes improved through large complex renovations. The measures include the installation of high efficiency boilers, DC ventilators, LED lightning in common areas, insulated glass, insulation of roofs, cavity walls and under floors, and solar panels. Vesteda installed a total of 6,224 solar panels. At year-end 2022, Vesteda had installed a total of 23,543 solar panels in its portfolio, generating approximately 6.1 million kWh annually.

The percentage of homes in our portfolio with a green energy label (A, B, or C) increased to 94% in 2022, from 93% in the previous year.

Energy labels (%, weight in units)



Note: the requirements for energy labels tightened in the past years. Labels are valid for a maximum of 10 years.

Healthy and safe homes

We want to provide our tenants with healthy and safe homes. This is just as important as a pleasant home and living environment. This means that our homes are free of high-risk asbestos, central heating boilers are checked regularly, lifts are checked frequently and combined heat and power installations are provided with new filters if necessary. The quality of gas pipelines and drinking water is also essential. In addition, Vesteda has drawn up risk maps for every residential building. Although these measures are of a more technical nature, they can have a positive impact on the lives and well-being of our tenants. To ensure the health and safety of our homes as effectively as possible, we took the following precautionary measures that are monitored or executed by our Operations department:

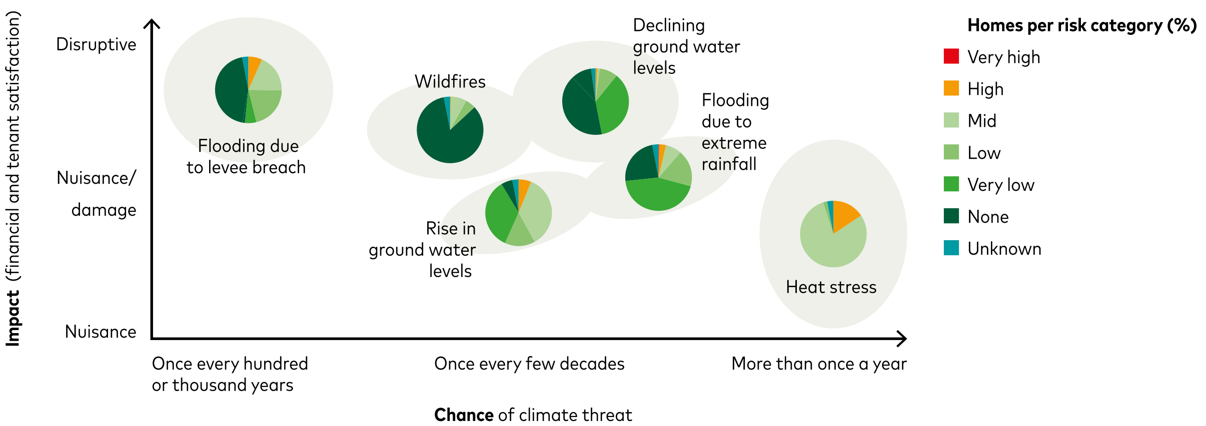
- **Gas pipes:** We are investigating the amount and the quality of steel gas pipes in our portfolio. We expect to have a complete overview by the end of 2023. The pipelines are replaced if the quality cannot be guaranteed or if there is an opportunity to make the property more energy-efficient and sustainable.
- **Legionella:** Approximately 80% of our multi-family complexes have been inspected for legionella risks in the central part of these buildings. If Vesteda is not the sole owner of a building, we ask the owners' association to initiate the inspection.
- **Asbestos:** Almost all our complexes are inspected for asbestos, if this could be present based on construction year. If asbestos or signs of asbestos were found, Vesteda took appropriate action, including clean-ups and providing information for tenants and third parties.
- **Central heating installations:** We aim to inspect all central heating installations once every two years. For open combustion devices, we aim for an inspection every eighteen months. Over the course of two years, nearly 80% of the central heating systems where inspected.
- **Combined heat and power installations:** Our goal is to inspect the installations every two years and place new filters, if necessary. In 2022, more than half of the installations were inspected. The remaining installations will be inspected before the end of 2023.
- **Lifts:** Nearly all lifts were inspected in 2022, and 95% were approved. An inspection for the remaining lifts will take place in 2023. In addition, the emergency audio connection of all lifts were inspected and tested seperately.
- **Fire safety:** Nearly all our multi-family complexes are inspected in accordance with the Dutch building decree. In addition, in 2022 we inspected the fire extinguishing equipment, water pipes and emergency lighting at a total of 115 complexes. Furthermore, following new regulation, all our complexes where checked for smoke detectors. When a smoke detector was missing, a new one was installed.

Sustainable supply chain
Since 2016, we ask our largest suppliers to sign the IVBN sustainability declaration. Although signing is voluntary, it does give Vesteda the opportunity to start a constructive dialogue and it enables us to promote our core values and influence our suppliers. The next step will be to improve our impact, by rolling out a sustainability scan with questions on policies, targets and results. In collaboration with IVBN members, we conduct an annual survey which addresses a number of issues, covering the ESG topics. The input gives us a good understanding of sustainability in the chain. In 2022, 97% of the respondents signed the sustainability declaration.

Circular portfolio investments
Vesteda is committed to circular construction. We encourage and apply the use of circular materials in our new-build contruction projects, as well as for renovation and maintenance projects. From our position as an investor, we can make an important contribution in partnerships with our stakeholders.

Physical climate risks
Due to the changing climate, people are faced with physical climate risks such as heat stress and flooding. In 2021, together with Climate Adaptation Services and Sweco, we created an in-house tool to provide us with insights into the physical climate risks of our portfolio. The tool is unique because we combined environmental risks with building-specific characteristics. We use this tool to monitor Vesteda's physical climate risks, providing valuable information and potential measures to mitigate the risks.

Climate risks and impact on the Vesteda portfolio



The risks to our total portfolio are low, and we will address and mitigate these effects on the few high-risk properties. We are now focusing on two types of risks: heat stress and flooding due to extreme rainfall. We will start with assets with a very high risk for these two risk types, with the aim of mitigating these risks by 2024. For assets with a high risk, we aim to have a mitigation plan by 2025. All other elevated climate risks are addressed in a mitigation plan per asset.

Climate risk: heat stress

Risk	Number of units	Policy
Unknown	838	To be determined
Low	521	Acceptable risk, take action if issues occur
Average	21,918	Acceptable risk, take action if issues occur
High	4,318	Prepare plan by 2025
Very high	66	Mitigate risk by 2024

Climate risk: flooding due to heavy rainfall

Risk	Number of units	Policy
Unknown	838	To be determined
None/not applicable	6,500	Acceptable risk, take action if issues occur
Very low	12,209	Acceptable risk, take action if issues occur
Low	4,954	Acceptable risk, take action if issues occur
Average	2,116	Acceptable risk, take action if issues occur
High	903	Prepare plan by 2025
Very high	141	Mitigate risk by 2024

Measuring and managing resource consumption of our tenants

Our goal is to manage and reduce our use of resources (energy, water) and to reduce the production of greenhouse gases. We aim to structurally reduce the energy consumption in our investment portfolio. We started this project in 2016, when the focus was initially on common areas. Due to collaboration with grid operators it is now possible to also measure the energy consumption of our tenants.

Common areas

In 2022, our electricity use for common areas decreased with 2.2% and gas consumption with 8.0%. Our portfolios green electricity was 92%. The remaining non-sustainable energy have existing energy contracts that cannot be changed yet or are operated by residents associations where we have no influence on the type of energy purchased. Since not all utility providers have finalised their annual statements yet, the coverage in 2022 is lower than 2021.

In like-for-like, the consumption is compared for areas for which the consumption is available for twelve months in 2021 and 2022. The square metres of the common areas are calculated based on a representative sample in which we measured that the actual common area square metres on average represent approximately 14% of a complex.

	Absolute		Like-for-like	
Common areas	**2022**	**2021**	**2022**	**2021**
Key figures				
Portfolios green electricity (%)	92%	74%	92%	92%
Portfolios green gas (%)	98%	98%	98%	98%
Energy consumption				
Consumption from electricity (kWh)	7,174,862	10,698,150	6,581,888	6,731,060
Consumption from gas (m3)	28,416	29,191	26,855	29,191
Greenhouse gas emissions				
Total indirect emissions (metric tonnes CO_2, electricity) - Gross	184	1,197	184	238
Total direct emissions (metric tonnes CO_2, gas) - Gross	59	61	56	61
Total indirect emissions (metric tonnes CO_2, electricity) - Net	184	1,197	184	238
Total direct emissions (metric tonnes CO_2, gas) - Net	1	1	1	1
Water				
Total water usage (m3)	77,265	63,991	62,370	59,874
Coverage sqm				
Coverage % electricity - based on sqm	74%		86%	
Coverage % gas - based on sqm	100%		88%	
Coverage % water - based on sqm	69%		71%	

Tenants

In 2022, the tenant consumption decreased with 2.7% for electricity, 7.9% for gas and 17.2% for district heating. In like-for-like the consumption is compared for areas for which the consumption is available for twelve months in 2021 and 2022. Data available for ten months or more is extrapolated and included for twelve months in the overview. The energy crisis and our continuous sustainability efforts helped in lowering the energy consumption of our tenants.

Tenants	Absolute 2022	Absolute 2021	Like-for-like 2022	Like-for-like 2021
Energy consumption				
Consumption from electricity (kWh)	67,888,129	69,751,585	67,888,129	69,751,585
Consumption from gas (m3)	19,666,481	21,625,744	19,666,481	21,363,876
Consumption from district heating (GJ)	41,921	105,115	40,921	49,417
Greenhouse gas emissions				
Total indirect emissions (metric tonnes CO_2, electricity) - Gross	15,658	19,705	15,658	19,705
Total direct emissions (metric tonnes CO_2, gas) - Gross	40,887	45,090	40,887	44,544
Total indirect emissions (metric tonnes CO_2, electricity) - Net	15,658	19,705	15,658	19,705
Total direct emissions (metric tonnes CO_2, gas) - Net	40,887	45,090	40,887	44,544
Water				
Total water usage (m3)	1,530,127	1,974,315	1,387,151	1,469,074
Coverage sqm				
Coverage % electricity - based on sqm LFA	100%		100%	
Coverage % gas - based on sqm LFA	99%		100%	
Coverage % water - based on sqm LFA	66%		79%	
Coverage % district heating - based on sqm LFA	30%		61%	

Total

The total energy consumption of our total portfolio including intensity measures was as followed.

Total	Absolute 2022	Absolute 2021	Like-for-like 2022	Like-for-like 2021
Energy consumption				
Consumption from electricity (kWh)	75,062,991	80,449,736	74,470,017	76,482,645
Consumption from gas (m3)	19,694,897	21,654,936	19,693,336	21,393,067
Consumption from district heating (GJ)	41,921	105,115	40,921	49,417
Greenhouse gas emissions				
Total indirect emissions (metric tonnes CO_2, electricity) - Gross	15,841	20,902	15,841	19,943
Total direct emissions (metric tonnes CO_2, gas) - Gross	40,946	45,151	40,942	44,605
Total indirect emissions (metric tonnes CO_2, electricity) - Net	15,841	20,902	15,841	19,943
Total direct emissions (metric tonnes CO_2, gas) - Net	40,888	45,091	40,888	44,545
Water				
Total water usage (m3)	1,607,392	2,038,307	1,449,521	1,528,948
Solar energy				
Generation solar energy (kWh)	6,148,972	3,704,540		

Besides reduction in energy consumption, the generation of solar energy increased. In 2023, Vesteda will install more solar panels on single-family homes.

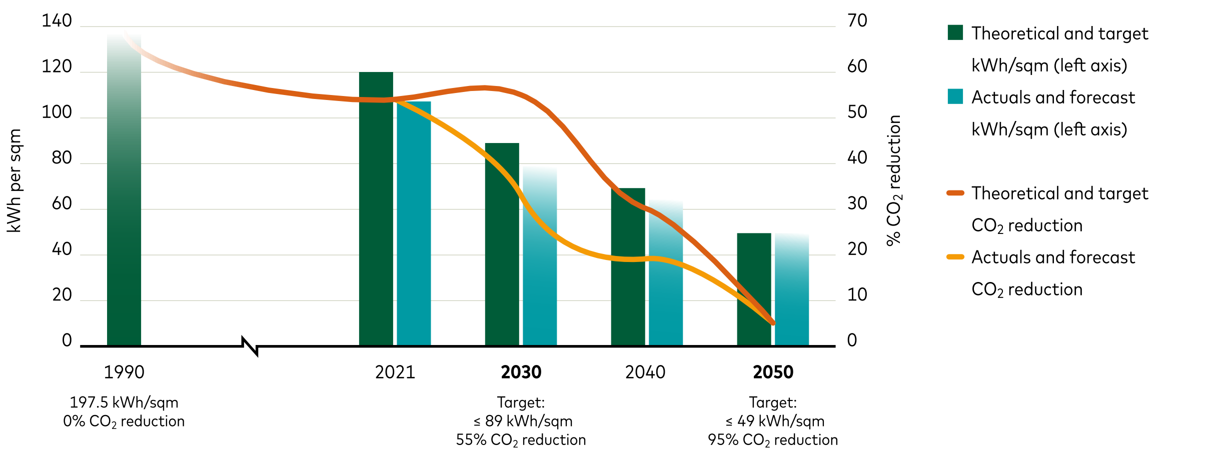
Intensity performance indicators

	Absolute		Like-for-like	
	2022	**2021**	**2022**	**2021**
Intensity from buildings per sqm - common areas				
Electricity intensity (kWh/year/sqm)	44.74	57.03	43.82	44.82
Gas intensity (m3/year/sqm)	2.37	2.76	2.54	2.76
Green House Gas emissions intensity (kg CO_2/year/sqm) - Gross	6.08	12.13	6.50	7.33
Green House Gas emissions intensity (kg CO_2/year/sqm) - Net	1.24	6.49	1.33	1.70
Water intensity (m3/year)	0.83	0.66	0.73	0.70
Intensity from buildings per sqm - tenants				
Electricity intensity (kWh/year/sqm)	23.99	24.65	23.99	24.65
Gas intensity (m3/year/sqm)	9.24	10.06	9.24	10.04
Green House Gas emissions intensity (kg CO_2/year/sqm) - Gross	24.74	27.94	24.74	27.89
Green House Gas emissions intensity (kg CO_2/year/sqm) - Net	24.74	27.94	24.74	27.89
Water intensity (m3/year)	0.82	0.88	0.81	0.86
Intensity from buildings - per tenant				
Electricity intensity (kWh/year)	1,142.42	1,173.78	1,142.42	1,173.78
Gas intensity (m3/year)	439.90	479.08	439.90	477.86
Water intensity (m3/year)	39.11	41.91	38.74	41.02

Paris Agreement

As part of our focus on climate change mitigation, we updated our CO_2 roadmap, in which we commit to the Paris Agreement by reducing our carbon footprint. In the CO_2 roadmap, we focus on two main KPIs, which are kWh/square metres and CO_2/square metres of our portfolio. Using the 'Trias Energetica principle', we will first focus on reducing the energy demand of our homes.

CO_2 Roadmap



Our energy reduction target has been revised from 50% to 55% by 2030, relative to 1990. To achieve these goals we will materially accelerate our sustainability investments, including investments in climate adaptivity. The roadmap stays dynamic, since policies and targets may change. We are well on our way to reducing our energy consumption by 55% in 2030. Our current reduction is over 50% in energy consumption and in CO_2 emissions, compared with consumption in 1990.

After 2030, we will focus on further reducing energy consumption and on switching to sustainable 'green' energy sources, in order to realise a 95% reduction in CO_2 emissions by 2050. The goal is to ensure that the energy consumption that remains is mostly CO_2 emission free.

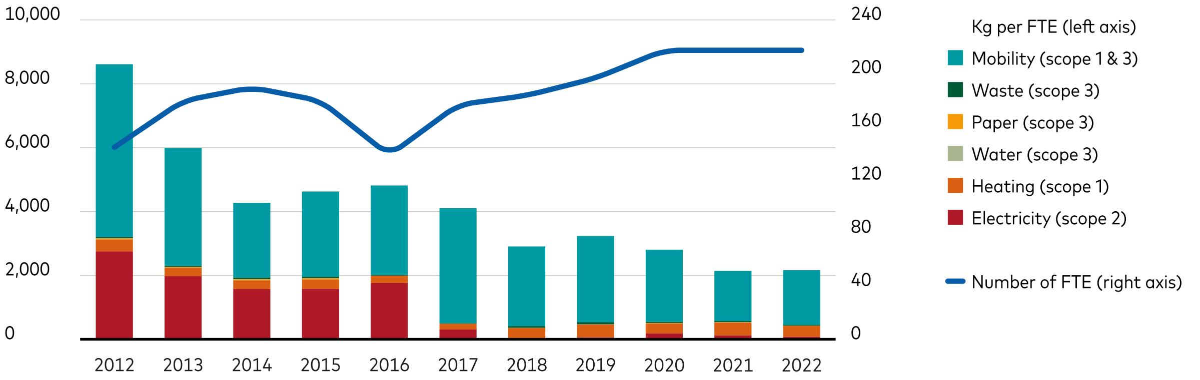
BREEAM in-use certifications

In 2022, we fully certified our portfolio with BREEAM in-use. It was an extensive project, which was completed within one year time. This resulted in 634 certificates for 27,444 homes. This certification helps us to gain insight into the sustainability performance of our complexes. The outcome of the certifications is used to determine the improvements at asset level to lower the energy consumption and improve sustainability performance. The BREAAM in-use certification will also contribute to a higher GRESB score in 2023.

CO_2 footprint of our organisation

Vesteda aims to reduce the CO_2 emissions of our organisation. In 2022, the total CO_2 footprint of our organisation was 467 tonnes of CO_2, or 2,149 kg per FTE. This includes nine of our ten regional offices for which data is available. Our 2022 carbon footprint amounts to an increase of 1.1% per FTE compared with the previous year. Based on the GHG protocol, scope 1 accounts for the majority (69%) of our total emissions, compared with 3% for scope 2 and 28% for scope 3.

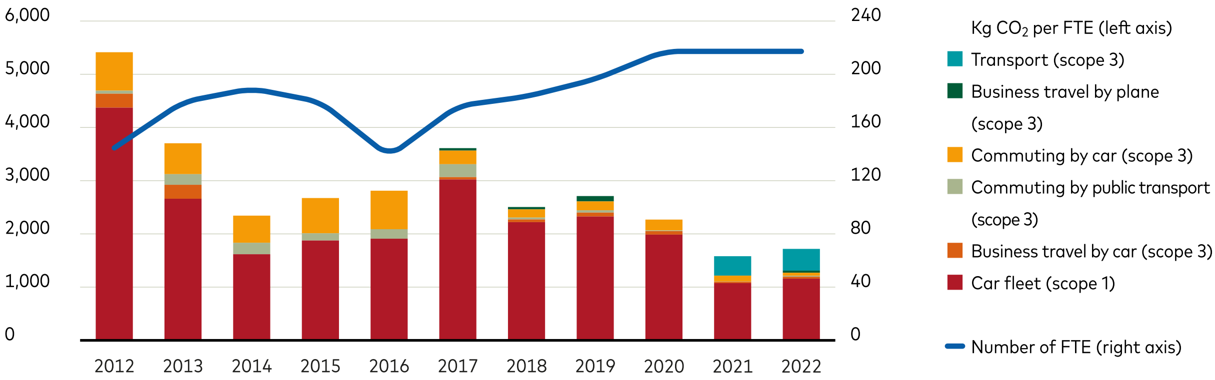
CO_2 emission per FTE



To reduce energy usage at the head office, we now switch off the lighting in the restaurant and meeting rooms during daytime hours. We have also lowered the heating temperature by 1 degree centigrade and the heating is switched on an hour later. This intervention has had an impact on heating-related consumption in Amsterdam, although the consumption of electricity did increase as more colleagues came into our offices in 2022. Together with our suppliers, we are currently exploring opportunities to make our offices more sustainable and realise energy savings.

The CO_2 generated by mobility still accounts for the majority of our total CO_2 footprint. In 2022, we continued to reduce these emissions by making our car fleet more sustainable. As a result, 38% of our car fleet was fully electric at the end of 2022. The total CO_2 emissions of our mobility was 7.9% higher than in 2021, due to less car travel in 2021, an increase in the number of cars, and more car travel in 2022. The figure below shows the transport-related CO_2 emissions per FTE in the period 2012 through 2022.

Transport-related CO_2 emissions per FTE



Circularity within our organisation

In 2022, Vesteda drew up and actively pursued the implementation of a roadmap to improve circularity within our organisation. We also drew up a sustainable procurement policy together with a third party, to make sure that we purchase products more responsibly. We informed Vesteda employees about this to increase the awareness of the relevance of circularity. We increased the number of waste flows at Vesteda's head office. Together with our suppliers, we created a sustainable range of waste flows for sanitary, office and catering items, favouring FSC-certified products and minimising packaging waste.

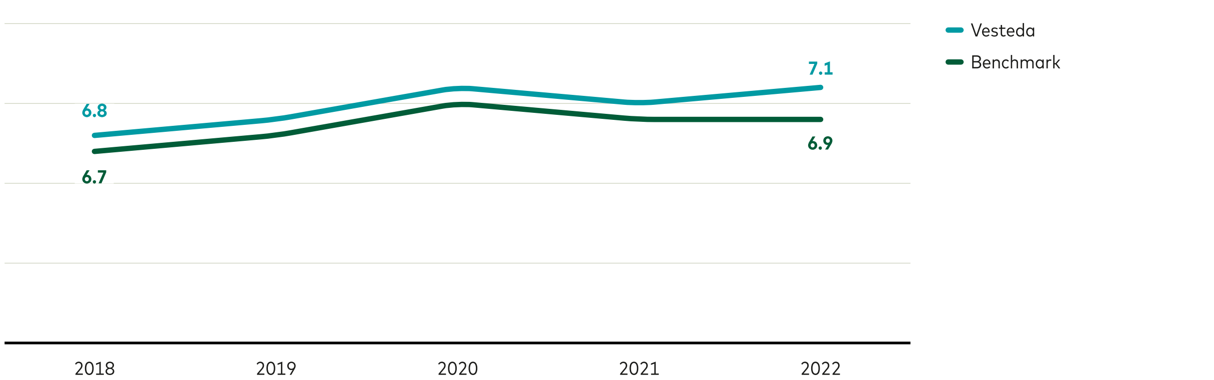
Social

Tenant satisfaction

Our goal is to be the best landlord in the Netherlands. This is why we gather effective tenant feedback and make it our goal to make sure they feel at home with Vesteda. A pleasant home, a smooth customer journey and clear and transparent communications all contribute to this. We believe that satisfied tenants are less likely to move and that they contribute to the well-being of other tenants, which in turn enhances social cohesion and the performance of our assets. Measuring tenant satisfaction is a valuable indicator for us, letting us know if we are on the right track and how we can improve our homes and services.

Once a year, we measure tenant satisfaction through a benchmark survey conducted by Customeyes. The score for overall tenant satisfaction is comparable to the Net Promoter Score, which is a method used to measure client loyalty. In 2022, in total 12 residential investors in the Netherlands participated in this survey. The Customeyes data consists of a representative sample drawn from all Vesteda’s tenants. The survey provides us with detailed information on how our tenants experience our homes, the living environment and our service levels. We share the results of this survey with our tenants and employees and evaluate the results to identify potential improvements.

Tenant satisfaction (Customeyes benchmark)



Vesteda is proud that we outperformed the benchmark in the annual Customeyes survey, with a score of 7.1 (benchmark 6.9). We believe that the fifth consecutive outperformance reflects the importance of our in-house property management and the value of gathering direct feedback from our tenants. We learned what we are doing well, which is important to maintain our performance in these areas, and more importantly we learned where we can improve. Key areas of improvement are further sustainability investments and the number of visits needed for a repair request.

We started with an extensive project to improve the process for repair requests. We are focusing on standardising working methods during the process. We also record all contact moments with tenants and suppliers. Additionally, we started using a new reporting tool to give us more insight and monitor the process of repair requests and complaints. This enables us to take more proactive action to increase the quality and speed of repairs.

Please see the Management agenda for 2023 of this report for our plans to improve tenant satisfaction.

Affordability

Annual rent increase

In 2022, the annual rent increase was moderated at a maximum of 2.3% for regulated contracts and a maximum of 3.3% for liberalised contracts. In addition, we waived the rent increase for retired tenants who applied and met certain conditions.

Renovations and energy use

Given today's high energy prices, the affordability of a home is impacted by its sustainability and the energy usage of the tenant. Therefore, we invest in large-scale renovations and in solar panels, in order to reduce energy consumption. In addition, by providing information about energy usage and ways to reduce it, we aim to encourage our tenants to adopt a more sustainable lifestyle, while also lowering their total cost of living.

Home sharing and policy changes

In 2022, we increased the number of homes where home sharing is allowed. We signed a covenant with the Regenboog Groep allowing tenants in Amsterdam and Amstelveen to sublet a room to economically homeless people. We call this the 'Onder de Pannen' project. After a successful pilot, we will offer this right across our portfolio in 2023.

In April 2022, we changed our nomination policy. Below a monthly rent of €1,400, it is no longer possible for departing tenants to nominate a candidate tenant for a vacant property. This gives everyone an equal opportunity to rent an affordable home at Vesteda.

Engaged stakeholders and a socially engaged organisation

We believe it is important to engage in sustainable relationships with our tenants, our participants and our other stakeholders. Transparent communication builds mutual trust. Therefore, we communicate openly about our activities. In 2022, we launched various initiatives with and for our stakeholders:

- JINC: We help young adults to prepare for and start their working life by giving job application training;
- Klusbus pilot: Fitters from our contractors drove to different complexes and helped tenants with small repairs, which they normally have to do themselves. This day also stimulated the social interaction between tenants, which is also one of our goals. We plan to continue this pilot in 2023 to provide an optimal customer experience;
- BeterBuren: Vesteda has teamed up with the BeterBuren (better neighbours) organisation, a neutral party and mediator for neighbours involved in disputes.

In addition, we want to contribute to society and to the neighbourhoods where our properties are located:

- Nibud (National Institute for Budget Information): We provide a calculation tool on our website which enables (potential) tenants to calculate their total cost of living. In this way, both new and existing tenants can calculate if their home is affordable for them;
- Dutch Society of the protection of Birds (Vogelbescherming): Together with our partner, we are researching how we can improve the biodiversity in our portfolio by installing bird and insect houses to increase biodiversity. We also provide special welcome packages to tenants of newly built complexes, providing information on how to make their new garden bird and insect friendly.
- Struikroven partnership: initiative to save existing plants and trees from gardens and give them a new destination in the area together with local residents. This contributes to local biodiversity and promotes livability and community-building, especially in new residential areas.

Governance

Applying good governance benefits all stakeholders, helps to mitigate risks and safeguards Vesteda's reputation. Governance encompasses multiple aspects, such as: the protection of participants' rights, board independence and decision-making processes, the regulatory and legal environment, business ethics, executive/equal pay, diversity & inclusion, (personal) data integrity, tax strategy, etc.

Governance has become an ever greater focus point in recent years, as European legislation related to ESG reporting has amped up. For example, the Sustainable Finance Disclosure Regulation requires financial institutions like Vesteda to be transparent about the integration of ESG factors in their business models and to report the extent to which their portfolios are EU Taxonomy-aligned, as well as meet certain minimum safeguards, such as compliance with the ILO Core Labour Conventions. Governance aspects also play an important role in our GRESB assessment.

Vesteda Residential Fund

Vesteda Residential Fund is a contractual investment fund as defined in section 1:1 of the Dutch Financial Supervision Act (FSA). It is an unlisted fund for the joint account of the participants. As such, the economic title to the fund assets is held by the participants pro rata to their participation rights. The purpose of the fund is to make investments, and in particular (but not limited to) to invest capital, indirectly or directly, in property mainly designated for residential purposes located in the Netherlands, for the account and at the risk of the participants. The strategy of the fund is set out in more detail in the investment guidelines that form part of the fund's Terms and Conditions.

Vesteda Residential Fund's Terms and Conditions govern the fund and they can only be amended by a resolution of the participants. They have entrusted the Manager, Vesteda Investment Management B.V., with the management and operation of the fund. The Manager carries out its task solely in the interests of the participants and within the boundaries described in the fund's Terms and Conditions. The Manager, in its capacity as Manager and operator of the fund, is subject to the supervision of the Dutch Financial Markets Authority (AFM) and the Dutch Central Bank (DNB). The Manager obtained a licence to act as a manager of an alternative investment fund in accordance with article 2:67 of the FSA on 17 February 2014. The participation rights can only be acquired by professional investors as defined in section 1:1 of the FSA.

Participants

The participants do not take part in the operation of the fund or the management or control of its affairs and have no right or authority to bind the fund assets, or to vote on matters relating to the fund other than as set forth in or pursuant to the Terms and Conditions.

The Manager convenes at least two participants' meetings each year. If a participant, or two or more participants jointly holding at least 10% of the total participation rights, deem(s) any additional meeting of participants necessary, the Manager is required to convene such a meeting. Participants are entitled to cast a number of votes pro rata to their respective participation rights.

A participant may request that its participation rights be redeemed by the Manager in accordance with the Terms and Conditions.

Subject to the retention of reserves as reasonably deemed necessary by the Manager to meet the current and anticipated expenses of the fund, the realised result, excluding the result on property sales, shall be allocated for distribution to the participants pro rata to their respective participation rights.

Role
The participants are the beneficiaries of the fund and, as such, have a final say in material matters regarding the fund, as specified in the fund's Terms and Conditions.

Supervisory Committee
The Supervisory Committee supervises how the Manager executes its task, as well as the general course of the fund, on behalf of the participants in the fund. The Supervisory Committee has established rules regarding the processes and governance in its by-laws.

The Supervisory Committee shall have at least five members, with the exact number to be determined by the participants. At present, the Supervisory Committee comprises five members, who are listed in Annex 4 of this report.

The Supervisory Committee has an Audit Committee and a Nomination and Remuneration Committee, both of which are governed by by-laws. The Supervisory Committee shall meet as often as it deems necessary, but at least four times a year, to discuss the results of the fund, the quarterly unaudited financial statements and the valuation of the fund's portfolio.

The members of the Supervisory Committee are appointed, suspended and dismissed by the participants with due observance of any nominations made and a profile as set forth in the Terms and Conditions. They are appointed for a period of four years, which term may be extended once by four years. Each participant that individually holds and each group of two or more participants that jointly holds at least 25% of the participation rights is entitled to nominate one member of the Supervisory Committee. The fund strives to achieve the best possible balance among its members in terms of gender, expertise and experience in the fields of management, compliance, risk management, financial reporting, funding, real estate and real estate funds.

All resolutions of the Supervisory Committee are adopted by a simple majority. Each member of the Supervisory Committee is entitled to one vote. In the event of a tied vote, the resolution at issue will be rejected. The Supervisory Committee may also pass resolutions in writing. A member of the Supervisory Committee will not participate in deliberations or decision-making within the Supervisory Committee if they have a direct or indirect personal interest in the matter in question that conflicts with the interests of the joint participants.

Role
The Supervisory Committee supervises the policies and functioning of the Manager and the general affairs of the fund. The Manager is responsible for involving and informing the Supervisory Committee, ensuring that the fund is supervised in an optimal manner. The Manager holds regular consultations, both formally and informally, with the Supervisory Committee and its sub-committees on the strategy and policies of Vesteda as a whole. By attending these meetings, the members of the Supervisory Committee have ample opportunities to interact with Vesteda's executives. In addition, the members of the Supervisory Committee have individual meetings with Vesteda executives on an ad-hoc basis.

Remuneration of Supervisory Committee members
For the remuneration of the Supervisory Committee, please see the Remuneration report or Note 30 of the consolidated financial statements.

The Manager and its Management Board
Composition and governance
The Terms and Conditions entrust the Manager with the management and operation of the fund. The Manager is a private company with limited liability, incorporated and existing under the laws of the Netherlands. As such, the Manager has a Management Board, which in 2022 comprised two managing directors, the CEO and the CFO. The managing directors have the responsibilities and liabilities that derive from the Dutch Civil Code, other related legislation and the company's articles of association. The two directors acting jointly may represent the Manager.

Managing directors will be appointed, dismissed or suspended in accordance with the Manager's articles of association and its Terms and Conditions.

The Management Board is supported by a Management Team, comprising the CIO, COO and the HR Director.

Role

The Manager has been appointed as Manager of the fund and is responsible for ensuring that the fund is always managed and operated, and that the fund assets are always managed, on a discretionary basis, in accordance with the Terms and Conditions and with due observance of the Investment Guidelines, the Business Plan and, on a best effort basis, the INREV Guidelines and the Dutch Corporate Governance Code (the latter to the extent applicable and practical in respect of the fund).

The Manager shall, subject where relevant to the Terms and Conditions, the Business Plan, any finance documentation and the prior approval of the Supervisory Committee or participants, carry out the following tasks, including:

a. Establish and implement the Investment Guidelines and the Business Plan;
b. Identify, evaluate and negotiate investment opportunities to (or to agree to) purchase or otherwise acquire, alone or together with others (in a syndicate), investments within the scope of the Investment Guidelines and the Business Plan;
c. Sell, exchange or otherwise dispose of and refinance investments within the scope of the Investment Guidelines and the Business Plan.

In light of the above, the Manager may enter into such legally binding agreements or other arrangements as the Manager may, at its sole discretion, determine in respect of any investments and divestments by the fund, to the extent permitted under the Investment Guidelines, the Business Plan and the Terms and Conditions. The Manager confirms that it adhered to the Terms and Conditions in 2022.

A Management Board member shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which they have a conflict of interest. All costs incurred by the Manager in its capacity as Manager of the fund, all normal operating expenses incidental to the day-to-day management of the Manager in its capacity as Manager of the fund, including its own overheads, any costs relating to outsourcing and the Supervisory Committee, fees payable to its members and the reimbursement of any reasonable costs incurred by members of the Supervisory Committee are reimbursed out of the fund assets.

In the Manager Rules, the Manager and the Supervisory Committee have established rules regarding decision-making processes and the working methods of the Manager.

Remuneration

The employment contracts of members of the Management Board include provisions related to severance pay. The amount of the severance pay as laid down in these contracts has been maximised at one year's fixed salary, in line with the Dutch Corporate Governance Code. The total remuneration of the Management Board comprises the base salary, the variable bonus, pension expenses and other employer charges. For a detailed overview of the remuneration of the Management Board, please see the Remuneration report or Note 29 of the consolidated financial statements.

Custodian

The duty of Custodian Vesteda Fund I B.V. is to act as the legal owner of fund assets and acquire legal title to such fund assets for safekeeping for the account and at the risk of the participants. The custodian will always acquire assets for the purpose of management and custody *(ten titel van beheer)* on behalf of the participants and will only act in the interests of the participants and shall not acquire assets or assume any obligations for its own account and risk or for the account and risk of third parties (other than the participants) and shall not carry out any business and will not be involved in any other activity that may cause it to incur liabilities that are not directly related to the fund. The custodian shall act in accordance with all instructions regarding the fund assets given by the Manager, and shall only be entitled to acquire, dispose of, transfer or otherwise deal with any fund assets on the instructions of the Manager. To safeguard this, the Management Board of the custodian comprises the Manager only.

Depositary

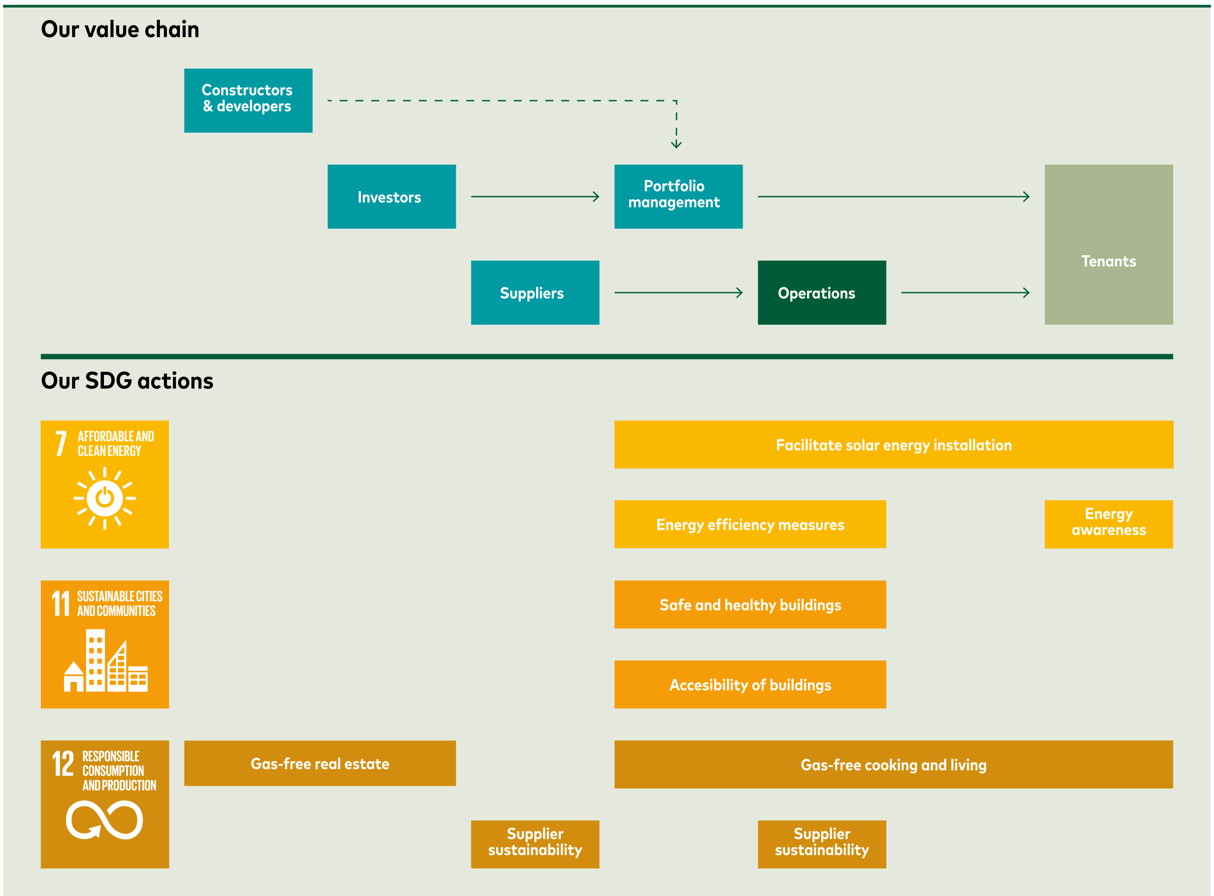
The Manager has appointed Intertrust Depositary Services B.V. to act as depositary for the fund and has concluded a depositary services agreement with the depositary for the benefit of the fund and the participants in accordance with article 4:37f of the FSA. The depositary is responsible for the supervision of certain aspects of the fund's business in accordance with applicable law and the depositary services agreement.

Dutch Corporate Governance Code

All listed companies with a statutory seat in the Netherlands are legally obliged to comply with the Dutch Corporate Governance Code (the Code), in accordance with the apply or explain principle. As neither Vesteda Residential Fund nor the Manager is a listed company, it is not mandatory for the fund or the Manager to apply the Code. Nevertheless, the Management Board and the Supervisory Committee endorse the Code in all material aspects, to the extent applicable and practical in respect of the fund.

Sustainable Development Goals (SDGs)

Vesteda embraces the UN's Sustainable Development Goals, which defines global sustainable development priorities and aspirations for 2030. This common set of 17 goals and 169 sub-targets calls for worldwide action from governments, business and civil society to end poverty, ensure prosperity for all, and protect the planet. We consider the SDGs Affordable and clean energy (7), Sustainable cities (11) and Responsible consumption and production (12) the most relevant to our activities, based on what we do and our ambitions. The figure below shows our SDG actions mapped along our value chain.



Global Reporting Initiative (GRI)

In 2022, Vesteda once again reported on the basis of GRI Universal Standards. For more information, please see the About this report section and Annex 5 of this report.

GRESB

The Global Real Estate Sustainability Benchmark (GRESB) provides a tool to compare the sustainability of real estate investment funds. The GRESB survey is designed to identify the sustainability performance of the real estate sector and is now a widely-recognised and well-respected initiative. The environmental benchmark rates environmental management practices and their implementation, making it possible to compare different real estate investments on a national and international level. Vesteda believes that GRESB is helping to increase transparency in terms of the sustainability of real estate funds. To contribute to the continued evolution of the benchmark, Vesteda joined GRESB as a member in 2013.

In 2022, Vesteda was awarded five out of five stars and remained part of the global top 20% for its sustainability performance for the fifth year in a row. Vesteda is committed to remaining a top player in the field of sustainability at a national and international level. In 2022, Vesteda fully certified its portfolio with BREEAM in-use, which helps to improve the sustainability performance of its portfolio. The certification will also contribute to a higher score in 2023.

ESG breakdown GRESB 2022

	Vesteda	Peer group	GRESB average	Max score
Environment	51	50	40	62
Social	18	16	18	18
Governance	19	18	18	20
Total	**88**	**86**	**74**	**100**

GRESB score 2022

Regulation and disclosures

Vesteda is required to provide disclosures under Regulation (EU) 2019/2088 (the Regulation on sustainability-related disclosures in the financial services sector, or SFDR). Vesteda Residential Fund qualifies as an 'article 8' product under the SFDR and, as such, promotes Environmental/Social (E/S) characteristics and while it did not have sustainable investment as its objective, it had a proportion of 74% sustainable investments (at year-end 2022) with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy or with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy. A further explanation can be found in Annex 6: SFDR disclosure.

In recent years, Vesteda published the progress on its sustainability policies and performance on its website and in its annual report. The reporting on sustainability in the annual report was in line with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. In 2021, we became an official supporter of the TCFD. Please see Annex 7 for an overview with references for the alignment with the TCFD recommendations.

Compliance and integrity

The role of compliance in the organisation

Compliance and integrity are closely related. Both acting with integrity and complying with applicable rules and regulations safeguard Vesteda's reputation and the reputation of the industry we operate in. For Vesteda, it is not enough to simply abide by laws and regulations; integrity should be embedded in day-to-day business and decision-making processes.

To ensure that compliance and integrity are and remain on top of mind in Vesteda's business activities, Vesteda has appointed a Compliance Officer. The role of the Compliance Officer is formally defined and documented in Vesteda's compliance charter. The Compliance Officer reports periodically to the Management Board and the Supervisory Committee, while reporting functionally to the General Counsel. Additionally, the Compliance Officer has a direct line to the CFO and the Supervisory Committee.

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.

The Compliance Officer's tasks include the identification, evaluation, monitoring and reporting of and advising on compliance risks within the organisation, as well as advising on, drafting and monitoring policies and procedures. The Compliance Officer is part of the Risk Committee and discusses incidents, trends and (regulatory) developments that (could) have an impact on Vesteda's corporate integrity and is the first point of contact for integrity notifications within the organisation. The Compliance Officer operates at both a strategic level, advising the Management Board and senior management, and at operational level, advising the business on day-to-day compliance matters.

Focal points in scope of compliance function

Subject	Brief description
Market	This covers risks related to the non-compliance with laws and regulations, such as the Dutch Financial Supervision Act, including the Alternative Investment Fund Managers Directive, the Anti-Money Laundering and Anti-Terrorist Financing Act and the General Data Protection Regulation.
Employees	This covers risks related to the non-compliance with the internal code of conduct and related policies.
Business conduct	This covers risks related to non-compliance with rules related to: - Outsourcing. - Competition. - Anti-bribery.
Clients	This covers counterparty risks and the screening and monitoring of transactions of tenants and business partners in accordance with Anti-Money Laundering and Anti-Terrorist Financing Act, and Sanctions Act.

Vesteda's view on compliance and integrity

Integrity starts with Vesteda's employees. They sign a code of conduct and Vesteda has an internal reporting scheme, including anonymous reporting via a SpeakUp line, to report (suspected) compliance and integrity incidents. The Compliance Officer reminds employees of this code and the reporting scheme on an annual basis and employees are asked to confirm that they are aware of the code and the scheme and that they have complied and will continue to comply with both the code and the scheme. When communicating about compliance-related matters to the organisation, the Compliance Officer will, to the extent relevant, always refer to the code of conduct as the guiding principle within the organisation.

The Compliance Officer keeps a register of all reported incidents. When an incident is reported, the Compliance Officer evaluates whether the reported incident should be classified as material or not. This would be the case when a) there is a considerable risk of a regulatory fine or sanction, or b) the relationship with key stakeholders could be adversely affected in a serious manner or c) it could result in substantial reputational damage.

Key performance indicators with respect to integrity are:

a. Number of incidents reported to the Compliance Officer. In this respect, Vesteda explicitly does not strive to have zero incidents reported. In addition, employees are encouraged to speak up to colleagues and management before formally reporting an incident to the Compliance Officer. Vesteda is of the opinion that the reporting of incidents can contribute to risk awareness and is a sign of a company culture in which employees do not fear repercussions for reporting an incident. Incident reporting can help to identify trends or risks. In 2022, the number of reported incidents was 18, including one material incident. A material incident could be: criminal acts, corruption, a violation of applicable laws and regulations, a breach of our internal Code of Conduct, a threat to the environment, health or safety, misleading supervisory authorities, intimidation, withholding or manipulation of data or any other act that damages Vesteda directly or indirectly. It is noted that 10 of the 18 incidents reported were related to illegal hemp plantations. While it is not possible to fully prevent this from happening, this issue has our ongoing attention. Most of the other incidents were related to minor data breaches and (alleged) conflicts of interest. The incidents were addressed by the Compliance Officer and, depending on the severity of the case, discussed with the Management Board and reported to the Supervisory Committee;
b. Percentage of employees that confirm adherence to Vesteda's code of conduct. In 2022, 97.2% of all employees, including the Management Team, confirmed their compliance with Vesteda's code of conduct. The Compliance Officer contacted employees and their managers who did not confirm in a timely manner, to gain an understanding of any underlying reasons.

Vesteda's compliance with applicable rules and regulations is the foundation of its license to operate. Two of our main objectives are to incur no (monetary) sanctions and to retain our AFM license. Vesteda met both objectives in 2022.

Compliance focal points 2022

Management conducted the annual Systematic Compliance Risk Analysis (SCRA) in Q4 2022, under the guidance of the Compliance Officer. The SCRA is an instrument management uses to identify and analyse compliance and integrity risks in a structured manner. The analysis included an assessment of whether existing control measures were (still) sufficient to prevent or mitigate the risks identified or whether new measures were required. The outcome of the SCRA serves as input for the Compliance year plan for 2023.

Integrity:

- The Compliance Officer recorded compliance and integrity incidents and reported on a quarterly basis to the Management Board and a subcommittee of the Supervisory Committee about these incidents and any measures taken. The number of recorded incidents was 18 in 2022;
- The Compliance Officer and Internal Audit Manager conducted several internal investigations regarding potential fraud by employees. Following these investigations, Vesteda took disciplinary measures and amended certain internal procedures. While Vesteda strives for the highest ethical standards, incidents may occur. When they do occur, management strives, to the extent (legally) possible, to use them as examples and discussion topics throughout the company;
- The Compliance Officer gave various training courses across the company on how to deal with dilemmas;
- Vesteda updated its Code of Conduct, to reflect new insights and developments;
- Vesteda updated its incident reporting procedure to anticipate new legislation;
- Vesteda's updated its employment screening to include new integrity-sensitive positions that require screening;
- The Compliance Officer organised a 'lessons learned' session, together with the Management Board and Management Team, to discuss Vesteda's view on integrity and remedies;
- Vesteda sent out the annual confirmation reminder of Vesteda's Code of Conduct in Q4 2022. Vesteda's goal is to have 100% of its employees confirm the Code on an annual basis. In late 2022 and early 2023, 97.2% of employees confirmed their compliance with the code of conduct. The Compliance Officer has looked into the reasons why employees fail to provide this confirmation (a number were related to absence due to long-term illness) and contacted employees who did not confirm their adherence to the Code where required.

Regulatory:

- In December 2022, Vesteda signed a covenant ("Convenant Horizontaal Toezicht") with the Tax Authorities for a period of three years. As a general principle of this agreement the relationship between Vesteda and the Tax Authorities will be based on transparency, trust and mutual understanding while respecting applicable laws and regulations. Vesteda is responsible for maintaining an effective system of internal controls, including the monitoring and auditing of its operating effectiveness, to ensure correct tax returns. Supervision on Vesteda by the Tax Authorities will be based on the quality of this internal controls system.
- Vesteda was in contact with the Dutch Central Bank (DNB), pursuant to a DNB notification regarding the manager's capital requirements. Vesteda was able to resolve the matter relatively easily in close consultation with the DNB;
- Vesteda notified the Financial Intelligence Unit – Netherlands of several 'suspicious transactions' in relation to rent payments;
- Vesteda provided input on several market information requests by Dutch Financial Markets Authority;
- The Compliance Officer updated policies that Vesteda is required to have in place in accordance with the Alternative Investment Fund Managers Directive;
- The Compliance Officer advised on the amendment of internal policies related to granting priority to certain individuals in the letting process;
- The Compliance Officer facilitated an anti-money laundering (AML) executive training session for the Management Board and the Management Team.

Client integrity:

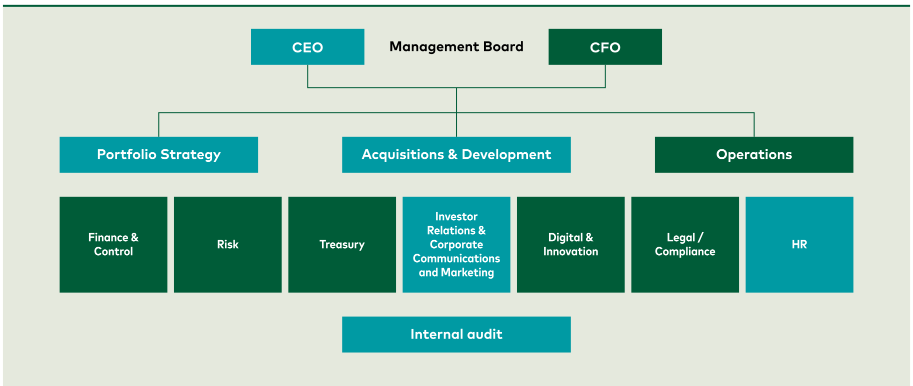
- The Compliance Officer actively advises the business on the review of (high-risk) customer due diligence (CDD) files and acts as a sparring partner for the business regarding client due diligence procedures. The Compliance Officer also advised on the (further improvement of the) automated monitoring of potentially unusual transactions;
- As a result of sanctions against Russia and Belarus, and a number of their nationals, the Compliance Officer executed an extensive screening of existing customers and business partners;
- The Compliance Officer gave presentations to employees on anti-money laundering (AML) principles and recognising potential fraud;
- Vesteda offered an in-house workshop on annual accounts and money laundering indicators to employees responsible for CDD assessments.

Privacy:

- Vesteda offered an Privacy e-learning course to all employees to maintain the level of knowledge of the GDPR within the organisation.

Organisation

Structure



Vesteda is an internally managed fund with in-house property management. The organisational structure consists of the Portfolio Strategy, Acquisitions & Development and Operations departments and several staff departments and functions. The Acquisitions & Development department is led by Pieter Knauff (CIO), the Operations department is led by Astrid Schlüter (COO) and the Human Resources department is led by Renée Verhulst. The aforementioned are all part of the Management Team. The Portfolio Strategy department is led by Una Buning (Head of Portfolio Strategy), who reports to the CEO. Vesteda's Management Board remained unchanged and consists of Gertjan van der Baan (CEO) and Frits Vervoort (CFO).

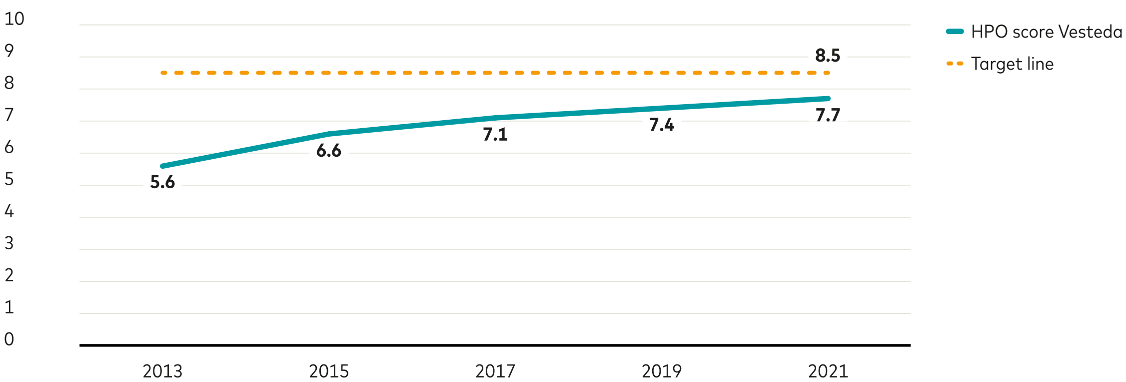
Our Portfolio Strategy department is responsible for the portfolio development, monitoring and continuous optimisation of the quality and value growth of our portfolio. Our Acquisitions & Development department is responsible for the execution of the portfolio strategy through the purchase and sale of residential complexes and portfolios and is also responsible for the improvement and redevelopment of existing complexes. Our Operations department is responsible for the quality of our services, the maintenance of our portfolio, individual unit sales and technical and operational asset management.

Workforce

Organisational developments

Our journey to become a High Performance Organisation (HPO) continued in 2022. The chart below shows the scores from our bi-yearly surveys and the target of 8.5.

HPO survey scores



The latest HPO survey took place in December 2021. The HPO centre presented the results to Vesteda at the end of January 2022. The total score improved to 7.7 in 2021 from 7.4 in 2019.

The survey also identified new points of attention. In 2022, we started drafting plans for these topics. We will focus on collaboration and connection, becoming the best landlord, working in projects, employee of the future and the continuous improvement of our organisation and processes.

In 2022, we continued to support good and healthy workspaces at home. Employees have the freedom and the responsibility to choose their workplace, either at the office or elsewhere. We have a policy in place in regards to working at the office or elsewhere. We do however stimulate bonding within and between teams.

In Q4 2022, we started an internal network research project, in collaboration with a company called DL Network Analytics. We investigated where, when and how our work should be done at Vesteda offices. This resulted in a personal hybrid work advice.

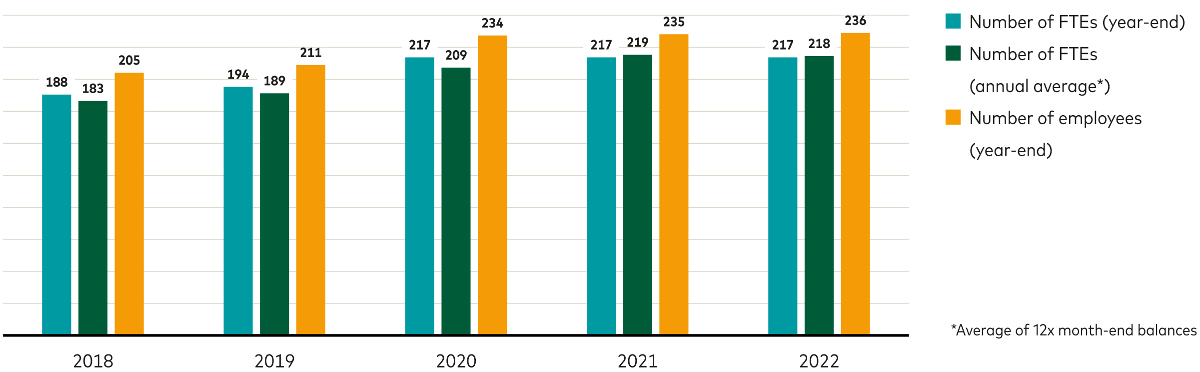
Vesteda believes that the health of our employees is essential, so we strive to provide a healthy work-life balance. To achieve this, Vesteda joined forces with workplace fitness and well-being organisation 'De Atleetfabriek'. Together with the sports committee and ambassadors, we are working on mental, physical and nutritional themes. The programme includes masterclasses, sport challenges and supporting communication.

We also work with OpenUp, a platform that allows employees to work on their mental well-being. Via OpenUp, employees have unlimited one-on-one access to on-demand coaching, consultations with psychologists and other mental resources. This is a measure aimed at tackling mental health challenges at an early stage.

To encourage our people to work together and collaborate, we continued with the roll-out of RealDrives. Several colleagues were certified in 2022. We aim for a wider adoption of RealDrives, to encourage people across the organisation to understand each other better and to make teamwork easier.

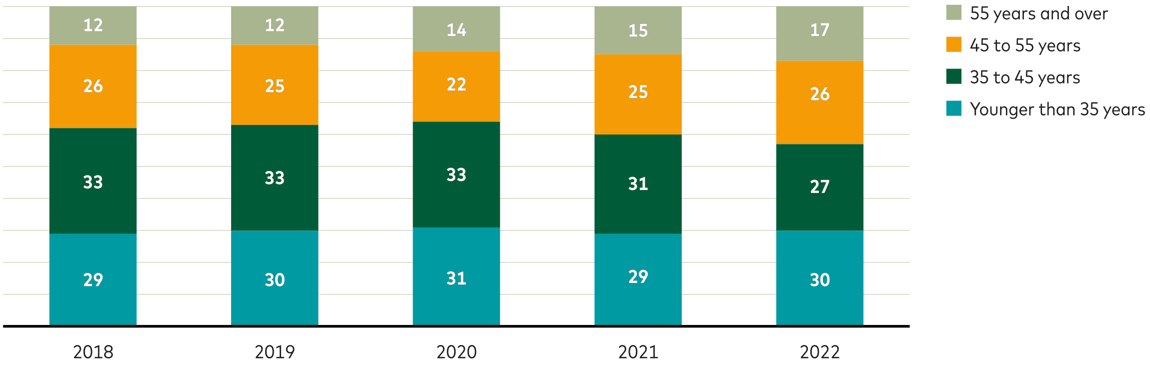
Our work increasingly requires a project-based approach. Therefore, we initiated a project board, strengthening cross-departmental teamwork.

Employees in numbers



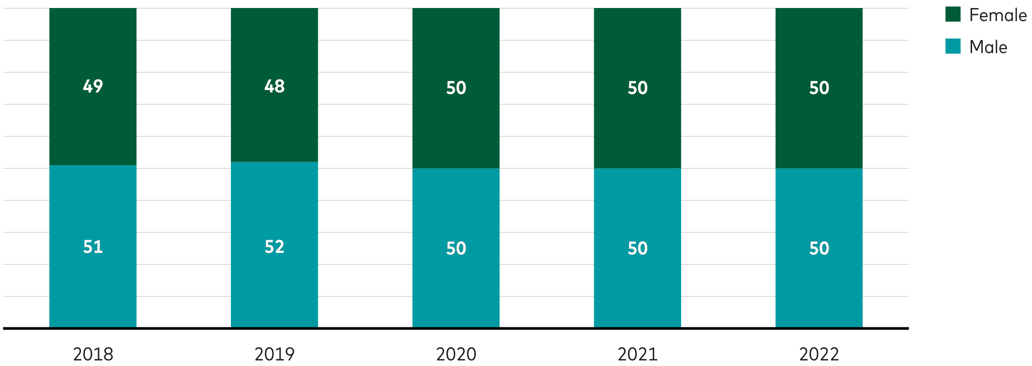
At year-end 2022, Vesteda employed 217 FTEs, in line with the previous year. The number of employees increased by one person to 236. Our population of flex workers increased from 13 FTEs to 15.8 FTEs at year-end 2022. Vesteda hires flex workers primarily to fill vacancies, absenteeism due to illness and maternity leaves.

Workforce by age (%)



The average age of Vesteda employees increased to 42.3 years in 2022, from 42.1 years in the previous year. Roughly 30% of the workforce is younger than 35 years. The representation of the group between 35 and 45 years of age fell to 27% (2021: 31%), while the group older than 45 years increased to 43% compared with 40% in 2021.

Workforce by gender (%)



The male/female ratio at year-end remained in balance at 50% male and 50% female, more or less the same as in the previous year.

In 2022, 35 new employees joined Vesteda (63% female/37% male) and 34 employees left the company (59% female/41% male). The employee turnover rate in 2022 was 14%, which was lower than in 2021 (17%).

The male/female ratio within the Management Board was 100/0 and within the Management Team 60/40, including Management Board. This ratio for the Supervisory Committee was also 60/40. Vesteda recognises the importance of an equal distribution of male and female members of its Management Board and Supervisory Committee, taking into account that the candidate's qualifications and suitability for the function are always the leading principle.

At year-end 2022, 86% of our employees (103 males and 100 females) had indefinite contracts and 14% had fixed-term contracts (14 males and 19 females). At year-end 2021, this ratio was 83%/17%.

At year-end 2022, 38% of Vesteda's employees worked part time (73 females versus 17 males). Most full-time Vesteda employees are male (100 males versus 46 females). The average FTE is 0.92. The average FTE for males is 0.97 and 0.87 for females.

In August 2022, the Dutch Government introduced (partly) paid leave for the first year after the birth of a child. Since then, the number of employees taking paid or unpaid parental leave increased to 21 in 2022 (2021: 11 employees).

The percentage of total employees covered by collective labour agreements was 93% at year-end 2022. Employees that are not covered mostly consists of the Management Team and other Identified Staff.

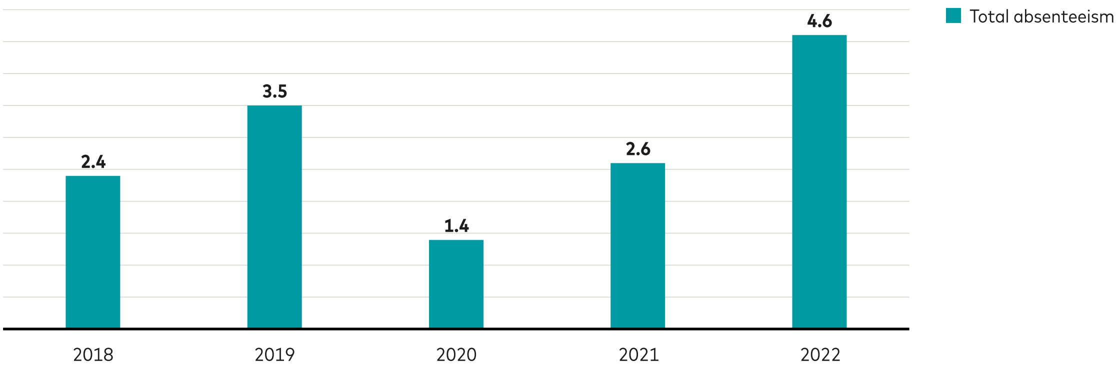
Training and development

In 2022, Vesteda invested €529 thousand or 3.3% of the gross payroll in the education and development of individual employees, the teams, new employee council members and the 'Vesteda Verbetert' programme. This was an increase compared with 2021 (2.5% of the gross payroll). Vesteda organised several courses, including Lean training courses, a Data-driven management workshop, a compliancy dilemma training course, training for rental agents on screening the rental applications of self-employed people or small companies for rental employees, a training course in the points system for rent setting (Woningwaarderingsstelsel, WWS), an IT-security training course and training to improve PowerPoint skills.

Absenteeism

Absenteeism increased to 4.6% in 2022 from 2.6% in 2021. This is largely caused by an increase in (long-term) psychological absenteeism, and absenteeism due to the COVID-19 pandemic. This trend is also clearly visible within the general market in the Netherlands.

Sick leave (%)



Remuneration

Please see the Remuneration report for information on the remuneration of the Management Board, other Identified Staff and the Supervisory Committee.

Works Council

During the course of the year, the Works Council and the Management Board met on a regular scheduled basis. These meetings were constructive and subjects included changes in the organisational structure, HPO, health policy, working conditions, and the 'working from the office and elsewhere' study.

Outlook and management agenda

Outlook for 2023

Market developments

On the day we finalised this annual report, it was just one year ago when the war in Ukraine started. We have experienced the effects it had on our economy, albeit in no comparison to what it meant for the victims and the suppressed. Therefore, to make a forecast is extremely difficult, because it depends strongly on how this war will develop. Will it escalate, will there be peace, or will it proceed for a longer period.

According to The Dutch National Bank (DNB) the economy is expected to stabilise in 2023, with GDP growth of 0.8%. Growth will then pick up again, buoyed by temporary government policies to provide income compensation for high energy prices. Inflation is expected to have peaked in 2022. Price increases are likely to be less dramatic in the years ahead, given the anticipated energy prices and government measures. Inflation is projected to fall to 5% in 2023 and 2024, the year in which the government-imposed energy price cap ends. Core inflation will also remain high as a result of high energy inflation feeding through to the prices of other goods and services, the tight labour market and the economy's high capacity utilisation rate.

In reaction to the high level of inflation, the ECB raised interest rates significantly in 2022. According to the ECB, interest rates will still have to rise at a steady pace to reach levels that are sufficiently restrictive to ensure a timely return of inflation to the 2% medium-term target. Mainly as a result of rising interest rates and lower consumer confidence, the very strong rise in prices in recent years will level off rapidly with a fall projected in the next two years (source: DNB). In addition, the government is working on new policies that will affect the housing market. Due primarily to these factors, investment volumes are expected to decline and the competitive landscape of investors is also changing. However, despite short-term uncertainties, residential investments will remain robust in the long term. Demand for affordable homes is a fundamental driver of our business. Occupancy rates remain high, inflation protection remains intact in the long term, with stable direct returns as the backbone of our investments.

Subject to development of the war in Ukraine, the main market developments we expect in 2023 are:

- Moderate slowdown in economic growth;
- Inflation will fall, although the level will remain well above the long-term target of 2%.;
- Decline in prices of owner-occupied houses;
- Interest rates continue to rise due to monetary policy;
- Rising initial yields;
- Further delay in new housing projects, mainly due to current high construction costs, regulation and measures to limit the high level of nitrogen gas emissions and depositions;
- Clarity on legislation regarding the new regulations in the mid-rental segment;
- Acceleration of the energy transition;
- Continued housing shortage, especially in the affordable segment;
- Increased real estate transfer tax will make it difficult to sell assets and reinvest.

Furthermore, investments in sustainability will accelerate in the coming years. The European Union wants to encourage this by changing the legal and regulatory requirements and improving transparency and reporting on ESG-related matters. Investors will have to re-assess their portfolio tactics and are expected to sell assets that cannot meet the sustainability criteria. Dutch residential investments remain an attractive asset class, generating stable direct returns. While future regulation, high construction costs and rising interest rates are creating short-term uncertainty, the long-term outlook remains positive. Demand for affordable rental housing remains high, leading to high occupancy rates. In addition, investments in sustainable and affordable housing have a positive impact on society. Investments in sustainability helps the affordabilty for existing tenants, by lowering their energy costs. Furthermore, investments in new build projects for middle income households will provide affordable housing for future tenants.

A properly functioning housing market in which people who earn a middle income can buy or rent decent homes at a price they can afford contributes to a healthy economy and a stable society. It has a direct positive impact on mobility in the labour market and healthy consumer spending. This is ultimately a much better foundation for the value of our assets than scarcity, which is in the end always a temporary phenomenon.

Impact on our portfolio

These ongoing challenging market conditions could impact the performance of our existing portfolio. At the same time, some of these developments come with an upside. We expect our operational performance to remain solid, driven by a high demand for our mid-rental homes. However, high energy costs and inflation will keep pressure on the affordability of housing. Vesteda's gross-net ratio is also expected to be impacted due to higher maintenance costs. Due to rising interest rates, we expect a further cooling of the investment market and housing prices, resulting in negative revaluations. For Q1 2023, the draft valuation by the appraisers indicate a revaluation of around -5% on gross asset value (GAV).

Furthermore, the affordability of housing will continue to be a matter of concern. We believe the only way to resolve these shortages is to build more homes. However, there is a great deal of public and political pressure to implement regulatory measures. New housing regulations are expected to become effective in 2024. We will continue our active dialogue with the Housing Ministry and we will try to mitigate part of the impact by investing in these homes.

The additional investments will increase the quality of our assets and result in a future-proof portfolio, which will in turn reduce our overall risk levels. By complying with higher ESG standards and scoring better on affordability and sustainability, we can attract more green and social funding under favourable terms.

We will continue our strategy and aim to be the best landlord in the Netherlands. Our solid financial foundation and flexible organisation enables us to respond to market developments and puts us in a strong position to benefit from potential opportunities in the future.

Management agenda for 2023

Economic value

Portfolio performance

We will continue with our strategy of investing in affordable and sustainable homes, offering above average value growth potential. We aim to balance our inflow and outflow and funding, while trading up the quality of our portfolio through active management. We will add value to selected assets in our portfolio where we can simultaneously improve the financial performance, quality, sustainability and mitigate possible regulatory risks. We will be highly selective with acquisitions in the short term and sell non-strategic assets, while keeping an eye out for potential market opportunities. At the same time, we are preparing our portfolio and asset strategies for the upcoming new regulations in the mid-rental segment.

Cost of management

We expect a moderate increase in the cost of management, mainly driven by general personnel and organisation cost increases, due to the indexation of salaries. We recognise recurring higher cost levels for compliance and insurance, due to the continuous increase in legislation and external requirements, and for our IT costs due to advanced digitalisation and data-related projects. In recent years, we were able to improve our processes in such a way that we can more or less keep the number of our FTEs stable. And further portfolio growth can be realised by a more or less similar headcount.

Funding
As part of our funding strategy, we continue to diversify and improve our maturity profile. We actively use green and sustainable debt for the sustainable financing of our portfolio and acquisitions. We aim to use our increasing share of eligible assets that comply with these terms to increase this type of funding. An example is the second EIB facility, which we will use to build affordable homes. We will make use of short-term and floating rate funding solutions to optimize cost of debt. Furthermore, by substantially reducing our acquisitions in the short term, we limit the increase in interest expenses as well.

Participants
Our goal is to provide our participants with an attractive risk-return, transparency and a high level of service. We want to maintain our participant satisfaction score by addressing the feedback from our participants. Key points of attention are the need of some participants to obtain liquidity and a growing need for more ESG-related information. Following the recent redemption requests, we are taking the lead in the search for new investors. In the meantime, the Redemption Available Cash (RAC) of €50 million per year will be paid out upon request. We will increase our communications on ESG matters, resulting in more frequent disclosures about our initiatives and performance.

Social value
Environmental
We are implementing our CO_2 Roadmap, in line with government targets, to become Paris Proof by 2050. Our goal for 2030 is to realise a 55% energy reduction in kWh/sqm compared with 1990. We use BREEAM in-use certifications to determine improvements at asset level. We will continue with large-scale renovations to reduce energy demand and total cost over living and target to have 99% green energy labels by year-end 2024. Furthermore, we actively increase awareness and motivation among our tenants to reduce energy use. We are investing in new climate-proof buildings and we are taking measures to lower the physical climate risks of (very) high risk assets. Finally, we are optimising the sustainability impact score of our new acquisitions and standing assets.

Social
We aim to improve tenant satisfaction by enhancing service levels and offering good-quality homes in our portfolio. A key strategic project to improve our services is the current revision of the repair request process. The changes that we are making will enable us to take more proactive action to increase the quality and speed of repairs. In addition, we will implement our mobility strategy (charging facilities, parking ratio, etc.) in new acquisitions and assess opportunities in our existing portfolio.

We want to make a positive impact on the total cost of living by investing in solar panels and other sustainability measures. By communicating about energy consumption and providing insights and advice, we enable our tenants to lower their total cost of living. To keep our homes affordable, the annual rent increase will be below actual inflation. Regulated leases are increased by a maximum of 3.1% and liberalised leases by a maximum of 4.1%.

Governance
While we are comfortable with the quality of our governance framework, we are improving our governance on a continuous basis to ensure sound business operations. Our objectives are to obtain an unqualified opinion on the audit of the annual financial statements included in the annual reports, an unqualified opinion on the annual ISAE 3402 audit, to resolve findings from internal audit reviews and receive no warnings from regulators.

In the coming years, we will focus on establishing human resources policies on diversity, equality and integrity of our workforce. Furthermore, we will develop a code of conduct for our suppliers.

Organisation
To become an HPO organisation, we are improving the five main aspects that were identified in the recent survey: continuous improvement, best landlord strategy, project-based work, teamwork and connection, and employee of the future. We also want to create a clear and attractive employer proposition, translated into labour market communications to make us an employer of choice.

To strengthen our external reputation and positioning as the best residential investor and landlord, we are following up on the reputation survey from 2022. In 2023, we will organise roundtable meetings with our stakeholders about two key topics: innovation and sustainability. We will use the outcomes of these meetings to draw up a plan to improve our reputation and positioning in the coming years.

Furthermore, we will use data science and digitalisation to improve core processes, focusing on organisation-wide steering information and making the re-letting process more data driven and automated. This will enable us to work more efficiently, reduce costs and increase tenant satisfaction.

Remuneration report

General

Total remuneration for all staff members amounted to €15.8 million (92% fixed and 8% variable) in 2022, an increase compared to the previous year (€14.9 million). In 2022, we implemented a 4% salary indexation. In addition, we made a one-off payment of €500 per employee in January 2022 and a one-off payment of €750 per employee in December 2022, preceding the wage indexation of 2023.

The variable bonus scheme has a collective component that includes criteria such as the realised operational result, GRESB score, tenant satisfaction score and the number of installed solar panels. It also includes an individual component and in some cases a team component. Variable remuneration is only paid, in full or in part, if the targets are met. In 2022, all four targets were met.

The average ratio of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual) was 8.9 in March 2022 (March 2021: 8.7).

Remuneration of Management Board and other Identified Staff

Vesteda adheres to the Alternative Investment Fund Managers Directive (AIFMD) and the Dutch Financial Supervision Act, pursuant to which Vesteda has implemented a balanced remuneration policy in relation to the remuneration of Identified Staff. The Management Board together with the Management Team members are considered Identified Staff, as well as the Compliance Officer and the Internal Audit Manager.

Vesteda's remuneration policy is clear and transparent and aims 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 to prevent management from taking risks that are not compatible with Vesteda's risk profile. In addition, the remuneration policy is constructed in such a way that it avoids financial incentives that may encourage irresponsible risk taking in Vesteda's operational and financial policies.

The remuneration policy aims to contribute to the integrity and solidity of the company and to the long-term objectives of the company and the interests of Vesteda's stakeholders. In this light, it is deemed essential that Management is focused on achieving concrete and ambitious targets and that it takes into account sustainability risks in the day-to-day operations. The remuneration of the Identified Staff is aimed at preventing the taking of irresponsible risks for personal gain.

The total remuneration comprises a fixed and a variable component. The variable component consists of 60% direct and unconditional and 40% indirect and conditional remuneration. The variable component is paid 50% in cash and 50% in phantom shares. The phantom shares are subject to a retention period of one year after the unconditional granting. Vesteda does not grant guaranteed variable remuneration.

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 granting. 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. If the Supervisory Committee believes 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 aforementioned variable remuneration entitles:

- The CEO to 26.6% of base salary for 'on-target' performance, with a maximum of 40%;
- The CFO to 20% of base salary for 'on-target' performance, with a maximum of 30%;
- The CIO and COO to 20% of base salary for 'on-target' performance, with a maximum of 30%;
- The HR Director to 8% of base salary for 'on-target' performance, with a maximum of 12%.

The overall remuneration of Identified Staff 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.

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:
  - Long-term and short-term goals;
  - Company goals and individual goals;
  - The interests of the various stakeholders of Vesteda;
  - Financial and non-financial criteria;
  - 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 67% 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. In the event of a loss (negative result after tax, so including revaluation, excluding any derivative results), no variable remuneration will be paid.

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 have been achieved or not. Qualitative target achievements are based on 360-degree interviews, self-assessments and observations of all Supervisory Committee members. Quantitative targets are calculated and verified by Vesteda's business control department.

Remuneration of Management Board and other Identified Staff in 2022

The remuneration of the Management Board and other Identified Staff is divided into the following components: base salary, variable bonus, social security charges & pension contributions. In addition, for 2022, a compensation was paid for income tax on capital repayments in 2018 and 2019. The Compliance Officer and the Internal Audit Manager do not receive a variable remuneration.

Compensation for income tax capital repayments 2018 and 2019

In 2018 and in 2019, Vesteda redeemed and paid out to participants a total of €13.89 per participation right related to the proceeds of two residential portfolio sales (in total €425.5 million). Under the phantom share programme these capital repayments, reducing the net asset value of the phantom shares, were subject to income taxes. As the alignment of the interests of the Management Board and the Participants is an important objective of the Remuneration policy and the Phantom Share Plan, the Supervisory Committee is of the opinion that the income taxes paid by the Management Board related to the capital repayments were at odds with the interests of the Participants. The Supervisory Committee therefore determined in 2022 that the Management Board would be compensated for the income taxes paid on these two specific capital repayments, after careful review and extensive consultation with our tax advisors and the tax authorities. The taxation of the Phantom Shares of the Participants remained unchanged.

Variable remuneration charges
As determined by the Supervisory Committee, the Management Board and the Management Team members achieved on average a score of 70% of the 'maximum' targets in 2022 (2021: 71%). However, in accordance with Vesteda's remuneration policy, the Management Board and the Management Team members are not entitled to receive any variable remuneration in case the net result of Vesteda is negative. As the result after tax of Vesteda in 2022 is negative (-€12 million), the Management Board and the Management Team members received no variable remuneration over 2022.

Remuneration of the Management Board and other Identified Staff

	2022		2021	
	Management Board	Other Identified Staff*	Management Board	Other Identified Staff*
Base salary	746	698	710	572
Variable remuneration charges (for future cash or shares)	-	-	170	76
Social security charges & pension contributions	84	153	81	126
Compensation income tax capital repayments 2018 and 2019	73	14	-	-
Total	**903**	**865**	**961**	**774**

*Other Identified Staff as per year-end.

Please see Note 29 of the consolidated financial statements for more information about the remuneration of the Management Board and other Identified Staff.

Remuneration of the Supervisory Committee

The total remuneration for the five Supervisory Committee members was €181 thousand in 2022 (2021: €186 thousand). The compensation for the chairman was €44 thousand and for the other members €31 thousand. In addition, each member received an expense allowance of €2,500.

Report of the Supervisory Committee

Chairman's Statement

Vesteda showed strong results during the COVID-19 pandemic and continued this performance in 2022, when the impact of COVID-19 reduced significantly. The high-end segment of the market recovered strongly with the return of expats. The occupancy rate stayed at a very high level of 98.6%, net rental income increased with 4%, and loss of rent reduced to a historic low level of below 2%.

The invasion of Ukraine and the unexpected surge in inflation, which was mainly driven by the rise in energy prices, caused new turmoil on a worldwide scale. Today, the most pressing monetary policy task is to restore low and stable inflation, while minimising the cost to economic activity and preserving financial stability by, among other things, increasing interest rates.

These recent shocks to the world economy have also had an impact on the housing market and therefore on Vesteda. The increased mortgage interest rates have led to a downturn of house price developments, resulting in an indirect loss of €218 million. The rise in construction costs meant that the costs of maintenance and construction increased, putting pressure on the feasibility of new building projects and the maintenance of existing buildings. Throughout the year, the Supervisory Committee reflected with management on the feasibility of new acquisitions and the impact of macro-economic developments on running projects and operating results.

The tight rental housing market and the increase in the total cost of living led to continuous discussion on the affordability of housing. The Dutch government took new regulatory measures to restrict rent increases in the free market rental sector, such as caps on annual rent increases and legislation to change the WWS points system (the system for determining the rents of social homes) and the government is expected to introduce more legislation. The impact of new measures will require continuous monitoring and may impact the feasibility of future projects. In the first half of the year, Vesteda still signed several acquisition contracts, some of which were approved by the Supervisory Committee due to the investment threshold. Due to deteriorating market circumstances, various propositions that would have been deemed viable in other times were dismissed.

The changed market circumstances also had an impact on Vesteda's participants. Many institutional investors were required to re-balance their portfolios over the course of the year. This also resulted in some participants redeeming part of their participation rights and the Fund distributing the entire Redemption Available Cash. Despite the current headwinds, the Supervisory Committee is of the opinion that Vesteda has a strong base and continues to offer a solid long-term investment for institutional investors due to Vesteda’s conservative funding structure, persistent shortages in the housing market and Vesteda’s proven track record of increasing rental income over a period of many years.

The Supervisory Committee is pleased with the fact that Vesteda was again awarded a five-star rating by GRESB and that management and participants have committed to achieving substantial sustainability targets over the coming years. Vesteda has been working towards a greener portfolio for several years now and the Supervisory Committee is of the opinion that these long-term goals should not be stalled by short-term events.

The composition of the Supervisory Committee remained unchanged in 2022. In the coming year, the Supervisory Committee will focus on filling two upcoming vacancies due to the expiration of the tenure of Ms. Van den Herik and Mr. Copier. The members of the Supervisory Committee were at all times able to operate independently and critically, towards each other, as well as towards the Management Board and the Management Team.

I would like to thank my fellow Supervisory Committee members for their dedication last year. On behalf of them, I conclude by thanking the company’s Management Board, Management Team and all other Vesteda employees.

Jaap Blokhuis, Chairman of the Supervisory Committee

Supervisory Committee

Focal points

The main task of the Supervisory Committee is to supervise the management carried out by the Manager and the general course of the fund's business, as described in more detail in the Governance section of this report.

Last year, the Supervisory Committee and its separate committees discussed a range of topics. The separate committees regularly convened and reported back on their activities to the full Supervisory Committee. The following topics will be set out in more detail below:

- Investing in a tightening market;
- Financial reporting;
- Incidents and fraud risk.

Meetings and attendance record

The Supervisory Committee comprises Mr. Jaap Blokhuis (Chairman), Mr. Hans Copier, Ms. Seada van den Herik, Mr. Theo Eysink and Ms. Eva Klein Schiphorst, all of whom are deemed independent in the sense described in the Supervisory Committee's by-laws.

In 2022, the Supervisory Committee met ten times, either in person or via Teams meetings. The Management Board and (members of) the Management Team attended most of these meetings. Two of these meetings were dedicated to specific topics, including Vesteda's Business Plan and approval of an investment proposal. Also, the Supervisory Committee always met in the absence of the Management Board ahead of regular scheduled meetings.

Below you will find an overview of the attendance record per member of the Supervisory Committee

Overview of attendance record Supervisory Committee

Name	Supervisory Committee	Audit Committee	Nomination & Remuneration Committee
Jaap Blokhuis	10 of 10	n.a.	n.a.
Hans Copier	10 of 10	6 of 6	n.a.
Seada van den Herik	10 of 10	n.a.	4 of 4
Theo Eysink	9 of 10	6 of 6	n.a.
Eva Klein Schiphorst	10 of 10	n.a.	4 of 4

Attendance is expressed as the number of meetings (including Teams meetings) attended out of the number of meetings the members were eligible to attend. In the event of absence, the members discussed the topics in advance and provided powers of attorney.

The activities of the Supervisory Committee and its separate committees in 2022 are summarised in the following schedule:

Supervisory Committee activities 2022 (including committees)

Q1	Q2	Q3	Q4
• Q4 2021 report	• Q1 2022 report	• Q2 2022 report	• Q3 2022 report
• Interim status report external auditor	• Investment proposal	• Investment opportunities	• Investment proposals
• Report external auditor 2021	• Assessment of executed acquistions	• Audit plan external auditor	• Cyber security
• ISAE report 2021	• Selection process new projects	• Treasury	• Business Plan 2023-2027
• Investment Property Report 2021	• Update targets 2022	• Report of depositary (Intertrust)	• Feedback participants' day
• MSCI performance	• Compliance, Risk and Internal Audit	• Update targets 2022	• Strategic partnership
• Macro-economic developments	• Rental income and impact (proposed) regulation	• Compliance, Risk and Internal Audit	• Fraud risks
• Financial statements, annual report and allocation of net income 2021	• MSCI performance	• Permanent education	• Update targets 2022
• Internal audit plan 2022	• Amendment EIB financing	• Compliance update	• Treasury guidelines
• Acquisitions and pipeline	• Cyber report of external auditor	• Phantom Share Plan	• Compliance, Risk and Internal Audit
• Targets and bonus Management Board and Management Team 2021	• Annual plan internal audit	• Divestment proposals	• Landlease project
• Targets Management Board and Management Team 2022	• Quality assessment internal audit department	• Reputation survey	• Succession planning key personnel
• Participants' satisfaction survey		• Mandate external auditor additional activities	• Audit Committee Charter
• Compliance, Risk and Internal audit		• Project management	• Tax update
• Investment proposals		• Performance management and succession planning	• Revision remuneration policy
• Extension EIB funding			
• Internal audit charter			
• Sustainability KPIs			
• Audit remuneration policy			
• Annual review employees			

You will find additional information on the role and functioning of the Supervisory Committee and its committees in the Governance section of this report.

Investing in a tightening market

Unfortunately, 2022 did not turn out to provide the worldwide relief all were hoping for. While the COVID-19 pandemic had slowed down significantly at the beginning of the year, the invasion of Ukraine prompted an unexpected surge in energy prices, which in turn formed the main drivers for a surge in inflation and as a result a strong rise in interest rates. For the real estate market, this meant that developers were not committing to pre-defined pricing, prompting Vesteda to cancel certain letters of intent. With respect to committed projects, Vesteda's contractual parties also raised inflation concerns. The Supervisory Committee discussed the market dynamics regularly with management, as well as the (potential) impact on Vesteda's funding and projects.

The surge in inflation also put additional focus on the total cost of living. As more and more low-income and middle-income families struggled to pay their (energy) bills, the ongoing discussion on affordable housing became even more prominent and urgent. The Supervisory Committee discussed the impact of further regulation on a national and municipal level for Vesteda and Vesteda's rental income throughout the year.

Despite the market circumstances, Vesteda managed to lock in several projects that were a good fit with Vesteda's investment strategy and in which the regulated mid-rental segment was well represented. The Supervisory Committee approved several investment proposals, such as Loos in The Hague, New Brooklyn in Almere, Podium in Amersfoort and De Kuil in Rotterdam. The Supervisory Committee was also able to give its views on several envisaged acquisitions at a relatively early stage of the acquisition process and on a reduced investment pace when markets started to turn.

Financial reporting

In early 2022, the Supervisory Committee discussed the preliminary results for 2021 and audit matters with the external auditor (Deloitte). The committee discussed the 2021 financial statements and the 2021 annual report in the presence of Deloitte's lead partner. The Committee also discussed the audit process for the valuation of Vesteda's portfolio extensively with Deloitte.

The Supervisory Committee discussed the fund's performance versus budget on a quarterly basis. In doing so, the Supervisory Committee devoted special attention to the impact of the invasion of Ukraine and the valuation approach of external appraisers.

The first three quarters of the year were promising and Vesteda's direct and indirect results were initially not significantly affected by the economic turmoil in the world. Rental income was above budget and vacancy rates were low. In Q4, the valuation of Vesteda's portfolio took a significant hit due to market circumstances. However, the Supervisory Committee has full confidence in Vesteda, as management has worked on a resilient and flexible organisation with a strong focus on income generation in recent years. This will form a solid foundation for the years to come.

The Supervisory Committee took note of Vesteda's MSCI score over 2021, which outperformed the benchmark. The Supervisory Committee and management discussed the breakdown of the results and lessons learned with respect to outperforming and underperforming assets.

Incidents and fraud risk

No company can state that it is clear of fraud and Vesteda is no different in this respect. During the year, the Supervisory Committee was informed of several cases in which Vesteda was the subject of fraud and/or unethical behaviour, either by its own employees or third parties. None of these cases had a material effect on the Vesteda's financial position. While the occurrence of such incidents is highly unfortunate and undesirable, the Supervisory Committee supports a culture in which such incidents can be discussed openly, and employees feel comfortable reporting them. Subsequently, the Supervisory Committee discussed an integrity report from the Internal Auditor and Compliance Officer, which included an assessment (based on a report by the Association of Institutional Property Investors in the Netherlands[1]) of Vesteda's business operations and possible areas that may be vulnerable to irregularities and fraud. The Supervisory Committee also discussed the risk mitigation measures that were taken as a result of specific incidents and measures that will be taken in response to the integrity report. As of the year under review, the Compliance Officer reports half-yearly to the Supervisory Committee directly, instead of only to the Nomination and Remuneration Committee. The Supervisory Committee will monitor this topic in the current financial year.

Organisation

The composition of both the Supervisory Committee and the Management Board remained unchanged in 2022. In March, the Supervisory Committee approved the remuneration for the new HR Director, who started in May, in accordance with the Remuneration Policy.

One of the Supervisory Committee's recurring tasks is determining the bonuses of the Management Board and the Management Team and setting targets for the year ahead. In terms of the 2021 bonuses, the Supervisory Committee focused on ensuring balanced remuneration for all relevant positions eligible for the bonus schemes. With regards to the 2022 targets, the Supervisory Committee decided to maintain the structure of 2021. This is strongly linked to Vesteda's broad set of KPIs as set out in the Business Plan and gives the Supervisory Committee discretion in assessing qualitative targets. The Supervisory Committee determined the individual variable bonus of the Management Board and the Management Team for 2021.

1 IVBN publication: 'Beheersing van frauderisico's in de institutionele vastgoedsector'.

As Vesteda is committed to becoming a High Performance Organisation (HPO), it is important that the bi-annual HPO score increases over time. Management presented the latest outcome to the Supervisory Committee. The overall score went up, which was more remarkable than usual given the fact that the survey was performed during the COVID lockdown. The Supervisory Committee will continue to monitor management's actions aimed at raising the score further.

In light of its 'permanent education', the Supervisory Committee members individually attended events on topics such as ESG/Taxonomy, Integrity & Culture, cyber security, innovation and governance. Jointly, the Supervisory Committee members attended Vesteda's permanent education day. Subjects included: how to use data to achieve outperformance of the Fund and using proptech to achieve sustainability goals.

The Supervisory Committee shared the main conclusions of its self-assessment with the Management Board.

Miscellaneous

During the year, the Supervisory Committee addressed various other topics.

The Supervisory Committee took note of the outcome of the annual participants' survey and was pleased with the overall score. In addition, it was presented with the outcome of a reputation survey that was held among Vesteda's stakeholders. With respect to sustainability, it became clear that Vesteda's achievements are not fully recognised by the outside world and Vesteda could communicate more about its projects aimed at improving the sustainability of its portfolio.

The Supervisory Committee approved the amendment of a facility provided by the European Investment Bank, enabling Vesteda to amend its interest from floating to fixed on this facility.

The outcome of a cyber security scan, performed by the external auditor, was discussed at Supervisory Committee level. The Digital & Innovation Manager presented the cyber security roadmap and security measures in place. The Audit Committee also reported periodically to the Supervisory Committee on cyber security discussions that took place at that level.

The Supervisory Committee took note of various divestment projects.

The members of the Supervisory Committee held meetings in the absence of management, including meetings with the Internal Audit Manager and the external auditor. On various occasions, individual members of the Supervisory Committee met with senior officers of Vesteda to gain information on ongoing matters.

The Management Board engaged the Supervisory Committee early on in setting out the strategy in the 2023-2027 Business Plan. Vesteda held a separate Business Plan meeting that involved the Management Board, the Supervisory Committee and others. The Supervisory Committee focused on, among other things, Vesteda's long term contribution to society, its sustainability programme and IRR targets. This resulted in the Supervisory Committee recommending the participants to approve the Business Plan.

The Supervisory Committee reviewed its own remuneration and, based on an external benchmark, proposed a balanced adjustment of same by introducing a committee fee. The Participants approved the proposal.

The Supervisory Committee started preparations for the search for new members, as the tenure of two members will end in December 2023 and February 2024 respectively. It will continue this process in 2023 and will involve the participants at a timely stage.

Audit Committee

The Audit Committee consists of Mr. Eysink (Chairman) and Mr. Copier. The Committee met six times in the year under review. Generally, the CFO, the CEO, the Internal Audit Manager, the Company Secretary and the external auditor also attended these meetings.

In line with its tasks, the Audit Committee discussed in detail the periodic financial statements and the 2021 annual financial statements and annual report. The Audit Committee discussed the audit process, key audit matters, preliminary and key audit findings and principal assumptions, judgements and valuations, and the external auditor reported its preliminary and final audit findings. The external auditor gave an extensive presentation on the audit process of the valuation of the investment properties and the properties under construction, in accordance with IFRS principles, which includes both qualitative and quantitative analyses. Outliers were discussed, as well as the positive impact of the cancellation of the landlord levy and the impact of periodically scheduled changes in appraisers. The external auditor considered the market value of the investment property at an aggregate portfolio level to be reasonable and informed the Audit Committee that there were no indications that the appraisers or the valuation reports did not comply with applicable valuation standards. In addition, the Audit Committee reviewed and discussed the annual report of the Fund's financing entity, Vesteda Finance B.V.

As part of the yearly audit process, the external auditor presented the Audit Committee with its findings related to ISAE 3402. The Audit Committee was pleased to learn that the external auditor had once again issued an unqualified opinion in this respect. The external auditor and the Audit Committee discussed the scope and materiality of the external audit plan.

The Audit Committee reviewed the fund’s financial reports on a quarterly basis. In doing so, the Audit Committee asked the Management Board to provide full insight into its financials by discussing these reports. The Audit Committee monitored valuations and management's prudent approach to valuation forecasts.

As part of its general duties, the Audit Committee approved the external auditor’s audit plan.

Each quarter, the Internal Audit Manager reported to the Audit Committee on their deliberations and findings regarding internal risk management and controls. In addition, the Internal Audit Manager presented various material internal audit investigations that took place in 2022, such as audits of the variable remuneration policy, the selling process of individual units, the letting process, a key worker pilot and a leniency policy for senior tenants. Furthermore, the Audit Committee approved an update of the Internal Audit Charter and the Internal Audit year plan. The Internal Audit function was subject to a review by IIA Nederland (Dutch Institute for Internal Auditors) and the Manager Internal Audit presented the positive outcome of the review. The Internal Audit Function conforms with International Standards for the Professional Practise of Internal Auditing.

The Chairman of the Audit Committee met and spoke with the external auditor on several occasions in the absence of the Management Board, to remain directly informed. The Chairman also met and spoke with the Internal Audit Manager. The Chairman updated the Audit Committee on the outcome of all such meetings.

During the year, the Audit Committee also monitored and discussed Vesteda’s debt funding strategy, as set out in more detail in the Funding section of this report, as well as the sustainability KPIs for relevant green financing agreements. In addition, the Audit Committee discussed and provided the Supervisory Committee with a positive recommendation on the amendment of an existing facility with the European Investment Bank and the taking out of a new facility with the European Investment Bank.

A subject that was discussed several times was cyber security. The Audit Committee was updated on security measures that were taken as part of Vesteda's cyber roadmap. In addition, the auditor presented the outcome of its cyber security assessment and the Audit Committee discussed follow-up actions.

Two topics that were discussed more extensively were sustainability and fraud risks. With respect to sustainability, the General Counsel gave an overview of existing and upcoming ESG reporting legislation. Regarding fraud risks, an assessment was presented based on controls mentioned in the IVBN's (Association of institutional property investors in the Netherlands) publication ‘Control of fraud risks in the institutional real estate industry’. The Audit Committee took note of control gaps, in response to some internal cases, and the measures to be taken.

The Audit Committee also discussed other topics within its purview, including risk management, an annual update on Vesteda’s tax framework by Vesteda’s tax advisor, PwC, and the report of the fund's depositary Intertrust. Management also reported on a technical supervision issue addressed by the Dutch Central Bank (DNB), which was resolved to the full satisfaction of the DNB.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NR Committee) consists of Ms. Van den Herik (Chairwoman) and Ms. Klein Schiphorst. The Committee met four times in the year under review. Generally, the CEO, the CFO, the HR Director and the Corporate Secretary also attended these meetings.

As part of its annually recurring tasks, the NR Committee discussed the outcome of the Management targets for 2021 and the targets for the Management Board and Management Team for 2022, in line with the target structure that was set up in 2019. The NR Committee monitored the progress towards meeting these targets throughout the year on a quarterly basis. It was decided to maintain the target structure for 2023, whereby participants’ satisfaction, tenant satisfaction and MSCI-score are important KPIs.

The NR Committee also discussed the outcome of the overall annual review of all employees. In addition, it discussed Vesteda’s talent pool and succession planning. The NR Committee was also presented with the outline of a revision of the overall remuneration policy, the main principles and proposed changes.

The NR Committee discussed the outcome of the bi-annual internal survey on HPO (High Performance Organisation). The NR Committee discussed attention points, further actions and projects, as well as the impact of hybrid working on the workforce and recommendations in this respect based on a third-party study. The NR Committee will continue to monitor progress on these fronts.

Each quarter, the NR Committee received reports from the Compliance Officer, focusing on integrity incidents, their potential impact on Vesteda's business and follow-up, compliance with regulatory requirements and other activities such as internal training and awareness. The NR Committee strongly supports an open company culture in which people discuss and learn from incidents.

The Committee discussed a report of the Internal Audit department on an assessment of the variable remuneration policy against the legal framework and certain recommendations will be taken up in an upcoming review of the company's remuneration policy.

The Sustainability Manager gave a presentation on Vesteda's adjusted sustainability KPIs and targets and the concrete steps (to be) taken to achieve the goals set. The Committee concluded that Vesteda is well on its way and is at the forefront in the Dutch institutional real estate sector in terms of sustainability.

As it did the previous year, the NR Committee conducted ten 360-degree feedback reviews on the CEO and the CFO by interviewing several employees in preparation for the year-end review meetings and as input to score them on qualitative targets.

The NR Committee reviewed the remuneration of the Supervisory Committee and, based on a benchmark by Korn Ferry, made several recommendations in this respect to the Supervisory Committee.

In 2022, no (re)appointments took place on Supervisory Committee or Management Board level. The NR Committee did already discuss the search process for two new Supervisory Committee members to replace two current Supervisory Committee members whose second tenure will expire at the end of 2023 and Q1 2024. It was decided that one external party will be engaged to support the NR Committee and Supervisory Committee in doing a full self-assessment, recalibrate the profiles of the vacant positions and the search for candidates in 2023.

Meeting of Participants

Vesteda convened two regular Participants' Meetings in the year under review. These included the annual meeting in April, in which the financial statements and the annual report were discussed and adopted, and the execution of the Business Plan was evaluated. In the bi-annual meeting in December, the participants discussed and unanimously approved the 2023-2027 Business Plan.

In addition, participants attended the annual informal Participants' Day in October, during which they visited projects in the Amsterdam Amstel area.

Amsterdam, 23 March 2023

Supervisory Committee

Jaap Blokhuis, Chairman
Hans Copier
Seada van den Herik
Theo Eysink
Eva Klein Schiphorst

Risk management

Risk management is integrated in Vesteda's strategic and operational processes. We have defined our risk management policy and implemented a risk management framework in line with the core fund risk profile, as defined in the Vesteda Residential Fund's Terms and Conditions, extending to all levels of the organisation and all lines of business.

Vesteda has developed its internal risk management framework on the basis of the recommendations of the Committee of Sponsoring Organisations of the Treadway Commission (COSO), the aim of which is to create a reasonable level of assurance on the achievement of organisational targets. Vesteda's internal control systems include various measures for achieving adequate segregation of duties, prompt recording of significant transactions and data security. Internal accountability and management reports, management reviews and other internal research into the design and operation of the internal controls are an integral part of the internal control systems.

Vesteda also uses the 'Three lines model' with respect to managing risks (first line: Management; second line: Business control, Risk committee and Compliance officer; third line: Internal Audit). This model enhances the awareness of the risk culture within Vesteda and underlines and supports accountability for the management of risks and internal controls.

The three lines model emphasises that focus should be on the contribution risk management makes to achieving objectives and creating value, as well as to matters of 'defence' and the protection of value. Vesteda also supports the principles to the effect that:

- There must be regular interaction between Internal Audit and management to ensure the work of Internal Audit is relevant and aligned with the strategic and operational needs of the organisation.
- There is a need for collaboration and communication across both the first and second line roles of management and Internal Audit to ensure there is no unnecessary duplication, overlap, or gaps.

Vesteda's Internal Audit department is already providing assurance and advice on the adequacy and effectiveness of governance and risk management (including internal controls) to support the achievement of organisational objectives and to promote and facilitate continuous improvement.

Risk appetite

The INREV core fund risk profile implies that Vesteda has a relatively low-risk profile since it typically invests in income-producing real estate investments. Vesteda employs relatively low levels of leverage and has limited exposure to real estate development. A significant and stable proportion of its returns are generated through rental income. Overall, Vesteda has a relatively low risk appetite. Please see Note 27 of the consolidated financial statements for a description of our financial risk management objectives and policies.

Vesteda's risk management framework

Vesteda's risk management framework is described in the section below.

Risk Committee

Vesteda's risk management activities are overseen by the Risk Committee. The Committee's tasks include, but are not limited to:

- Providing support and advice to the Management Board and Management Team with regard to the periodic identification of Strategic Risks and their assessment and management;
- Formulating policy frameworks for operational risk management and ensuring compliance with them;
- Making method(s) and techniques available that support line management in the risk management of Operational Risks;
- Monitoring Operational Risks and Compliance Risks and their control;
- Stimulating risk awareness in the organisation;
- Providing insight into the risk profile of the organisation.

The Risk Committee explicitly does not focus on identifying and monitoring Strategic Risks. These are risks that could negatively affect Vesteda's strategic objectives and are formulated in the most recent Business Plan. This is the responsibility of the Management Board and the Management Team. However, should the Risk Committee identify a risk in the context of its activities that could have an impact on Vesteda's strategic objectives, the Risk Committee will immediately report its findings to the Management Board.

The Risk Committee is chaired by the CFO, who is charged with risk management at Vesteda. Other members of the Risk Committee include the COO, the General Counsel, the Business Control Manager, the D&I Manager and the Compliance Officer. The Internal Audit Manager also joins the meetings of the Risk Committee but is not a member of the Risk Committee. A Risk Charter defines the roles and responsibilities, the tasks, authorities and reporting requirements of the Risk Committee. The Risk Charter was last updated and approved by the Management Board in October 2022.

The scope of risk management

Vesteda distinguishes the following three main risk areas:

1. Risks related to strategic targets as defined in the Business Plan

This relates to specific risks regarding tenants, portfolio, participants (equity funding), organisation and debt funding.

The Management Board and the Management Team primarily focus on:

- Identifying and assessing the Strategic Risks annually on the basis of the most recent Business Plan;
- Monitoring the Strategic Risks and the effectiveness of the associated control measures on a quarterly basis;
- Adjusting the control measures with regard to the Strategic Risks if these are not considered sufficient.

2. Operational risks related to the failure of systems and processes

Operational risk management is part of Vesteda's business processes and is governed by specific guidelines, policies and key controls designed to manage these operational risks, which are subject to internal reviews and external audits where appropriate.

Each year, Vesteda's external auditor provides assurance with respect to the design and effective operation of controls based on the International Standards on Assurance Engagements (ISAE), Standard 3402, type II. Vesteda selects the relevant controls to be audited and concluded upon in the assurance report and these relate to key controls within the most important business processes, primarily Acquisitions, Property and Portfolio Sales and Operations.

3. Compliance risks related to non-compliance with legislation and (internal) regulations

Vesteda has a dedicated Compliance Officer who reports on a quarterly basis to the Management Board and Supervisory Committee. The scope of the Compliance Officer's work is set out in the Compliance Charter. Both internal and external developments, such as trends, risk-increasing developments, incidents and new or changed laws and regulations, can lead to the (partial) revision or adjustment of an established programme. The Compliance Officer constantly monitors these developments, responds to these and discusses them (where necessary) in the quarterly consultations or on an ad-hoc basis with the Management Board and/or the Supervisory Committee or addresses these matters in the Risk Committee. If necessary, the Compliance Officer adjusts these activities (advice, monitoring) accordingly. The annual compliance programme therefore has a dynamic character. It is also possible that the results of (un)planned compliance monitoring gives cause to prioritise a topic, while this was not previously planned. The compliance charter gives substance to this dynamic of compliance activities in various areas. For more detailed information, please see the Compliance and integrity section of this report.

Fraud risks and measures to prevent fraud are evaluated as part of the yearly review of the design and effective operation of controls based on the ISAE, Standard 3402, type II, as well as part of the annual Systematic Compliance Risk Analysis (SCRA, see page 44). This SCRA includes relevant fraud risk scenarios based on likelihood, impact, risk appetite and mitigating control measures. Furthermore in 2022 the Internal Auditor and the Compliance Officer assessed Vesteda's business operations and possible areas that may be vulnerable to irregularities and fraud, benchmarked against a report by the Association of Institutional Property Investors in the Netherlands on managing fraud risk in the institutional real estate sector (IVBN publication: 'Beheersing van frauderisico's in de institutionele vastgoedsector'). This report lists 115 general and specific controls to mitigate fraud risks. The overall conclusion was that Vesteda generally scores well against this benchmark. The more detailed findings of the benchmark will be used to further improve internal controls in 2023.

As mentioned in the Compliance and integrity section of this report, the Compliance Officer and Internal Audit Manager conducted several investigations regarding potential fraud by employees in 2022. The findings from these investigations are also used to improve internal controls.

Strategic risk analysis

Vesteda's strategic risk analysis is based on the following assessment, which is executed by the Management Board and Management Team jointly:

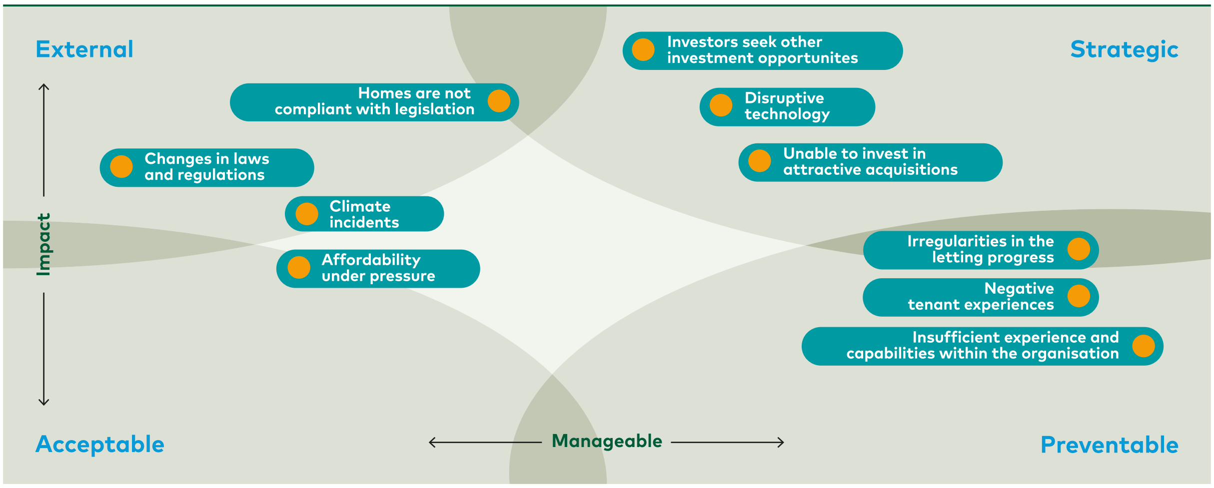
- Identification of strategic risks, based on the strategic targets and key performance indicators within the three strategic pillars: economic value, social value and organisation. These strategic targets and risks are based on the five-year Business Plan, subject to approval by Vesteda's Participants each year in December, and actual developments;
- An assessment of the level of risk Vesteda is willing to accept in achieving its strategic targets (risk aversion) to provide guidance for decisions related to risk and return management. The outcome of this assessment also serves as a basis for the review of the effectiveness of the nature and level of internal controls for each risk. The level of risk aversion is measured based on a scale of 1 to 5: Risk averse, Limited risk, Cautious, Flexible, Open.

In alignment with the key characteristics of Vesteda as a Core INREV fund, with a conservative funding policy focusing only on residential real estate in the Netherlands, limited risks or a cautious approach is necessary for Vesteda's strategic targets (risk aversion of mostly 2, partly 2-3).

- Classification of identified risks based on impact (high – low) and to what extent the risk is manageable (ranging from largely manageable – not manageable);
- Defining the internal controls (taken or to be implemented) for each of the identified risks, the required level of effectiveness for these controls and the relevant key performance indicators to monitor effectiveness.

The outcome of this review is depicted in the 'Vesteda Risk Profile' figure below:

Vesteda Risk Profile



For each of the risks shown in the 'Vesteda Risk Profile' above, the main internal controls are:

External risks, potential high impact, no or limited controls on risk occurring

Risk: Changes in (rental) laws and regulations
Changes in laws and regulations related to rent (increases), investments (local requirements or product-specific requirements, e.g. regulated mid-rental segment), building requirements (sustainability), fiscal laws impacting investments in real estate, etc.

Internal controls
As changes in laws and regulations are beyond Vesteda's direct control, the main focus in addressing this risk is identifying and discussing possible changes and alerting and preparing the organisation. This is realised through our multiple contacts with the sector association IVBN and contacts with city councils, politicians, developers, etc. Where relevant, we take the effect of potential changes in laws and regulation into account in our business planning, including impact analyses and stress testing, where relevant.

With respect to the risk related to rental regulation, we take an active role in the affordability debate, together with the IVBN. We believe it is important to behave as a socially responsible investor and to highlight the role we have in responsibly investing pension savings and insurance premiums entrusted to us by our participants in residential real estate for middle-income tenants.

We execute stress tests to calculate the impact of (potential) new regulation on Vesteda's portfolio and rental income.

Risk: Homes are not compliant with legislation
Our homes cannot meet all requirements set by (EU) legislation with respect to climate mitigation and sustainability.

Internal controls
Vesteda has implemented a number of internal controls for this specific risk, the most important of which are:

An investment programme to improve the energy labels of our homes. Please see the Environmental section of this report.

Vesteda has a 'Policy on the integration of sustainability risks and factors into the investment decision-making process' providing insight into which potential sustainability risks Vesteda has identified and how these risks and principal adverse impacts on sustainability factors are integrated in investment decisions related to new acquisitions or renovation projects.

Sustainability and climate risks form an important part of Vesteda's investment decision process for new acquisitions and renovation projects. Vesteda applies its technical standards to assess whether new (potential) investments comply with Vesteda's sustainability and technical requirements (which focus on climate change mitigation and adaptation). Vesteda uses an ESG framework to determine a sustainability impact score for each project to provide a broader scope on relevant sustainability risks and factors and to ensure new projects meet the applicable ESG requirements to qualify as sustainable.

Please see the Environmental and the Acquisitions and property sales sections of this report.

Risk: Climate incidents
Climate incidents affecting our portfolio, such as flooding, heat stress, earthquakes, etc.

Internal controls
This is also a risk that is largely beyond Vesteda's direct control. However, in terms of mitigating the impact of climate incidents, Vesteda has taken the following measures:

A climate risk scan for the entire portfolio. We give specific attention for the risks of heat stress and flooding in our long-term maintenance programme per building complex. Please see the Physical climate risks paragraph in the Environmental section of this report.

Risk: Affordability under pressure
Affordability of housing is under pressure due to high energy prices and inflation.

Internal controls
Vesteda is taking several measures to manage and improve the affordability of housing. We invest in the sustainability of our assets and inform tenants about energy saving possibilities, to lower energy costs. We also invest in new build projects in the mid-rental segment, to add affordable homes to the housing market. Furthermore, by monitoring our tenants' payment behaviour, we can take action, for example by offering more affordable housing to tenants in difficulty.

Strategic risks, potential medium to high impact, reasonable or high level of controls possible on risk occurring

Risk: Investors seek other investment opportunities
Investments in Vesteda (residential real estate) become less attractive for potential new and current investors (primarily as a result of an imbalance between return and risk).

Internal controls
Each year, participants have to approve the Business Plan, which includes the strategy to achieve the targets as set out in the Investment Guidelines of the Terms and Conditions. For example, the outperformance of the three-year MSCI index and a target for the TER. The achievement of the targets is monitored on a monthly, quarterly and annual basis.

During the Business Plan period, management focuses on stable direct returns and increasing dividend yield, providing an inflation hedge for the existing participants and an interesting proposition for potential new investors with a low-risk profile.

We have frequent meetings with participants, at which we communicate market developments and the progress of the strategy implementation. In the current market environment, with political discussions on affordability, the impact of rent increases and (potential) new legislation on rent increases, we believe it is important to discuss Vesteda's strategy as a socially responsible investor, especially when this pertains to decisions regarding tenant satisfaction, rent increases and sustainability.

Risk: Disruptive technology
Vesteda's business model is disrupted by new innovative technology.

Internal controls
Digital technology provides the residential investment industry (and adjacent sectors) in general and Vesteda specifically with new resources to create and capture value for all stakeholders. This may, for example, mean that a residential property also functions as a platform for the sale of additional goods and services to its users, thereby increasing the tenant's perception of value and willingness to pay for it. As a result, boundaries between sectors may blur and young, agile and cost-efficient companies may become a competitor for existing players in the relatively traditional housing market. Digital technology may also be a source of optimised rental income streams and structural savings in general, operational and capital expenditures, while at the same time improving sustainability, tenant satisfaction and the risk profile of the investment.

Exploiting the full potential of digital technology requires a deep understanding of the opportunities and risks associated with it and requires a holistic vision on digital technology as a key resource for strategy definition and execution. Vesteda is already applying digital technology in several parts of its business model and processes, and is increasingly working on incorporating digital technology in strategy definition and organisational design. Failure to keep up with these developments may have a negative effect on Vesteda's competitive position in the longer term and access to new investment product. Vesteda mitigates this risk today by recognising both the opportunities and the risks of digital technology and improving its business model and organisation in phases using digital technology.

Risk: Unable to invest in attractive acquisitions
Vesteda is unable to invest in new attractive acquisition opportunities.

Internal controls
Dutch residential investments are seen as a safe haven with an attractive risk/return profile, due to the scarcity in supply and high demand. Vesteda is active throughout the value chain: Vesteda is proactively interacting with developers, contractors and local authorities using our in-depth knowledge of local markets and developments and positioning itself as a solid long-term partner. While the market is currently experiencing headwinds, we aim to stay in the market, since a modest but constant inflow level increases the quality of our portfolio. We will continue long-term business partnerships, to be able to benefit from potential market opportunities in the future.

As part of our acquisition policy, we have also implemented a range of internal controls, including:

- Monitoring of acquisition leads funnel and conversion of leads;
- Yearly evaluation of IRR requirements;
- Performance analyses of realised acquisitions compared with investment proposals;
- Yearly approval by participants of the Business Plan, which includes the acquisition strategy and funding of acquisitions.

Preventable risks, medium to low impact, high level of controls possible on risk occurring

Risk: Negative tenant experiences
Vesteda's image and reputation is affected by negative tenant experiences, which may result in low(er) tenant satisfaction scores.

Internal controls
Vesteda measures tenant satisfaction continuously and this is one of Vesteda's major key performance indicators. It is included in the annual targets for the Management Team, senior management, departments and employees. Please see the Tenant satisfaction paragraph in the Social section of this report.

In the event of tenant complaints, Vesteda strives to act and communicate quickly and transparently. Vesteda makes sure that cases are evaluated and that lessons learned are shared internally in order to improve future processes.

Risk: Irregularities in the letting process.
Vesteda's image and reputation is affected by irregularities in the letting process.

Internal controls
Vesteda has implemented customer due diligence procedures to comply with anti-money laundering legislation related to tenants and others. Vesteda provides employees who are in charge of screening tenants with additional training and reference materials. The Compliance department has been expanded, providing more support in the letting process and the assessment of new tenants. In addition, Vesteda organises internal dilemma workshops. Please see the Compliance and integrity section of this report.

Risk: Insufficient experience and capabilities within the organisation
The risk that Vesteda cannot attract and retain the right talent to achieve its ambitions and the risk that Vesteda's employees are less engaged and show a lack of performance (due to working from home).

Internal controls
Vesteda has a professional HR department in charge of attracting and retaining highly qualified staff, through recruitment procedures, talent management and training programmes. Please see the Workforce section of this report.

Vesteda aims to become a High Performance Organisation and focuses continuously on actions and milestones to achieve this goal. In order to monitor Vesteda's status, we conduct a bi-annual survey among our employees. The results of the latest HPO survey shows that our employees are increasingly positive on our organisation and feel connected to the company, even though many employees continue to work from home part of the time at a time when there are no COVID-related lockdowns.

In addition, Vesteda plans to review and update its remuneration policy, which can help it to attract and retain staff.

Please see the Organisation section of this report.

The monitoring of the above-mentioned strategic risks and the effectiveness of internal controls, as well as the identification of new strategic risks is the responsibility of the Management Board and the Management Team and will be discussed at least quarterly in 2023.

Risk Committee activities in 2022

In the year under review, the Risk Committee frequently discussed Vesteda's digital organisation and the risks related to our IT systems and possible cybercrimes and attacks with the D&I Manager. The Treasury Manager reported to the Risk Committee on a quarterly basis on the compliance with Vesteda's funding targets, including stress tests on liquidity and financial covenants. The Internal Audit Manager reported to the Risk Committee on ISAE controls. Furthermore, the Compliance Officer reported on Compliance risks, including matters related to data protection. The Risk Committee currently puts more focus on sustainability risks and will continue to do so going forward.

Vesteda updated its Risk Management Policy and Risk Charter in 2022.

'In control' statement

The Management Board is responsible for implementing and maintaining adequate risk management and internal control systems and for assessing the effectiveness of these systems.

In the year under review, we evaluated and monitored our risk management and internal control systems, as further described in the above Risk management section of this report. Based on this assessment, we concluded with reasonable, but not absolute, assurance that:

- The annual report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- The aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis;
- The annual report states those material risks and uncertainties that are relevant to the expectation of Vesteda's continuity for the period of twelve months after the preparation of the report.

It is important to note that effective risk management, with embedded internal controls, no matter how well designed and implemented, provides the Management Board with only reasonable assurance regarding the achievement of Vesteda's objectives. The achievement of objectives is affected by limitations inherent in all management processes. Therefore, in this context 'reasonable assurance' refers to the degree of certainty that would be satisfactory for a prudent manager in the management of their business and affairs in the given circumstances.

About this report

Content of report

This report is published on an annual basis and covers information from 1 January 2022 through 31 December 2022. Our previous Annual Report (2021) was published on 6 April 2022. The aim of this report is to inform Vesteda's most important stakeholders. By identifying the parties that Vesteda influences and the parties that exert influence on Vesteda, the company has defined the following key stakeholders: tenants, participants, employees, lenders/debt investors, partners/business partners, advisors/real estate experts and local authorities.

Financial and non-financial information

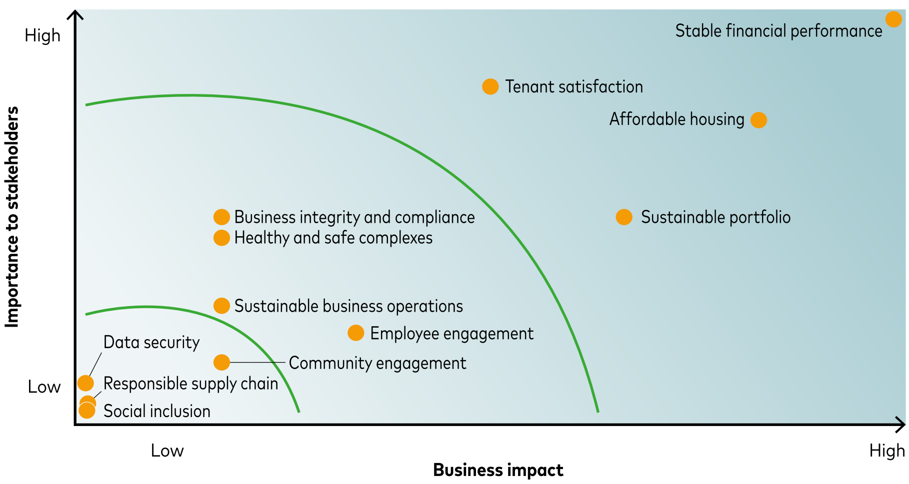
The financial information included in this report is derived from or in line with the financial statements. The Vesteda annual report is drawn up in accordance with IFRS accounting policies, unless otherwise stated. However, for transparency purposes, Vesteda deems it important to provide investors with insight into the fund's net asset value and metrics on the basis of the INREV principles, which is included in the 'Vesteda Residential Fund FGR financial overviews in accordance with INREV valuation principles' section of this report. The non-financial information relates to areas such as market developments, portfolio and organisational developments, tenants, sustainability, corporate governance, compliance and integrity, and risk management. These data are the result of Vesteda's own analyses and systems, market research and legislation and regulations. There are no significant restatements regarding non-financial information.

Material topics

This report has been prepared in accordance with GRI Universal Standards. A key requirement for conforming with GRI guidelines is the execution of a materiality analysis and the translation of the outcomes of this in the annual reporting. Vesteda executed a materiality analysis in 2020, resulting in a list of 12 topics, eight of which are considered material topics by its stakeholders.

All Vesteda's entities are within scope for all material topics and their indicators. Vesteda reports quantitatively on the eight most material topics. Whenever possible, these topics have been combined with and linked to (GRI) aspects included in the previous year's reporting. The results of the materiality analysis are shown in the following matrix. The GRI table in Annex 5 of this report shows the link between the material topics and the GRI aspects and indicators.

Materiality matrix



Dialogue with stakeholders

The table below gives an overview of the structural dialogue between Vesteda and its key stakeholders.

Stakeholders	Dialogue	Content dialogue	Impact dialogue on policy Vesteda
Employees	• Questionnaire (HPO) • Events for employees • Intranet • Works Council	• Employee satisfaction and employee experience, Vesteda Improves project • Onboarding day, Inspiration sessions, Business Plan presentation, Financial and business results, Celebrations (new year, breakfast sessions, Friday drinks etc) • Source of information • Discuss relevant developments and regulations concerning business strategy and employee impact, such as M&A, organisational changes and employee benefits • Working from home/hybrid working	• Identification of integral improvement programmes • Social connectivity and creation of Vesteda culture • Clear quarterly information about business progress and plans
Participants	• General Meeting of Participants (at least twice a year) • Regular investor meetings/ quarterly conference calls • Annual informal Participants' Day • Annual independent Participant satisfaction survey • Property tours • Investorweb (for participants)	• Business Plan 2023-2027 • Liquidity Review Date • Transition to zero-natural gas • Rent increase policy • Acquisitions and sales policy • Required returns • Sustainability • ISAE	• Continued attention for affordability of housing and total cost of living • Continued attention for sustainability, e.g. the increase in reporting of ESG activities and performance • Clear criteria to improve reporting and Participants' Day
Lenders/ debt investors	• Annual credit review meetings • Regular debt investor/lender meetings • Information for debt investors on website • Financial covenant reporting • Roadshow for bond investors	• Strategy • Leverage • Reporting • Governance • Cash management • Sustainability	• Transparent reporting standards; improved reporting • Funding strategy; leverage • Development risk • Liquidity risk
Partners/ business partners and local authorities	• Through membership and meetings of IVBN, INREV, ULI, NEPROM, DGBC and GBC-Z. • Local and national government(s) • Attending/giving lectures at business events/conferences • Attending conferences such as Expo Real, Provada and INREV • Joining expert meetings and working groups	• Increasing mid-rental market supply in the urban environment / affordable housing • Discuss local regulations, policies and market developments • Discuss relevant developments, such as sustainability, urban development, densification, ground lease, mobility, disruptive technologies, technical innovations and smart buildings • Discuss propositions for acquisitions, property sales and re-developments	• Sector effort to realise more affordable housing in urban environments • Revolving Fund Urban Transformation (NEPROM) • Translated market developments in our Business Plan • Investing in knowledge of disruptive technologies (e.g. Project Milestone) • Adopting and improving best practices
Advisors/ real estate experts	• Regular meetings with Vesteda's Advisory Committee • Conference with Dutch housing association • Partnership signed with the Blue Building Institute • Workshop on sustainability • Attending/giving lectures at business events	• Sustainability, re-development of existing properties • Energy transition • KPIs • Healthy living • Social cohesion • Market developments	• Research into sustainability and continued embedding in policy

INREV Guidelines Compliance Statement

The European Association for Investors in Non-Listed Real Estate Vehicles (INREV) published the revised INREV Guidelines incorporating industry standards in the fields of Governance, Reporting, Property Valuation, Performance Measurement, INREV NAV, Fees and Expense Metrics, Liquidity and Sustainability Reporting. The assessments follow these guidelines.

INREV provides an Assessment Tool to determine a vehicle's level of compliance with the INREV Guidelines as a whole and its modules in particular.

The overall INREV Guidelines Compliance Rate of the Vesteda Residential Fund is 97.24%, based on eight out of nine assessments. The table below shows the compliance rate for each completed module of this self-assessment.

Compliance with the INREV Guidelines Assessment Results

INREV module	Level of adoption or compliance
Reporting	100%
Property Valuation	100%
INREV NAV	100%
Liquidity	96%
Governance 2022	98%
Sustainability	100%
Fee and Expense Metrics	90%
Code of Tax Conduct	95%

Assurance

This report has been provided with external assurance. You will find the assurance report of the independent auditor and their conclusion in the Assurance report of the independent auditor section of this report. Vesteda believes this assurance is important as it provides additional certainty regarding the accuracy of the information included.

Assurance report of the independent auditor

To the participants and the Supervisory Committee of Vesteda Residential Fund FGR

Limited assurance report of the independent auditor on Vesteda's sustainability information

Our conclusion

We have reviewed the sustainability information in the accompanying annual report for the year 2022 of Vesteda Residential Fund FGR (hereafter: Vesteda) at Amsterdam. A review is aimed at obtaining a limited level of assurance.

Based on our review nothing has come to our attention that causes us to believe that the sustainability information does not present, in all material respects, a reliable and adequate view of:

- The policy and business operations with regard to sustainability
- The thereto related events and achievements for the year 2022

in accordance with the reporting criteria as included in the 'Reporting criteria' section of our report.

The sustainability information consists of sustainability data as included in the following chapters:

- Vesteda at a glance, (page 7-9);
- Management Report, paragraphs Market developments (pages 12-14), Social Value (pages 29-45), Organisation (pages 46-49);
- About this report (pages 73-75);
- Annex 5: GRI content index (p. 156-159).

Our procedures did not cover the information regarding the EU-Taxonomy references in paragraph 'Governance' (page 38 and 42), the SFDR disclosure in annex 6 (page 160-164) and the TCFD disclosure in annex 7 (page 165) as a result of the exclusion from the limited assurance scope.

Basis for our conclusion

We have performed our review of the sustainability information in accordance with Dutch law, including Dutch Standard 3810N 'Assurance-opdrachten inzake maatschappelijke verslagen' (Assurance engagements relating to sustainability reports)'. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information' section of our report.

We are independent of Vesteda in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for professional accountants, a regulation with respect to independence) and other relevant independence regulations in The Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting criteria

The sustainability information needs to be read and understood together with the reporting criteria. Vesteda is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability information are the reporting criteria as disclosed on page 73 of the annual report and the applied supplemental reporting criteria (Vesteda reporting manual).

The absence of an established practice on which to draw, to evaluate and measure sustainably information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Limitations to the scope of our review

The sustainability information includes prospective information such as ambitions, strategy, plans, expectations and estimates and risk assessments. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the sustainability information.

The references to external sources or websites in the sustainability information are not part of the sustainability information as reviewed by us. We therefore do not provide assurance on this information.

We also refer to our scope exceptions under Our conclusion.

Our conclusion is not modified in respect of these matters.

Responsibilities of the Management Board and the Supervisory Committee for the sustainability information

The Management Board is responsible for the preparation of reliable and adequate sustainability information in accordance with the reporting criteria as included in the 'Reporting criteria' section, including the identification of stakeholders and the definition of material matters. The Management Board is also responsible for selecting and applying the reporting criteria and for determining that these reporting criteria are suitable for the legitimate information needs of stakeholders, taking into account applicable law and regulations related to reporting. The choices made by the Management Board regarding the scope of the sustainability information and the reporting policy are summarised on page 73 of the annual report.

Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

The Supervisory Committee is responsible for overseeing the reporting process of Vesteda.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate evidence to provide a basis for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review is therefore substantially less than the assurance obtained in an audit.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, regulations for quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

Our review included amongst others:

- Identifying areas where a material misstatement of the subject matter information is likely to arise, designing and performing procedures to address the areas identified and to obtain limited assurance to support our conclusion;
- Considering internal control relevant to the examination in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Reviewing working papers underlying to the non-financial information on sustainability reported in the Annual Report 2022 prepared by Vesteda in accordance with the Prepared by Client list supplied by Deloitte;
- Determining that the applied reporting guidelines are suitable;
- Performing an analysis on publicly available information related to the company;
- Determining if the contents of the Report are in accordance with the GRI Universal Standards;
- Inquiry with Corporate staff and relevant management;
- Reviewing the processes and systems for data gathering, including the aggregation of the data of the sustainability KPIs as included in the Report;
- Evaluating internal and external documentation;
- Analytical review of the data and trend explanations submitted for consolidation at group level;
- Reviewing Risk Management, including Risk paragraph, in relation to non-financial information on sustainability;
- Reviewing Corporate Governance documentation in relation to non-financial information on sustainability.

We communicate with the Supervisory Committee regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Amsterdam, 23 March 2023

Deloitte Accountants B.V.

Signed on the original: J. Holland

Vesteda Residential Fund FGR financial statements 2022

Consolidated financial statements

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2022; amounts in € million

	Note	2022	2021
Gross rental income	5	363	347
Service charges income	6	11	12
Other income		1	1
Revenues		**375**	**360**
Property operating expenses (excluding service charges)	7	(89)	(84)
Service charges	6	(16)	(16)
Net rental income		**270**	**260**
Result on property sales	8	6	16
Management expenses	9	(27)	(25)
Financial results	10	(42)	(39)
Realised result before tax		**207**	**212**
Unrealised result	11	(218)	1,233
Result before tax		**(11)**	**1,445**
Tax	12	(1)	(1)
Result after tax (attributable to equity holders of the parent/participants)		**(12)**	**1,444**
Other comprehensive income that will be reclassified subsequently to profit or loss			
- Settlement pre-hedge contracts		1	1
- Revaluation of PPE		1	-
Other comprehensive income, net of tax	13	**2**	**1**
Total comprehensive income (attributable to equity holders of the parent)		**(10)**	**1,445**
Earnings per participation right in €			
Basic and diluted earnings, on result after tax	21	(0.34)	40.23
Comprehensive income per participation right in €			
Basic and diluted earnings, on total comprehensive income		(0.28)	40.25

Consolidated statement of financial position

For the year ended 31 December 2022; amounts in € million

	Note	31-12-2022	31-12-2021
ASSETS			
Non-current assets			
Intangible fixed assets	14	6	7
Investment property	15	9,448	9,540
Investment property under construction	16	225	177
Property, plant and equipment	17	21	20
Financial assets	18	3	2
Total non-current assets		**9,703**	**9,746**
Current assets			
Trade and other receivables	19	2	5
Cash and cash equivalents	20	11	109
Total current assets		**13**	**114**
Total assets		**9,716**	**9,860**
EQUITY AND LIABILITIES			
Equity			
Group equity	21	7,298	7,553
Non-current liabilities			
Financial liabilities	22	1,936	1,784
Lease liabilities	23	148	145
Total non-current liabilities		**2,084**	**1,929**
Current liabilities			
Financial liabilities	22	241	300
Provisions	24	3	7
Trade and other payables	25	89	70
Lease liabilities	23	1	1
Total current liabilities		**334**	**378**
Total liabilities		**2,418**	**2,307**
Total equity and liabilities		**9,716**	**9,860**
Net Asset Value (NAV) per participation right in €			
Basic IFRS NAV	21	203.92	210.40

Consolidated statement of changes in equity

For the year ended 31 December 2022; amounts in € million

	Fund equity	General paid-in surplus	Reserve				Total equity
			Property reserve	Derivatives	Legal	Other reserve	
Balance at 1 January 2021	35	1,845	2,635	(5)	8	1,776	6,294
Profit for the year	-	-	1,158	-	(1)	287	1,444
Other comprehensive income	-	-		1	-		1
Total comprehensive income	**-**	**-**	**1,158**	**1**	**(1)**	**287**	**1,445**
Realised from property sales	-	-	(33)	-	-	33	-
Distribution paid	-	(186)	-	-	-	-	(186)
Balance at 31 December 2021	**35**	**1,659**	**3,760**	**(4)**	**7**	**2,096**	**7,553**
Profit for the year	-	-	(168)	-	-	156	(12)
Other comprehensive income	-	-	-	1	(1)	2	2
Total comprehensive income	**-**	**-**	**(168)**	**1**	**(1)**	**158**	**(10)**
Realised from property sales	-	-	(14)	-	-	14	-
Equity redemption	-	(50)	-	-	-	-	(50)
Distribution paid	-	(195)	-	-	-	-	(195)
Balance at 31 December 2022	**35**	**1,414**	**3,578**	**(3)**	**6**	**2,268**	**7,298**

Other comprehensive income may be recognised as profit or loss in future periods.

Consolidated cash flow statement

For the year ended 31 December 2022; amounts in € million

	Note	2022	2021
Operating activities			
Result for the year after tax		(12)	1,444
Adjustments to reconcile result after tax to net cash flow from operating activities			
Unrealised result	11	218	(1,233)
Depreciation of property, plant and equipment	14 / 17	2	2
Amortisation of financing costs	10	3	2
Provisions	24	-	-
Lease liabilities	23	-	(5)
Interest expense	10	39	37
Amortisation of income derivatives	13	(1)	(1)
Result on property sales	8	(6)	(16)
		255	**1,214**
Working capital adjustments		3	2
Net cash flow from operating activities		**246**	**232**
Investing activities			
Capital expenditure in investment property		(59)	(82)
Proceeds from sale of investment property	15	53	115
Capital expenditure on intangible fixed assets		-	(1)
Capital expenditure on property, plant and equipment	17	-	-
Capital expenditure on financial fixed assets	18	-	1
Capital expenditure on participations	18	-	4
Capital expenditure on investment property under construction		(137)	(121)
Net cash flow from investing activities		**(143)**	**(84)**
Financing activities			
Loans drawn	22	1,586	2,126
Financing costs	22	-	-
Loan repayment	22	(1,505)	(1,943)
Distribution paid	21	(245)	(186)
Interest paid		(36)	(32)
Settlement pre-hedge contracts	14	-	-
Buy-off landlease	23	-	(5)
Income tax paid		(1)	(1)
Net cash flow from financing activities		**(200)**	**(41)**
Total net cash flow		**(98)**	**107**
Net increase/decrease in cash and cash equivalents		(98)	107
Cash and cash equivalents at the beginning of the period	20	109	2
Cash and cash equivalents at 31 December	20	**11**	**109**

Notes to the consolidated financial statements

1. Corporate information

The consolidated financial statements of Vesteda Residential Fund FGR (the Fund) and the affiliated entities (the Vesteda Companies) for the year ended 31 December 2022 were authorized for issue in accordance with a resolution of the Management Board on 23 March 2023. Vesteda Residential Fund FGR (the Fund) is a mutual Fund. Vesteda Investment Management B.V. is the Fund manager, and its registered office is located at De Boelelaan 759, Amsterdam, the Netherlands.

The principal activity of Vesteda Residential Fund FGR is investing in Dutch residential properties.

The Fund and its manager are subject to the Dutch Financial Supervision Act (FSA).

2. Basis of preparation

Vesteda Residential Fund FGR (the Fund) is not a legal entity. These financial statements present the consolidated financial information of the Fund and its affiliated companies (together referred to as the Vesteda Companies). Compared with the Annual Report 2021, there have been no financial restatements.

Management considered whether the Vesteda Companies represent a reporting entity. Although no legal parent company exists, management believes that the Vesteda Companies meet the definition of a reporting entity under IFRS, taking into account the discussions held by IFRIC (IFRS Interpretation Committee) and the IASB (International Accounting Standards Board) in previous years and the ED Conceptual Framework for Financial Reporting as issued by the IASB in March 2018. The ED states that if a reporting entity is not a legal entity, the boundaries of the reporting entity needs to be set in such a way that the financial statements: (a) provide the relevant financial information needed by existing and potential investors, lenders and other creditors who rely on the financial statements; and (b) faithfully represent the economic activities of the entity.

The Vesteda Companies represent a defined area of economic activities whose financial information provides relevant information to users of financial statements. Furthermore, the economic activities can be objectively distinguished from those of other entities and from the economic environment in which the Vesteda Companies operate.

The ED of March 2018 discusses the distinction between consolidated and combined financial statements. The opinion of the Management is that this distinction is not relevant for the users of the financial statements of the Vesteda Companies and as such uses the term 'consolidated' financial statements.

As a result, management believes that this basis of preparation results in a true and fair presentation of the Vesteda Companies' financial position, financial performance and cash flows, and that the consolidated financial statements comply in all material aspects with International Financial Reporting Standards as endorsed by the European Union and Part 9 of Book 2 of the Dutch Civil Code and the Financial Supervision Act.

The financial statements of the Vesteda Companies have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

The principal accounting policies adopted are set out below.

The consolidated financial statements are presented in euro and all amounts are rounded to the nearest million, except where otherwise indicated.

As a result of the licence obtained from the Dutch Financial Markets Authority AFM (Autoriteit Financiële Markten), Vesteda needs to comply with the Alternative Investment Fund Managers Directive (AIFMD). As a consequence, Vesteda needs to adhere to the requirements of Part 9 of Book 2 of the Dutch Civil Code. Based on these requirements, Vesteda needs to apply IFRS as adopted by the European Union as a basis of preparation for the 2022 consolidated financial statements.

In addition, pursuant to the requirements of Part 9 of Book 2 of the Dutch Civil Code, Vesteda prepared the 2022 company financial statements for Vesteda Residential Fund FGR. These financial statements will be reported to the AFM and are included in this report.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Fund and its affiliated companies as at 31 December 2022. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Vesteda Companies obtain control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Pursuant to Section 402, of Book 2 of the Dutch Civil Code, the company financial statements contain an abbreviated profit and loss account.

The following entities are included in the consolidated financial statements:

- Vesteda Residential Fund FGR, Amsterdam - Parent entity
- Vesteda Investment Management B.V., Amsterdam - 100%
- Stichting DRF I, Amsterdam - 100%
- Custodian Vesteda Fund I B.V., Amsterdam - 100%
- Vesteda Finance B.V., Amsterdam - 100%
- Vesteda Project Development B.V., Amsterdam - 100%

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are entities (directly or indirectly) controlled by the Fund. Control exists when the Fund is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Fund controls an investee if, and only if, the Fund has all of the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. When the Fund has less than a majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The relevant activities are those which significantly affect the subsidiary's returns. The ability to approve the operating and capital budget of a subsidiary and the ability to appoint key management personnel are factors that demonstrate that the Fund has the existing rights to direct the relevant activities of a subsidiary.

The Fund re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Fund obtains control over the subsidiary and ceases when the Fund loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Fund gains control until the date the Fund ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss.

Any investment retained is recognised at fair value.

Certain figures have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Going concern

The financial statements are prepared on a going concern basis. Please see Note 27 Financial risk management objectives and policies and the Outlook for 2023 and Management agenda for 2023 sections of this report for further disclosures.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Vesteda's accounting policies, which are described in Note 4, management is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

General

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that management has made in the process of applying Vesteda's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Considerations

Revenue recognition
A property sale is recognised when the beneficial ownership, including the control of the property, has been transferred.

Classification of property
The Vesteda Companies use the following criteria to determine the classification of a property:

- Investment property comprising land and buildings (principally residential properties) are held primarily to earn rental income and capital appreciation with the exception of properties which are not occupied substantially for use by, or in the operations of, the Vesteda Companies, or for sale in the ordinary course of business. Please see Note 15 Investment property.
- Investment property under construction comprises land and buildings (principally residential properties) under construction with the aim of adding said property to the investment property portfolio upon completion.

Operating lease contracts – the Vesteda Companies as lessor IFRS 16
The Vesteda Companies have entered into property leases on their investment property portfolio. Vesteda has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

Lease contracts – the Vesteda Companies as lessee
The Vesteda Companies have entered into land leases as a lessee. Vesteda has determined, based on an evaluation of the terms and conditions of the arrangements, that in most cases the land lease is an operating obligation, as the Vesteda Companies do not retain the significant risks and rewards incidental to ownership.

Lease classification is made at the inception date and is reassessed only if there is a lease modification. Changes in estimates or changes in circumstances do not give rise to a new classification of a lease for accounting purposes.

Tax status
Vesteda is a mutual Fund for the joint account of the participants (Dutch: FGR). The Fund is tax transparent and investors can join or leave the Fund through the manager. Participants can hold their partnership contribution in Vesteda through an entity with its own legal and tax structure.

Each participant is therefore responsible for its individual tax liabilities and individual tax compliance obligations as a result of the issue, holding or redemption of participation rights.

The manager is responsible for compliance with the tax rulings relating to the holding and issue and redemption of participation rights.

Vesteda Investment Management B.V., Vesteda Project Development B.V., Vesteda Finance B.V. and Custodian Vesteda Fund (CVF) I B.V. are taxable for Dutch corporate income tax.

Furthermore, the Fund has an arrangement with the Dutch tax authorities known as horizontal supervision and several tax rulings exist regarding VAT and transfer tax.

The Vesteda Companies recognise liabilities for current taxes based on estimates of whether corporate income taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the corporate income and deferred tax provisions in the period in which the determination is made. Any deferred tax asset relating to income tax on the possible offset of losses for tax purposes and differences between accounting policies for commercial and tax purposes is recognised at current tax rates to the extent that it is probable that they can be utilised.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Investment property

Investment property is measured at fair value. The fair value of investment property is determined by external independent real estate valuation experts using recognised valuation techniques as defined in the standards of the Dutch Register of Real Estate Valuers (NRVT), the Royal Institution of Chartered Surveyors (RICS) and other professional bodies. The fair values of properties are determined on the basis of recent real estate transactions - if available - with similar characteristics and locations to those of the Vesteda Companies' assets.

The Discounted Cash Flow Method is used to determine the fair values of the investment property.

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows associated with either an operating property or a development property. An appropriate, market-derived discount rate is applied to this projected cash flow series, to establish an indication of the current value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross rental income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to current value. The aggregate of the net current values equals the market value of the property.

The total portfolio is appraised comprehensively by external independent real estate valuation experts in the course of the year. Vesteda's goal is to conduct comprehensive appraisals on approximately 25% of the portfolio each quarter. The remainder of the quarterly appraisals comprises a desktop update by the external real estate valuation experts.

Investment property under construction

Investment property under construction is also measured at fair value; for the method of determination of fair value, we refer you to the above section, investment property.

As in the case of investment property, the fair value determination, including the necessary estimates involved, is based on the valuation by external independent real estate valuation experts using recognised valuation techniques.

The fair value is assessed by reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

Development risks (such as construction and letting risks) are taken into consideration when determining the fair value of investment properties under construction.

Provisions for contractual obligations

A provision for future construction contracts is recognised if, as a result of a past event, Vesteda has a present construction obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Right-of-use

To measure the right-of-use asset, a lessee is permitted to choose, on a lease-by-lease basis, using one of two methods: (i) right-of-use assets (mainly high value properties) measured on transition as if the new rules had always been applied, but discounted using the lessee' incremental borrowing rate at the date of initial application; or (ii) right-of-use assets measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). These two available options will be applied on a lease-by-lease basis.

There are 3 types of right-of-use asset applicable for Vesteda: land lease, car lease and rental agreements.

The lease liability is primary the basis for the accounting of the right-of-use asset. The lease liability is based on the discounted expected future lease payments (including future ground lease redemptions) over the lease term. For determining the lease term the contractual lease term is taken into account with all options the lessee has for lengthening the contract. In general in the Netherlands the lease term is perpetual. Only in the municipality of Amsterdam, the contract has a continuous character with a potential break option by the lessee. As the property is so interlinked with the land lease, Vesteda concluded that the contract term for the Amsterdam contracts is perpetual as well although there is a theoretical break. The future payments are discounted with the incremental borrowing-rate.

If clear information was not readily available for determining the future cash flows, they are based on a fair value assessment at a moment in time at the inception of the contract, such as external valuation reports or benchmarking information from other land leases.

The discount rate was originally based on the yield of 3 outstanding bonds per the 31st of December 2018 the discount rate was calculated and set at 3%. In the short term the discount rate will not be adjusted. However if in the long run the interest rate on the bonds vary too much this can be adjusted.

The effect of inflation for the IFRS 16 position is calculated with 2% per year.

From a tenant perspective the land-leases that Vesteda holds are subject to changes in policy from the municipalities. In the municipality of Amsterdam, Vesteda has exercised the option to transfer Canon land lease to a perpetual land lease. The first transfer takes place in December 2022 and the final transfer is expected in 2025.

4. Summary of significant accounting policies

Legal and tax structure for the financial statements

Vesteda Residential Fund FGR is a contractual investment Fund (beleggingsfonds), as defined in section 1:1 of the Dutch Financial Supervision Act (FSA). Vesteda Residential Fund is licensed by the AFM and pursuant to the conditions of this licence Vesteda Investment Management B.V. has appointed Intertrust Depositary Services B.V. to act as depositary for the Fund and has concluded a depositary services agreement with the depositary for the benefit of the Fund and the participants in accordance with article 4:37f of the FSA. The depositary is responsible for the supervision of certain aspects of the Fund’s business in accordance with applicable law and the depositary services agreement.

The Fund is an unlisted Fund for the joint account of the participants. As such, the economic title to the Fund assets is held by the participants pro rata to their participation rights. The purpose of the Fund is to make investments, and in particular (but not limited to) to invest capital, indirectly or directly, in property mainly designated for residential purposes and located in the Netherlands, for the account and at the risk of the participants. The strategy of the Fund is set out in more detail in the investment guidelines that form part of the Fund’s Terms and Conditions.

The Terms and Conditions of Vesteda Residential Fund FGR govern the Fund and they can only be amended by a resolution of the participants.

Participants’ rights and obligations in respect of the manager, Vesteda Project Development B.V. and Vesteda Finance B.V., are exercised through the trust office, Stichting Administratiekantoor Vesteda (StAK Vesteda). Participants are granted a power of attorney to attend and exercise voting rights in the general meeting of shareholders of these three companies by StAK Vesteda at their request.

Vesteda Investment Management B.V. (the manager)

The participants have entrusted the manager, Vesteda Investment Management B.V., with the management and operation of the Fund. The manager carries out its task in the sole interest of the participants and within the boundaries described in the Fund’s Terms and Conditions. The manager, in its capacity as manager and operator of the Fund, is subject to supervision of the Dutch Financial Markets Authority (AFM) and the Dutch Central Bank (DNB). The manager has obtained a license to act as a manager of an alternative investment Fund in accordance with article 2:67 of the FSA on 17 February 2014. The participation rights can only be acquired by professional investors, as defined in section 1:1 of the FSA.

Vesteda Investment Management B.V. owns 100% of the shares of Vesteda Services B.V. Vesteda Services' objective is to perform non-investment-related activities.

Vesteda Finance B.V. and Vesteda Project Development B.V.

Vesteda Finance B.V. will undertake Vesteda’s unsecured financing activities on behalf of the Fund. Vesteda Project Development B.V. holds the development projects in the pipeline.

Custodian Vesteda Fund I B.V.

At present, Vesteda has one custodian company. The custodian is the legal owner of the property of the Fund, while the Fund is the beneficial owner.

Vesteda Residential Fund FGR is a mutual Fund, which is not a legal entity under the laws of the Netherlands.

Stichting DRF I

Stichting DRF I (Foundation Dutch Residential Fund I) is the depositary receipt holder of the shares to Vesteda Investment Management B.V., Vesteda Project Development B.V. and Vesteda Finance B.V., issued by Stichting Administratiekantoor Vesteda. Stichting DRF I also holds all the shares in Custodian Vesteda Fund I B.V.

Accounting policies

Rental income

Rental income from operating leases is recognised when it becomes receivable. Incentives for tenants to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis.

Service charges

Service charges comprise income from service charges, which are charged to tenants and service charges which are non-recoverable.

Service charges for which the Fund acts as a principal are presented in the statement of comprehensive income. Therefore, for those property investments for which the Fund is in full control of the service charges, the service charges invoiced to tenants and the corresponding expenses are shown separately on an accrual basis.

Service charges in respect of vacant property are expensed. These mainly relate to gas, water, electricity and cleaning.

Property operating expenses

Property operating expenses comprise costs directly attributable to a specific property. These costs are mainly maintenance costs, property tax and other levies, insurance premiums, management and letting fees and service costs not chargeable to tenants. These are expensed as incurred.

Other income

This is income attributable to the year that cannot be classified under any of the other categories.

Net rental income

Net rental income is the rental income plus other income less property operating expenses.

Result on projects in progress

Profit is recognised in proportion to the amount of the project that has been completed.

Result on property sales

A property (or property under construction) is regarded as sold when control of the property is transferred to the buyer, which is normally upon the unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions have been fulfilled. The result on property sales is the proceeds from sales (less any facilitation costs), less the most recent carrying value of the properties sold, established each quarter.

Vesteda values its investment property per complex rather than per individual unit. As indicated in Note 15, potential proceeds from the sale of individual units are taken into account in the valuation.

In determining the book value of an individual unit, the last determined valuation by an external appraiser of the property as a whole is allocated to the number of units in the property. This allocation takes into account the size of the specific unit and specific characteristics of the unit, such as floor level, corner unit, garden, balcony, etc. This allocation does not take into account the sales proceeds from the sale of individual units (so called vacant values) in the discounted cash flow model of the external independent real estate valuation experts. The allocation criteria per property is set at the moment the first unit is sold.

Management expenses

Any expenses that cannot be allocated directly to the various properties are regarded as management expenses.

Financial results

Interest income and expenses are recognised as they accrue using the effective interest method. Financial results also includes amortisation of financing costs and the cost of the unwind transaction derivatives.

Realised result

The realised result is the sum of the net rental income and results from property sales and projects in progress, less management expenses and financial results.

Unrealised result

The unrealised result is made up of unrealised gains and losses directly related to property investments.

Corporate income tax

Entities within the Vesteda Companies that are subject to corporate income tax do not recognise any difference between accounting and taxable income. As such, taxation on income is calculated by applying the standard rate of tax to the taxable amount. If such a taxable amount is negative, Vesteda only recognises a benefit if there is a possibility to carry back the loss to years where taxes have been paid and if a refund is expected. The Vesteda Companies recognise deferred tax assets in relation to loss carry forwards to the extent that it is probable that taxable profits will be available. The Fund itself is exempt from corporate income taxes.

Intangible fixed assets

Intangible fixed assets are recognised at cost less straight-line depreciation and any impairment. Depreciation is based on the estimated useful contribution of the assets in question, which varies from three to seven years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Investment property

Investment property is measured initially at cost, including transaction costs and borrowing costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to render the property suitable for operational purposes. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Subsequent to initial recognition, investment property is stated at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, where parties traded in an informed, diligent way and without compulsion.

Subsequent expenditure is capitalised to the asset’s carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Gains or losses arising from changes in the fair values are included in the statement of comprehensive income in the year in which they arise.

A property interest that is held under an operating obligation is classified and accounted for as investment property, if said property interest would otherwise meet the definition of an investment property.

The determination of the fair value for investment property is based on the income approach in line with IFRS 13. Taking into account the limited public data available, the complexity of real estate asset valuations, as well as the fact that external independent real estate valuation experts use the rents and property operating expenses of Vesteda’s assets in their valuations, Vesteda believes it is appropriate to classify its investment property under Level 3. In addition, external independent real estate valuation experts use unobservable inputs, including their own assumptions on discount rates, dates, interest rates, inflation and exit yields, to determine the fair value of Vesteda’s investment property.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Land leases

When Vesteda enters a land lease, at the inception of a contract, Vesteda assesses whether that contract is, or contains, a lease. A lease is a contract where the right to direct the use of an asset owned by another party and to obtain the economic benefits deriving from that asset are transferred to Vesteda. Where Vesteda is a lessee, Vesteda recognizes a right-of-use asset and a lease liability.

At initial recognition, the lease liability is measured at the present value of the lease payments in the lease, including any renewal options where it is reasonably certain Vesteda will exercise the option and the lease payments due after exercising the option are estimable. On the land lease term, Vesteda has taken into account a perpetual view.

These payments are discounted using the implicit rate in the lease or, where this rate is not determinable, at the interest rate implicit in the lease or Vesteda’s incremental borrowing rate for borrowings secured by a similar asset and for a similar term as the lease. Lease payments include fixed payments and variable payments that depend on an index or rate including any renewal options included in the determination of the term of the lease. Subsequently, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured when the lease agreement is modified or if there are changes to variable payments dependent on an index or rate.

At inception, the right-of-use asset comprises of the lease liability plus any direct costs of obtaining the lease less any incentives provided by the lessor. The right-of-use asset is presented under the investment property and valued at fair value.

Investment property under construction

Investment property under construction, subsequent to initial recognition, is also stated at fair value.

As is the case with investment property, the fair value determination, including any necessary estimates, is based on the valuation by independent real estate valuation experts using recognised valuation techniques.

For the method of determination of fair value, we refer you to the section investment property.

Development risks (such as construction and letting risks) are taken into consideration when determining the fair value of investment properties under construction.

Property, plant and equipment

The head office of Vesteda is reappraised on a quarterly basis by an external independent real estate valuation expert. Positive revaluations are not recognised directly into equity but in the OCI section of the statement of comprehensive income. If a negative revaluation occurs in excess of the positive revaluation reserve this excess shall be recognised in the profit or loss section of the statement of comprehensive income.

Vesteda applies straight-line depreciation, based on an estimated useful life, over the depreciable amount, this being the carrying amount less residual value.

Other property, plant and equipment are recognised at cost, less straight-line depreciation and any impairment.

Depreciation is based on the estimated useful life of the assets concerned, which is between three and ten years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The right-of-use asset value of car lease contracts and office rental contracts is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses. The right of use is adjusted for any remeasurement of the lease liability, when applicable.

Any gain or loss arising upon the derecognition of an asset is included in the statement of comprehensive income.

Financial instruments

Financial assets and financial liabilities are recognised in the Fund's statement of financial position when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Fund’s business model for managing them.

The Fund determines the classification of its financial assets at initial recognition. At initial recognition, financial assets are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. With the exception of trade receivables that do not contain a significant financing component, the Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. As the Fund’s rent and other trade receivables do not contain a significant financing component, they are measured at the transaction price determined under IFRS 15.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Fund transfers substantially all risks and rewards of ownership.

Financial assets are recognised in the statement of financial position as trade and other receivables. Receivables are recognised at amortised cost, which is generally in line with face value, less a provision for doubtful debts.

The Fund recognises an allowance for expected credit losses (ECLs) for all debt instrument except those held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For rent and other trade receivables and contract assets, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date (i.e., a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default). The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Impaired debts are derecognised when they are assessed as uncollectible.

In determining the expected credit losses the Fund takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date) based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements. These assessments are made on a customer by customer basis.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income.

Financial liabilities
The Fund's financial liabilities comprise trade and other payables and loans. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs. The Fund determines the classification of its financial liabilities at initial recognition.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Financial liabilities included in trade and other payables are initially recognised at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Loans are initially recognised at fair value. After initial recognition, loans are subsequently measured at amortised cost using the effective interest method. Interest expense is attributed to the period to which it relates and recognised through the statement of comprehensive income. Financing costs are recognised at cost less straight-line amortisation. Amortisation is parallel to the maturity of the inherent loans.

Receivables
Receivables are recognised at amortised cost, which is generally in line with face value, less a provision for doubtful debts.

Cash and cash equivalents
Cash is cash on hand and at bank. Cash is recognised at face value.

Share-based payment transactions of Vesteda
Cash-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of cash-settled share-based transactions are set out in Note 29.

The fair value determined at the grant date of the cash-settled share-based payments is expensed on a straight-line basis over the vesting period, based on Vesteda's estimate of the number of equity instruments that will eventually vest. At each reporting date, Vesteda revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications or other modifications.

Derivatives

The Vesteda Companies can use derivatives such as interest rate swaps to hedge changes in interest rates. The derivatives are used to hedge the risk of uncertain future cash flows. As per end December 2022 Vesteda had no derivative financial instruments outstanding.

Provisions

Provisions are recognised if Vesteda has an obligation from a past event and it is probable that the obligation will have to be settled and a reliable estimate can be made of the amount of the obligation. The amount of a provision is set using the best estimate of the amount that will be required to settle the obligations and losses at the reporting date.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Pensions

Vesteda has arranged its pension obligations by joining Dutch pension Fund ABP. The ABP pension plan is a multi-employer plan, in which actuarial and investment risks are almost entirely for the account of employees. Employers who join this plan have no obligation to contribute additional premium in the event of a deficit. Vesteda's obligations are limited to the contribution of the premium set by the pension Fund. The Managing Board of ABP determines this premium annually on the basis of its own data files and with reference to the parameters and requirements specified by the supervising authority of ABP (the Dutch Central Bank DNB).

The premium obligation arises from being a participant in the pension plan in the current year and does not originate from having joined the pension plan in previous years. From a reporting point of view, the ABP pension plan qualifies as a defined contribution (DC) plan. Consequently the premium is recognised as an expense for the year, and no further explanation is required.

Current liabilities

Trade payables and other current liabilities are recognised at amortised cost, which is generally in line with face value.

5. Gross rental income

Gross rental income can be broken down as follows:

	2022	2021
Theoretical rent	369	360
Loss of rent	6	13
Gross rental income	**363**	**347**

The theoretical rent increased by €9 million to €369 million in 2022, mainly due to the annual rent increase and rent optimisation. The total number of units at the end of 2022 increased with 91 units, from 27.570 (2021) to 27.661 (2022). This is a result from inflow (two residential buildings), the portfolio sale of one residential building, and individual unit sales. The average monthly rent increased to €1,081 at year-end 2022, from €1,042 at year-end 2021.

The like-for-like rent increased 3.8% in 2022 (2021: 2.4%), while the loss of rent fell to 1.8% in 2022 (2021: 3.6%).

The contract termination rate decreased from 14.5% (2021) to 12.9% in 2022. Ultimo 2022 the vacancy has lowered again due to additional focus and efforts on relettings, and is back on pre COVID-19 levels. The occupancy rate (in units) declined slightly to 98.6% (2021: 98.8%). The vacancy is mainly temporary due to renovation projects.

6. Service charges income

Service charges income can be specified as follows:

	2022	2021
Total service charges	16	16
Non-recoverable service charges	5	4
Service charges income	**11**	**12**

The non-recoverable service charges were caused by partly non-recoverable settlements with associations of owners and general residential costs which cannot be charged to tenants, €5 million in 2022 (2021: €4 million).

7. Property operating expenses

Property operating expenses can be specified as follows:

	2022	2021
Property (and related) taxes	14	13
Landlord levy	2	2
Property management costs	9	9
Maintenance costs	45	39
Fitting out costs	6	5
Letting and marketing fees	4	6
Miscellaneous operational costs	9	10
Total	**89**	**84**

Operating expenses, including non-recoverable service charges, amounted to 26.1% of gross rental income in 2022 (2021: 25.4%).

Taxes consist primarily of property taxes. The property management costs, letting and marketing fees are management expenses allocated to the property operating expenses.

8. Result on property sales

The result on property sales can be specified as follows:

	2022	2021
Result on property sales of investment property	6	16
Total	**6**	**16**

In 2022, Vesteda sold a total of 157 homes from its investment portfolio, consisting of 109 individual unit sales and one complex sale consisting of 48 units. The net result on property sales amounted to €6 million (2021: €16 million).

As indicated in the accounting policies, results from the sale of individual units are based on the book value, which is derived from a specific allocation of the last determined property value before the sale.

9. Management expenses

The management expenses comprise:

	2022	2021
Salaries	16	16
Social security charges	2	2
Pension charges	3	2
Depreciation expenses	4	4
Other operating expenses	18	17
Gross property management costs	**43**	**41**
Presented within net rental income	(16)	(16)
Total	**27**	**25**

Management expenses amounted to €27 million in 2022, €2 million higher than in 2021. This is mainly due to higher personnel costs, higher IT costs and lower recharged rental expenses in 2022. The gross property management costs and the allocated expenses include the IFRS 16 related costs of €1.2 million.

In the year under review, the company employed an average of 237 people (2021: 236), which amounts to an average of 218 FTEs (2021: 219). All employees are employed in the Netherlands.

10. Financial results

The financial results can be specified as follows:

	2022	2021
Interest expenses	35	33
Interest income	-	(1)
Interest IFRS 16	4	5
Amortisation of financing costs	3	2
Total	**42**	**39**

Interest expenses were higher compared to 2021 (€39 million) mainly due to a higher level of debt funding, higher amortisation of financing costs and less interest income.

11. Unrealised results

The unrealised results can be specified as follows:

	2022	2021
Revaluation investment property	(187)	1,205
Revaluation investment property under construction	(19)	32
Movements in provisions for contractual obligations	(6)	(3)
Results from participating interests	(9)	(4)
Revaluation right of use landlease	3	3
Total	**(218)**	**1,233**

For the full year, the unrealised result amounted to a negative €218 million in 2022, compared with a positive result of €1,233 million in 2021. After several years of positive revaluations of our portfolio, the market has turned, and we saw negative revaluations in the third and fourth quarters.

The result from participating interest of -€9 million refers to the participation in Leidsche Rijn Centrumplan B.V.

12. Tax

The income tax expenses for the year can be reconciled with the accounting profit as follows:

	2022	2021
Result before tax	(11)	1,445
Income tax expense	-	337
Effect of income that is exempt from taxation	1	(336)
Income tax expense recognised in profit or loss	1	1

There is no deferred tax asset for tax loss carry forwards and differences in measurement for expected future profitability of Vesteda Project Development B.V.

The total tax loss carry forward can be specified as follows:

2015	1
2018	3
2019	-
2020	-
2021	-
2022	-
Total	**4**

In accordance with the new tax law from 2022, the tax losses from 2013 can be carried forward without any limitation in the feature up to a maximum of €1 million per year. As per 31-12-2022 the deferred tax asset has not been capitalised.

13. Other comprehensive income

The other comprehensive income during the year can be specified as follows:

	2022	2021
Settlement pre-hedge contracts	1	1
Revaluation Property, Plant and Equipment	1	-
Total	**2**	**1**

14. Intangible fixed assets

The intangible fixed assets can be specified as follows:

	Prepayment Software	Software	Total
Carrying amount as at 31 December 2021	5	2	7
Cumulative amortisation as at 31 December 2022	(1)	-	(1)
Carrying amount as at 31 December 2022	**4**	**2**	**6**

15. Investment property

The investment property can be specified as follows:

	2022	2021
Investment property as at 1 January	9,540	8,213
Capital expenditure on property	64	82
Transfer from property under construction	75	149
Property sales	(47)	(99)
Right of use assets (land leases)	3	(10)
Revaluation	(187)	1,205
Investment property as at 31 December	**9,448**	**9,540**

The fair value of completed investment property has been determined on a market value basis, in accordance with International Valuation Standards (IVS), as set out by the International Valuation Standards Council (IVSC).

The valuation is prepared on an aggregated ungeared basis. As set out in Note 3, in arriving at their estimates of market values, the valuation experts have used their market knowledge and professional judgement rather than relying exclusively on comparable historical transaction data.

The valuations were performed by accredited external independent real estate valuation experts with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being appraised.

The fair value of the assets is driven by the net cash flows generated by the assets, which are taken into account by the market, in combination with the discount rate development. The generated cash flow is the net rental income plus the net sales proceeds from the sale of individual units.

The following main inputs have been used in the valuation of the investment property:

	2022		2021	
Average	**Sell**	**Hold**	**Sell**	**Hold**
Discount rate (%)	5.8	4.9	5.2	4.8
Exit yield (%)	4.5	4.5	4.4	4.2
Rental growth (%)	2.4	2.3	2.2	2.1
Vacant value growth (%)	2.0	2.0	2.8	3.0

Sell	2022			2021		
Region	**primary**	**secondary**	**other**	**primary**	**secondary**	**other**
Discount rate (%)	5.7	5.9	6.4	5.2	5.2	5.9
Exit yield (%)	4.5	5.0	5.2	4.3	4.8	4.8
Rental growth (%)	2.4	2.3	2.3	2.2	2.1	2.2
Vacant value growth (%)	2.1	1.9	2.0	2.8	2.6	2.8

Hold	2022			2021		
Region	**primary**	**secondary**	**other**	**primary**	**secondary**	**other**
Discount rate (%)	4.9	5.1	5.5	4.8	5.1	5.3
Exit yield (%)	4.5	5.1	5.2	4.1	4.8	5.3
Rental growth (%)	2.3	2.2	2.3	2.2	2.1	2.1
Vacant value growth (%)	2.1	1.9	2.2	3.0	2.9	2.8

Sell	2022			2021		
Rental segment	**<763**	**763 - 1200**	**> 1200**	**<752**	**752 - 1,200**	**> 1,200**
Discount rate (%)	5.4	5.8	5.7	5.1	5.2	5.2
Exit yield (%)	4.6	4.6	4.3	4.5	4.5	4.1
Rental growth (%)	2.3	2.4	2.4	2.1	2.2	2.2
Vacant value growth (%)	1.9	2.0	2.1	2.8	2.7	2.8

Hold	2022			2021		
Rental segment	**<763**	**763 - 1200**	**> 1200**	**<752**	**752 - 1,200**	**> 1,200**
Discount rate (%)	5.0	4.9	4.9	4.3	4.9	4.8
Exit yield (%)	5.5	5.5	4.3	5.3	4.3	4.0
Rental growth (%)	2.3	2.3	2.5	2.1	2.2	2.2
Vacant value growth (%)	1.8	2.0	2.2	2.3	3.1	3.0

During the first half of 2022 the housing market was still strong and the market values increased mainly driven by vacant value development but during the second half of the year this trend changed.

Values dropped in the second half of 2022 mainly because of rising interest rates and uncertainty because of rent regulation (mid rent), high inflation, higher transfer tax and higher housing costs because of high energy prices.

In the last quarter of 2022 the appraisers (partly) applied the increase of the transfer tax from 8% to 10.4% as from January 1, 2023 in the valuations.

External independent real estate valuation experts determine the fair values using discounted cash flow models with a 10-year period. When calculating the present values, the valuation experts use discount rates in the DCF models to account for the time value of money and reflect the inherent risk with regard to the cash flows in the model. Exit yields are indicators used to determine the exit values that can be achieved at the end of the DCF lifetime. Rental growth is the average rental growth in the 10-year period of the discounted cash flow model. Vacant value growth is the average vacant value growth in the 10-year period that is assumed in the cash flow model.

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the significant parameters driving the underlying valuation of investment property. The analysis was carried on the investment property value excluding the value of the right-of-use asset (land leases).

	-100 bps	Fair value	+100 bps
As at 31 December 2021			
Discount rate	9,921	9,397	8,856
Exit yield	10,108	9,397	8,890
Rental growth	9,133	9,397	9,664
Vacant value growth	9,168	9,397	9,625
As at 31 December 2022			
Discount rate	9,827	9,302	8,762
Exit yield	9,996	9,302	8,798
Rental growth	9,013	9,302	9,594
Vacant value growth	9,083	9,302	9,522

Right of use assets

Under the investment property the right of use of land leases are included as an integral part of the investment property value.

To reconcile the by external independent real estate valuation experts appraised investment property, the value of the investment property value presented should be adjusted by the land lease right of use.

	2022	2021
Investment property value	9,448	9,540
less Right of use	(146)	(143)
Valuation as per valuation report	**9,302**	**9,397**

16. Investment property under construction

	2022	2021
As at 1 January	**177**	**174**
Acquisitions property under construction	-	-
Capital expenditure on property under construction	151	121
Transfer to investment property	(75)	(149)
Revaluation	(19)	32
Transfer from provisions	(9)	(1)
As at 31 December	**225**	**177**

As set out in Note 3, in arriving at their estimates of market values, the external independent real estate valuation experts used their market knowledge and professional judgment, rather than relying exclusively on comparable historical transaction data.

The fair value of the assets under construction is driven by the net future cash flow generated by the assets, in combination with the discount rate development. The generated cash flow includes the net rental income plus the net sales proceeds from the sale of individual units.

The future costs until completion amount to €354 million (2021: €319 million). This amount is included in construction contracts in Note 32.

17. Property, plant and equipment

	Buildings	Others PP&E	Total
As at 1 January 2021	**14**	**6**	**20**
Investments	-	-	-
Transfer within PP&E	-	-	-
Depreciations	-	(1)	(1)
Revaluation	1	-	1
Right of use	-	-	-
As at 31 December 2021	**15**	**5**	**20**
Investments	-	-	-
Transfer within PP&E	-	-	-
Depreciations	-	-	-
Revaluation	1	-	1
Right of use	-	-	-
As at 31 December 2022	**16**	**5**	**21**

The economic life of the head office of Vesteda in Amsterdam 'De Boel' is set at twenty-five years and the residual value amounts to €5 million. An independent valuation expert valued the building at fair value for an amount of €15.7 million. For the determination of the fair value, please see Note 4.

De Boel cost specification

- Cost price de Boel: €11 million
- Accumulated depreciation: €1 million
- Accumulated revaluation: €6 million
- Balance: €16 million

The value of the other property, plant and equipment amounts to €5 million (2021: €5 million). Under the application of IFRS 16 Leases, the right of use of car lease contracts and office lease contracts is valued at €3 million.

Other property, plant and equipment specification

1. Acquisition costs: €8 million
2. Cumulative depreciation: €6 million
3. Right of use lease contracts: €3 million
4. Carrying amount: €5 million

18. Financial assets

The financial assets movements can be specified as follows:

	LRC	Other Participations	Total
Financial assets as at 31 December 2021	**1**	**1**	**2**
Loans redeemed	-	-	-
Capital contribution	10	-	10
Repayment of loans	-	-	-
Result	(9)	-	(9)
Financial assets as at 31 December 2022	**2**	**1**	**3**

	2022	2021
Total invested	31	20
Provision	(28)	(18)
Financial assets as at 31 December	**3**	**2**

In circumstances in which provisions for onerous contracts arise at the same time that financial assets are presented at the balance sheet date for the related contract, these balances are netted at said balance sheet date. In the event of a positive balance, the net position is presented as a financial asset. In the event of a negative balance, the net position is presented as a provision (see Note 24).

19. Trade and other receivables

The trade and other receivables can be specified as follows:

	31-12-2022	31-12-2021
Loans receivable	15	16
Provision for loans receivable	(13)	(13)
Trade receivables	-	1
Provision for trade receivables	(1)	(1)
Other receivables	1	2
Total	**2**	**5**

Loans receivable relate to amounts overdue for an amount of €15 million (2021: €16 million), for which a provision for doubtful debts was recognised in the amount of €13 million (2021: €13 million). Trade receivables include a provision for doubtful debts of €1 million (2021: €1 million) for overdue amounts.

20. Cash and cash equivalents

The cash and cash equivalents can be specified as follows:

	31-12-2022	31-12-2021
Cash at bank and on hand	11	109
Total	**11**	**109**

Cash and cash equivalents are at the free disposal of the Fund.

21. Group equity

The participation rights issued can be specified as follows:

	2022	2021
As at 1 January	**35,897,595**	**35,897,595**
Issued in the year	-	-
Redeemed in the year	(216,347)	-
As at 31 December	**35,681,248**	**35,897,595**

The participation rights carry a nominal value of €1.00, and all participation rights are fully paid. There are no restrictions relating to profit and capital distribution. For further information on movements, we refer you to the consolidated statement of changes in equity.

The distributions can be specified as follows:

	2022	2021
January	39	38
April	78	70
July	39	39
September (equity redemption)	50	-
October	39	39
Total	**245**	**186**

The interim distributions amount to 60% of budgeted distribution for 2022, and was paid out in three instalments (3 x €39.2 million) in the course of the financial year, each within two weeks after the end of the quarter. The distribution paid in April 2022 also included the €38.6 million distribution (€1.08 per participation right) related to the financial results for 2021.

The remaining part of the distribution for the financial year 2022 will be paid out in two instalments after the closing of the financial year 2022, one in January, shortly after the fourth quarter, and one after the adoption of the distribution proposal in April 2023. The total distribution proposed for the financial year 2022 will be €201 million.

Vesteda Residential Fund FGR is a mutual Fund, which is not classified as a legal entity under Dutch law. Vesteda Residential Fund FGR does therefore not have any legal requirements related to reserves. However, the Fund has decided to present its statement of changes in equities as if the Fund was subject to the rules for the determination of revaluation reserves.

The property reserve is the difference between the market value and historical book value. The revaluation of property is accounted for in the event of positive revaluations. Negative revaluation is deducted from this reserve, as long as the reserve is positive on an individual basis.

The total number of issued participation rights had declined by 216,347 to stand at 35,681,248 at year-end 2022, following an equity redemption of €50 million on 30 September 2022.

Earnings per participation right

Basic earnings per participation right are calculated by dividing the result after tax for the year attributable to equity holders of the parent/participants by the weighted average number of participation rights outstanding during the year. The table below reflects the income and number of participation rights used in the basic earnings per participation right computations:

	2022	2021
Result after tax attributable to equity holders	(12)	1,444
Weighted average number of participation rights	35,789,422	35,897,595
Earnings per participation right in €		
Basic and diluted earnings, on result after tax	(0.34)	40.23

There have been no other transactions involving a change in the number of participation rights or the number of potential participation rights between the reporting date and the date these financial statements were completed.

Net asset value (NAV) per participation right

Basic IFRS NAV per participation right is calculated by dividing net assets in the balance sheet attributable to ordinary equity holders of the parent/participants by the number of participation rights at year-end. The following reflects the net asset value and number of participation rights used in the basic NAV per participation right computations:

	2022	2021
NAV attributable to equity holders of the parent	7,298	7,553
Participations at year-end	35,681,248	35,897,595
Net Asset Value (NAV) per participation right in €		
Basic and diluted IFRS NAV	203.92	210.40

There is no difference between basic and diluted IFRS NAV.

22. Financial liabilities

The non-current financial liabilities can be specified as follows:

	Bonds	Private placements	Term loans	Total
As at 1 January 2021	1,292	300	-	1,592
Drawn	500	-	-	500
Discount	(7)	-	-	(7)
Reclass to Current liabilities	(300)	-	-	(300)
Amortisation	-	(1)	-	(1)
As at 31 December 2021	**1,485**	**299**	**-**	**1,784**
Drawn	-	-	150	150
Amortisation	2	-	-	2
As at 31 December 2022	**1,487**	**299**	**150**	**1,936**

Debt funding

The information below is provided for explanatory purposes with regard to the Vesteda Companies' long-term funding.

The Vesteda Companies obtain their debt funding through various sources:

1. Bank facilities, comprising corporate unsecured bank funding provided by banks, including the European Investment Bank.
2. Euro Commercial Paper issued by Vesteda Finance B.V. (see Current liabilities)
3. Bonds, issued by Vesteda Finance B.V. under the EMTN programme.
4. Private Placements under the EMTN programme as well as bi-lateral agreements placed by Vesteda Finance B.V.

Corporate unsecured funding

Vesteda Finance B.V. acts as borrower and issuer of all corporate unsecured debt on behalf of Vesteda Residential Fund FGR. Custodian Vesteda Fund I B.V. acts as a guarantor for all obligations of the corporate unsecured debt that is borrowed or issued by Vesteda Finance B.V.

The current financial liabilities can be specified as follows:

	Bank facilities	ECP	Private placements	Bonds	Loans from participations	Total
As at 1 January 2021	7	210	100	-	-	317
Drawn	422	1,204	-	-	-	1,626
Repayments	(429)	(1,414)	(100)	-	-	(1,943)
Reclass from financial liabilities	-	-	-	300	-	100
As at 31 December 2021	**-**	**-**	**-**	**300**	**-**	**300**
Drawn	736	700	-	-	10	1,446
Repayments	(736)	(469)	-	(300)	-	(1,505)
As at 31 December 2022	**-**	**231**	**-**	**-**	**10**	**241**

1) Bank facilities

In April 2021, Vesteda agreed with its banks to amend the €700 million RFA, to make it a sustainability-linked RFA. The financing embeds four KPIs that measure Vesteda's sustainability performance. In 2022, Vesteda met 3 out of 4 KPI's, this means that Vesteda obtains a reduction in the interest margin. The sustainability-linked RFA of €700 million matures on July 1, 2025. At year-end 2022 the remaining legal term was 2.4 years and the facility was undrawn.

Pricing of the revolving credit facility is subject to a margin grid, whereby a LTV below 27.5% equates to a margin of 0.50%. Utilised commitment less than 33.3% equates to an utilisation fee of 0.10% and utilised commitments exceeding 33.3% but less or equal to 66.7% equate to an utilisation fee of 0.20%. Utilised commitments exceeding 66.7% equate to an utilisation fee of 0.40%.

Vesteda has an €150 million term loan agreement in place with the European Investment Bank (EIB). As per year end 2022, this facility was fully drawn in two tranches, both with a floating rate that mature in 2032. In December 2022 Vesteda arranged a second financing of €150 million by the EIB. This financing will also be used to fund projects in (regulated) mid-rental housing and to improve the sustainability of Vesteda's existing portfolio, up to 50% of the total investments. It has an availability period up to 2025 and allows utilizations with a tenor of 10 years, but it is currently undrawn.

Vesteda has an uncommitted overdraft facility with bank SMBC for €200 million. Being an uncommitted facility it can be terminated at any time, with a Review Date of 31 July 2023. The facility is funded on SMBC's cost of funds plus a margin of 0.60%. At year-end 2022 the facility of €200 million was undrawn.

2) Euro Commercial Paper

For the short term funding need, Vesteda makes us of an Euro Commercial Paper programme up to €1 billion. At year end this programme was in use for €231 million.

3) Bonds
In 2022, Vesteda Finance B.V. continued its borrowing of senior unsecured notes that were issued under its program for the issuance of Euro Medium Term Notes (EMTN). Standard & Poor's rated the notes BBB at the time of issuance. The credit rating of the notes was upgraded to BBB+ in 2016 and further upgraded to A- in 2021, in line with Standard & Poor's credit rating upgrade of Vesteda Residential Fund:

- Vesteda issued a bond of €500 million in senior unsecured notes in July 2018. The notes pay an annual fixed coupon of 2.00% (effective interest rate of 2.01%) and are due on 10 July 2026. The remaining term to maturity of the notes is 3.5 years.
- In May 2019 Vesteda issued its first Green Bond for an amount of €500 million in senior unsecured notes. The notes pay an annual fixed coupon of 1.50% and are due on 24 May 2027 (effective interest rate of 1.60%). The remaining term to maturity of the notes is 4.4 years.
- In October 2021 Vesteda issued its second green bond for an amount of €500 million in senior unsecured notes. The notes pay an annual fixed coupon of 0.75% and are due on 18 October 2031 (effective interest rate of 0.90%). The remaining term to maturity of the notes is 8.8 years.

4) Private Placements
Vesteda has a private placement of €100 million, with funds provided by PRICOA Capital Group under a note purchase agreement. The senior notes have a fixed annual coupon of 1.80% (effective interest rate of 1.83%), payable on a semi-annual basis and are due on 16 December 2026. The remaining term to maturity of the notes is 4.0 years.

The second private placement is a green private placement and consists of two note purchase agreements. There is a 10 year tranche of €50 million with NYL at a fixed semi-annual coupon of 1.38% (effective interest rate of 1.41%) and a fifteen year tranche of €50 million with AIG at a fixed semi-annual coupon of 1.03% (effective interest rate of 1.07%). The remaining term to maturity of the notes are 8.0 and 13.0 years respectively.

A third tranche of 100 million private placement borrowing in senior unsecured notes under its program for the issuance of Euro Medium Term Notes (EMTN). Standard & Poor's rated notes BBB+ at the time of issuance:

- A tranche of €35 million senior unsecured notes pay an annual fixed coupon of 1.899% (effective interest rate of 1.93%) and are due on 15 December 2027. The remaining term to maturity of the notes is 5.0 years;
- A tranche of €65 million senior unsecured notes pay an annual fixed coupon of 2.478% (effective interest rate of 2.50%) and are due on 15 December 2032. The intended remaining term to maturity of the notes is 10.0 years.

23. Lease liabilities

As of 1 January 2019 IFRS 16 is implemented in the balance sheet and P&L. In order to implement IFRS 16 a number of key options and practical expedients allowed under IFRS 16 were adopted of which the following are the most significant:

- A modified retrospective approach was applied and therefore prior periods were not restated;
- Not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight–line basis over the lease term;
- To apply the 'grandfather' option, which means that all conclusions previously reached under IAS 17 (and IFRIC 4 Determining Whether an Arrangement Contains a Lease) are deemed compliant with IFRS 16;
- To use hindsight in determining the lease term.

The lease liabilities can be specified as follows:

	31-12-2022	31-12-2021
Land leases	146	143
Car leases	3	3
Office rental contracts	-	-
Total	**149**	**146**

	Lease liabilities
Balance on 1 January 2021	155
New lease contracts	1
Buy-off landlease	(5)
Amortization	(1)
Revaluation	-4
Balance on 31 December 2021	146
New lease contracts	1
Buy-off landlease	-
Amortization	(1)
Revaluation	3
Balance as per 31 December 2022	**149**

	31-12-2022	31-12-2021
Maturity		
Year 1	1	1
Year 2	1	1
Year 3	1	1
Year 4	-	-
Year 5	-	-
Onwards	146	143
Total	**149**	**146**

	31-12-2022	31-12-2021
Current	1	1
Non-current	148	145

The impact in 2022 is €149 million. This includes land leases (€146 million), car leases and rent of offices (€3 million). In 2022 the lease liabilities increased with €3 million mainly due to the revaluation of landlease.

Land lease liabilities

The land liabilities are calculated based on a perpetual view. These land leases require monthly, quarterly, (semi) annual payments if the lease obligation is not redeemed for a certain time frame. For some land leases, a variable component is applicable based on an index. The lease liabilities are reassessed and re-measured after a new index is applicable or the lease payments are changed after a certain time frame by the lessor based on contractual terms.

The assumptions are based on the value of the contracts, or in case of the land leases based on value of the ground (WOZ) x increase factor (market increase). The weighted average discount rate used in 2022 by Vesteda for discounting the lease payments is 2.9%.

24. Provisions

The current provisions movements can be specified as follows:

	2022	2021
As at 1 January	7	4
Additions	6	4
Decrease	(1)	-
Transfer to IPUC	(9)	(1)
As at 31 December	**3**	**7**

In circumstances in which provisions for onerous contracts arise at the same time that financial assets are presented at the balance sheet date for the related contract, these balances are netted at said balance sheet date. In the event of a positive balance, the net position is presented as a financial asset. In the event of a negative balance, the net position is presented as a provision.

The current provisions can be specified as follows:

	2022	2021
Contingencies and commitments	3	6
Other provisions	-	1
As at 31 December	**3**	**7**

25. Trade and other payables

The trade and other payables can be specified as follows:

	31-12-2022	31-12-2021
Trade payables	3	3
Rental deposits	27	26
Interest	11	12
Holiday days and holiday pay	2	2
Tax and social security contributions	5	5
Other payables	41	22
Total	**89**	**70**

26. Transactions with related parties

Vesteda has a pension plan with ABP. In 2022, Vesteda paid premiums in the amount of €2.6 million (2021: €2.5 million). This counterparty is also a participant in the Fund. All transactions are at arm's length.

The Management Board and the Supervisory Committee are identified as key management personnel in accordance with IAS 24. The remuneration of the Management Board and the Supervisory Committee is explained in Note 29 and Note 30 respectively.

The remuneration complies with section 2:383 of the Dutch Civil Code.

27. Financial risk management objectives and policies

Vesteda's principal financial liabilities, other than derivatives, are loans and borrowings. The main purpose of Vesteda's loans and borrowings is to finance the Vesteda Companies' property portfolio. As part of its business strategy, Vesteda uses debt financing to optimise its equity return by utilising a conservative level of debt leverage.

The Vesteda Companies also have trade and other receivables, trade and other payables and cash and short-term deposits that arise directly from their operations.

Vesteda Residential Fund FGR is exposed to market risk, interest rate risk, credit risk and liquidity risk.

Vesteda has a well diversified fully unsecured funding structure as explained in the Funding section of this report. At year-end 2022 there was ample headroom in the LTV and ICR covenants (LTV at 22.9% with a covenant of maximum 50% and an ICR of 7.1 versus a covenant minimum of 2.0). The weighted average maturity of our debt is 5.6 year with the next drawn debt redemption scheduled in 2026 (€500 million). We have a strong liquidity position: At year end 2022 our drawn debt amounted to €2.2 billion whereas our existing liquidity sources amounted to €2.8 billion of committed facilities and €1.2 billion of uncommitted facilities. We expect to have sufficient liquidity sources and headroom in our financial covenants to cover our funding needs in at least the next twelve months.

Vesteda has fully incorporated risk management in its strategic and operational processes. The risk management framework addresses all levels and lines of business in order to ensure 'in control' performance.

The Vesteda Management Board assesses its proper functioning on a regular basis and continues to pursue further improvement and optimisation of the internal risk management and control procedures.

In addition to the risk management framework, Vesteda also actively manages market risk, interest rate risk, credit risk and liquidity risk as part of its treasury policy.

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The IBOR reform has a negligible effect on Vesteda's debt. IBOR rates are mainly relevant for floating rate debt or floating rate debt instruments. As per year-end 2022, Vesteda had € 381 million of floating rate debt outstanding, consisting of € 150 million EIB debt and € 231 million Euro Commercial Paper. The debt facilities provided by the EIB and SMBC allow floating rate debt, but these floating rates are based on the base rates provided by these institutions, no IBOR-rates. Euro Commercial paper is not based on IBOR rates, but these are based on the capital markets rates. The EUR 700 million sustainability-linked revolving facility agreement, currently not in use, is based on Euribor. However, since we have arranged this facility in 2018, we have made changes to the wording of the replacement of Euribor during the three amendments that we have had since then, and we have anticipated on the replacement of Euribor by the replacement rate.

As we have amended the Euribor-replacement wording in our EMTN-program at the updates in the last few years, we are also ok to issue floating rate notes by means of our EMTN-program.

1) Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market prices.

The financial instruments held by Vesteda Residential Fund FGR that are affected by market risk are principally the derivative financial instruments used to hedge interest risk on its loan portfolio. As per end-December 2022, Vesteda Residential Fund FGR had no derivative financial instruments outstanding.

2) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Vesteda's exposure to the risk of changes in market interest rates relates primarily to Vesteda's long-term debt obligations with floating interest rates.

Vesteda must at all times meet its obligations under the loans it has taken out, including the interest cover ratio with a minimum of 2.0 and loan-to-value covenant with a maximum of 50%.

According to the Fund's Terms and Conditions, Vesteda is required to hedge a minimum of 70% of existing interest rate exposure.

To manage its interest rate risk, Vesteda Residential Fund FGR can enter into interest rate swaps or fixed rate debt. With respect to the interest rate swaps, Vesteda agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated as hedges of underlying debt obligations. Prior to the green bond issue of 2019, Vesteda Residential Fund FGR arranged two interest rate swaps that were unwound at the date of the bond issue. As per December 2022, Vesteda Residential Fund FGR has no derivative financial instruments outstanding. At 31 December 2022, 83% of Vesteda's borrowings were subject to a fixed interest rate (2021: 100%).

Sensitivity analyses of market and interest rate risk

Vesteda performed an interest rate risk sensitivity scenario using an immediate increase of one percentage point in the interest rate curve as at 31 December 2022. The analysis was prepared on the basis that the amount of net debt and the ratio of fixed-to-floating interest rates of the debt are constant. As Vesteda Residential Fund FGR had no derivative financial instruments outstanding at the reporting date, interest rate risk sensitivity has no impact on equity or the fair value of derivative financial instruments.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial liabilities held at the reporting date.

An interest rise of 1% has effect on Vesteda's floating debt and fixed debt that matures in one year. Per year end 2022 Vesteda had €381 million floating rate debt. An interest rise of 1% would cause an increase of interest expenses of around €4 million.

3) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations by virtue of a financial instrument or customer contract, leading to a financial loss. Vesteda is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions and derivatives if applicable.

Tenant receivables

Credit risk is managed by requiring tenants to pay rent in advance. Vesteda assesses the credit quality of tenants using an extensive credit rating scorecard at the time they enter into a lease agreement. Vesteda regularly monitors outstanding receivables from tenants. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial asset. At this moment (23 March 2023), there is not a significant increase in the loss of rent.

Credit risk related to financial instruments and cash deposits

Vesteda's treasury department manages credit risk from balances with banks and financial institutions. As part of its treasury policy, Vesteda maintains a formal counterparty policy in respect of those organisations from which it may borrow or with which it may enter into other financing or investment arrangements. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

Vesteda's Management Board reviews counterparty credit limits at least on an annual basis, and may update these at any time in the year should market conditions require any changes to the counterparty credit limits. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

As part of its treasury policy, Vesteda strives for sufficient diversification in Vesteda's counterparties and to limit concentration risk.

4) Liquidity risk

Liquidity risk is the risk that (1) Vesteda will not be able to refinance maturing debt funding, finance committed pipeline, or is not able to finance Redemption Available Cash, or (2) if debt is refinanced, the maturity and interest rate of the financing will have a significant unplanned adverse effect on Vesteda's cash flow and liquidity position. In addition, (3) Vesteda must at all times meet its obligations under the loans it has taken out including the interest cover ratio and loan-to-value covenant.

Vesteda limits these risks by conservative use of loan capital, ensuring sufficient headroom under its financial covenants and fixing at least 70% of its interest rates in order to mitigate adverse effects of interest rate volatility.

Vesteda's treasury department manages liquidity risk with the objective of ensuring that Vesteda has sufficient funds available to meet its financial obligations. As part of its treasury policy, Vesteda aims to have adequate though not excessive cash resources, borrowing arrangements and overdraft or standby facilities to enable it at all times to have the level of funds available it needs to achieve its business objectives.

Vesteda's objective is to maintain a balance between continuity of funding and flexibility. Vesteda uses a diverse range of financing instruments for its financing, through banks loans and capital markets. Debt maturities are chosen in line with the long-term character of Vesteda's assets, taking into account a good spread in the maturity profile of its debt portfolio.

The table below summarises the maturity profile of Vesteda's financial liabilities based on contractual undiscounted payments.

Liquidity risk

	On demand	< 3 months	3-12 months	1-5 years	> 5 years	Total
Year ended 31 December 2021						
Interest-bearing loans and borrowings	-	-	300	-	1,800	2,100
Interest	-		34	106	45	185
Deposits from tenants	26	-	-	-	-	26
Trade and other payables	-	32	-	-	-	32
	26	**32**	**334**	**106**	**1,845**	**2,343**
Year ended 31 December 2022						
Interest-bearing loans and borrowings	-	-	231	1,135	815	2,181
Interest	-	-	-	-	-	-
Deposits from tenants	27	-	-	-	-	27
Trade and other payables	-	51	-	-	-	51
	27	**51**	**231**	**1,135**	**815**	**2,259**

Estimated interest obligations for the bank facilities are based on the outstanding amount at year-end.

Fair value of financial Instruments

This section describes the comparison between the carrying amounts of the Vesteda Companies' financial instruments and their estimated fair values. Trade and other receivables and Trade and other payables are carried at amortised cost, but given their short duration, the fair value does not significantly deviate from the carrying amount (Level 3 valuation).

Cash and cash equivalents are recognised at nominal value. With respect to financial assets, management concluded that the carrying amount is an appropriate estimate of the fair value. With respect to the floating rate financial liabilities (both short term and long term), these are carrying a variable interest rate based on Euribor plus a mark-up, which also takes into account the perceived credit risk of the Vesteda Companies. As a result, their carrying amount approximates their fair value.

The fair value measurement of senior public notes issued by Vesteda Finance B.V. can be qualified as Level 1 valuation. Inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

The fair value measurement of the senior private notes that were placed by Vesteda Finance B.V. can be qualified as Level 2 valuation, with inputs other than quoted market prices included within Level 1 that are observable for the asset or liability. In this case, interest rates and yield curves are observable at commonly quoted intervals.

The fair value measurement of the senior notes placed by Vesteda Finance B.V. under its EMTN program as a private placement transaction can be qualified as Level 2 valuation, with inputs other than quoted market prices included within Level 1 that are observable for the asset or liability. In this case, interest rates and yield curves are observable at commonly quoted intervals.

The senior public notes, the senior private notes and the senior notes privately placed under the EMTN program are all fixed rate.

Fixed rate debt is initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial instruments

Type	Notional amount	Estimated fair value amount	Level valuation
Senior public notes	1,500	1,266	1
Senior private notes	300	246	2
	1,800	**1,512**	

The €1,500 million in senior public notes represented an equivalent fair value estimate of €1,266 million at year-end 2022.The €200 million in senior private notes and the € 100 million in senior notes privately placed under the EMTN program represented an equivalent fair value estimate of €246 million at year-end 2022. The estimated fair value amounts are excluding accrued interest.

The fair value of the senior public notes is determined on the basis of quoted prices, while the fair value of the senior private notes and the senior notes privately placed under the EMTN program is determined based on inputs other than quoted prices.

28. Capital management

The primary objective of the Vesteda Companies' capital management is to ensure that the Fund remains within its banking covenants and maintains a strong credit rating. The Vesteda Companies monitor capital primarily using a loan-to-value (LTV) ratio, which is calculated as the amount of outstanding debt divided by the valuation of the investment property portfolio.

Vesteda's loan facilities have LTV covenants of 50% at VRF level (corporate unsecured debt).

In the year under review, the Vesteda Companies did not breach any of their loan covenants, nor did they default on any other of their obligations under their loan agreements.

Capital management

	31-12-2022	31-12-2021
Carrying amount of interest-bearing loans and borrowings	2,177	2,084
Capitalised financing costs	14	16
Principal amount of interest-bearing loans and borrowings	**2,191**	**2,100**
Cash and cash equivalents	11	109
Net debt principal amount of interest-bearing loans and borrowings	**2,180**	**1,991**
External valuation of completed investment property (excl. IFRS16)	9,302	9,397
External valuation of investment property under construction	225	177
Total valuation of investment property	**9,527**	**9,574**
Loan-to-value ratio	22.9%	20.8%

Vesteda has performed a sensitivity stress test with regard to changes in required gross yield in relation to the loan-to-value ratio. An increase of the required gross yield of 5.8 percentage points (from 4.0% to 9.8%) would lower the value of the investment property to such extent that an LTV of 50% would be reached.

29. Management Board and other identified staff remuneration

With regard to remuneration, Vesteda is in compliance with the Dutch Financial Supervision Act (FSA) provision on the remuneration of Identified Staff. The Management Board together with the Management Team members are considered Identified Staff, as well as the Compliance Officer and the Internal Audit Manager. Amounts in this paragraph are in €.

The table below provides an overview of the total remuneration of the Management Board and other Identified Staff in 2022 and 2021. The remuneration is divided into three components: base salary, variable bonus, social security charges & pension contributions and for 2022 a compensation for income tax on capital repayments 2018 and 2019. The Compliance Officer and the Internal Audit Manager do not receive a variable remuneration.

	Management Board	Other Identified Staff*
Charged to the company in 2022 (accrual basis)		
Base salary charges	746,000	698,000
Variable remuneration charges 2022 (for future cash or shares)	-	-
Compensation income tax capital repayments 2018 and 2019	73,000	14,000
Social security charges & pension contributions	84,000	153,000
Total charged to the company in 2022	**903,000**	**865,000**
*Other identified staff as per 31-12-2022		
#Phantom shares granted before 2021	6,103	1,274
#phantom shares granted in 2021	730	266
#phantom shares cashed in 2021	176	234
#phantom shares granted end of 2021	**6,657**	**1,514**
#phantom shares granted in 2022	788	299
#phantom shares cashed in 2022	168	174
#phantom shares granted end of 2022	**7,277**	**1,639**
#Phantom shares not locked up end of 2022	5,891	982
#Phantom shares locked up until May 2023	778	207
#Phantom shares locked up until May 2024	-	180
#Phantom shares locked up until May 2025	292	128
#Phantom shares locked up until May 2026	316	142
Phantom share value as per 31.12.2022	**210.98**	

In 2022, the company was charged €903,000 (2021: €961,000) for the remuneration of the Management Board, consisting of €746,000 base salary (2021: €710,000) and €0 variable renumeration (2021: €170,000). In addition, social security charges and pension contributions amounted to €84,000 in 2022 (2021: €81,000) for the Management Board. In 2022 a compensation for income tax on capital repayments 2018 and 2019 for the Management Board amounts to €73,000 (2021: €0).

Compensation for income tax capital repayments 2018 and 2019

In 2018 and in 2019, Vesteda redeemed and paid out to participants a total of €13.89 per participation right related to the proceeds of two residential portfolio sales (in total €425.5 million). Under the phantom share programme these capital repayments, reducing the net asset value of the phantom shares, were subject to income taxes. As the alignment of the interests of the Management Board and the Participants is an important objective of the Remuneration policy and the Phantom Share Plan, the Supervisory Committee is of the opinion that the income taxes paid by the Management Board related to the capital repayments were at odds with the interests of the Participants. The Supervisory Committee therefore determined in 2022 that the Management Board would be compensated for the income taxes paid on these two specific capital repayments, after careful review and extensive consultation with our tax advisors and the tax authorities. The taxation of the Phantom Shares of the Participants remained unchanged.

Variable remuneration charges

As determined by the Supervisory Committee, the Management Board and the Management Team members achieved on average a score of 67% of the 'maximum' targets in 2022 (2021: 71%). However, in accordance with Vesteda's remuneration policy, the Management Board and the Management Team members are not entitled to receive any variable remuneration in case the net result of Vesteda is negative.

As the result after tax of Vesteda in 2022 is negative (-/- €12 million) the Management Board and the Management Team members received no variable remuneration over 2022.

As per year end 2022, one phantom share represents a value of €210.98 (based on INREV NAV, excluding distribution to be paid for 2022).

The variable bonus scheme for Identified Staff was designed in compliance with the relevant provisions of the Dutch Financial Supervision Act (FSA).

The aforementioned variable remuneration entitles:

- The CEO to 26.6% of base salary for 'on-target' performance, with a maximum of 40%;
- The CFO to 20% of base salary for 'on-target' performance, with a maximum of 30%;
- The CIO and COO to 20% of base salary for 'on-target' performance, with a maximum of 30%;
- The HR Director to 8% of base salary for 'on-target' performance, with a maximum of 12%.

The bonus component is paid based on the achievement of preset qualitative and quantitative goals related to the strategic objectives in the business plan, which are set and evaluated by the remuneration committee of the Supervisory Committee. The bonus remuneration is divided into a 60% direct and a 40% indirect (deferred) component. Both the direct component and the deferred component are paid out half in so-called phantom shares and half in cash.

The direct component is paid immediately after the one-year performance period, and an indirect, deferred component is paid out or received after a period of three years. The direct phantom share component and the indirect phantom share component are subject to an appropriate retention policy which is aimed at balancing financial rewards with the company's long-term interests.

To achieve an even stronger commitment on the part of the management to the strategy and the business of the Fund, Identified Staff are entitled to exchange the cash component for phantom shares.

The variable remuneration policy for Identified Staff also includes clawback provisions. Up and until 2022 these provisions have not been applicable.

30. Supervisory Committee remuneration

The remuneration for the five Supervisory Committee members in 2022 was €181,000 (2021: €186,000).

The decrease in 2022 compared to 2021 is due to implementing the VAT opting-in scheme for Supervisory Committee remuneration of two Supervisory Committee members.

31. Service fees to external auditors

The management expenses include the following amounts charged by Deloitte for audit services €457,000 (2021: €435,000), for audit related services €122,000 (2021: €104,000) and for other services €84,000 (2021: €64,000).

The audit committee approved the other services charged by Deloitte.

Deloitte did not provide any tax advisory related services in either year.

32. Contingencies and commitments

The total liabilities for obligations entered into for construction contracts, rental and lease instalments stood at €354 million at year-end (2021: €319 million). Rental and lease instalment liabilities are accounted for under Lease liabilities. Vesteda has not provided security for these liabilities. The liabilities can be specified as follows:

	Construction contracts
Due within 1 year	232
Due between 1 and 5 years	122
Total	**354**

As part of the provisions in Note 24 are applicable to the future investment portfolio, the liabilities have also been adapted for the commitments related to the future investment portfolio.

33. New and amended standards and interpretations

New and amended IFRS standards that are effective for the current year

In the current year, Vesteda has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) – and endorsed by the European Union – that are effective for an annual period that begins on or after 1 January 2022. Vesteda did not adopt any new or amended standards issued but not yet effective.

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2022.

The impact of this standard had not material impact on the amounts reported.

New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, Vesteda has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and (in some cases) had not yet been adopted by the EU.

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current [not yet adopted by EU]
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies [not yet effective]
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates [not yet effective]
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction [not yet adopted by EU]
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 –Comparative Information [effective as per 01-01-2023]
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current [effective as per 01-01-2023]
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies [effective as per 01-01-2023]
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates [effective as per 01-01-2023]
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction [effective as per 01-01-2023]
- IFRS 17 Insurance Contracts; including Amendments to IFRS 17 [effective as per 01-01-2023]
- Amendments to IAS 1 Presentation of Financial Statements [not yet been adopted by the EU]:
  Classification of Liabilities as Current or Non-current Date.
  Classification of Liabilities as Current or Non-current - Deferral of Effective Date.
  Non-current Liabilities with Covenants.
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback [not yet been adopted by the EU]

Vesteda does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

34. Events after balance sheet date

There were no significant events after the reporting date.

Company financial statements

These company financial statements are part of the (complete) 2022 financial statements of Vesteda Residential Fund FGR (Vesteda) and therefore, they should be read in conjunction with the consolidated financial statements of Vesteda, and the 2022 annual report (including the Management report) of Vesteda. Amounts are in € million.

Balance sheet (after proposed appropriation of result)

For the year ended 31 December 2022; amounts in € million

	Note	31-12-2022	31-12-2021
ASSETS			
Non-current assets			
Intangible fixed assets	3	7	-
Investment property	4	9,449	9,540
Investment property under construction	5	180	142
Property, plant and equipment	6	19	18
Financial assets	7	107	119
		9,762	**9,819**
Current assets			
Trade and other receivables	8	-	-
Cash and cash equivalents	9	9	61
		9	**61**
Total assets		**9,771**	**9,880**
EQUITY AND LIABILITIES			
Equity			
Fund equity	10	35	35
General paid in surplus	10	1,414	1,659
Property reserve	10	3,569	3,751
Derivatives reserve	10	(3)	(4)
Legal reserve	10	1	2
Other reserve	10	2,282	2,110
		7,298	**7,553**
Provisions	11	3	7
Non-current liabilities			
Payables to associated companies	12	1,937	1,784
Lease liabilities		149	146
		2,086	**1,930**
Current liabilities			
Payables to associated companies	13	302	317
Trade and other payables	14	82	73
		384	**390**
Total liabilities		**2,473**	**2,327**
Total equity and liabilities		**9,771**	**9,880**

Profit and loss account

For the year ended 31 December 2022; amounts in € million

	Note	2022	2021
Share in result of associated companies	7	(10)	(6)
Other income and expense after taxation		-	1,451
Result after taxation		**(10)**	**1,445**

Notes to the company financial statements

1. Corporate information

The company financial statements and the consolidated financial statements of Vesteda Residential Fund FGR and the affiliated entities (the Vesteda Companies) for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Management Board on 23 March 2023. Vesteda Residential Fund FGR (the Fund) is a mutual Fund. Vesteda Investment Management B.V. is the Fund manager, with its registered office and its actual place of business located at De Boelelaan 759, Amsterdam, the Netherlands and filed with the Trade Register at the Chamber of Commerce under number 14071789.

The principal activity of Vesteda Residential Fund FGR is to invest in Dutch residential properties.

The Fund and its manager are subject to the Financial Supervision Act (Wet financieel toezicht 'Wft').

2. Basis of preparation

Vesteda Residential Fund FGR (the Fund) is not a legal entity. These financial statements present the company financial information of the Fund. The company financial statements have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. Use has been made of the option extended under Book 2, Article 362, Section 8, Dutch Civil Code to apply the accounting policies used in the consolidated financial statements to the company financial statements.

- For the general principles for the preparation of the financial statements, the principles for valuation of assets and liabilities and determination of the result, as well as for the notes to the specific assets and liabilities and the results, reference is made to the notes to the consolidated financial statements, if not presented otherwise hereinafter.
- As a result of the license obtained from the AFM, Vesteda needs to comply with the Alternative Investment Fund Managers Directive (AIFMD). As a consequence, Vesteda needs to adhere to the requirements of Part 9 of Book 2 of the Dutch Civil Code.

The company financial statements are presented in euro and all amounts are rounded to the nearest million, except where otherwise indicated.

Participations in group companies

Participations in group companies in which significant influence is exercised on the business and financial policy, are valued under the net equity value, but not lower than nil. This net asset value is based on the same accounting principles as applied by Vesteda FGR. If the net asset value is negative, the participating interest is valued at nil. This likewise takes into account other long-term interests that should effectively be considered part of the net investment in the participating interest. If the company fully or partly guarantees the liabilities of the associated company concerned, or has the effective obligation respectively to enable the associated company to pay its (share of the) liabilities, a provision is formed. Upon determining this provision, provisions for doubtful debts already deducted from receivables from the associated company are taken into account.

Legal reserve for associated companies

The legal reserve for associated companies is formed in the amount of the share of Vesteda FGR in the results and direct increases of the associated companies since the initial valuation of these associated companies at net asset value, insofar as Vesteda FGR cannot realise a distribution without limitations. The statutory reserve for associated companies is determined individually.

3. Intangible fixed assets

The intangible fixed assets is made up as follows:

	Software
As at 1 January 2022	-
Investment	7
Depreciations	-
As at 31 December 2022	**7**

4. Investment property

The investment property is made up as follows:

	2022	2021
Investment property as at 1 January	**9,540**	**8,213**
Acquisitions	-	31
Capital expenditure on owned property	65	84
Transfer from property under construction	76	119
Property sales	(48)	(102)
Right of use assets (land leases)	3	(10)
Revaluation	(187)	1,205
Investment property as at 31 December	**9,449**	**9,540**

5. Investment property under construction

	2022	2021
As at 1 January	**142**	**131**
Capital expenditure on property under construction	138	105
Transfer from Provisions	(9)	(1)
Transfer to Investment Property	(76)	(119)
Revaluation	(15)	26
As at 31 December	**180**	**142**

As set out in Note 4, in arriving at their estimates of market values, the valuation experts used their market knowledge and professional judgment, rather than relying exclusively on comparable historical transaction data.

The fair value of the assets under construction is driven by the net future cash flow generated by the assets, in combination with the discount rate development. The generated cash flow includes the net rental income plus the net sales revenues from selling of individual units.

6. Property, plant and equipment

	Buildings
As at 1 January 2021	**17**
Investment	-
Depreciations	-
Revaluation	1
Right of use	-
As at 31 December 2021	**18**
Investment	-
Depreciations	-
Revaluation	1
Right of use	-
As at 31 December 2022	**19**

7. Financial assets

The financial assets are made up as follows:

	Participations			Total
	Vesteda Investment Management BV	Vesteda Project Development BV	Vesteda Finance BV	
As at 1 January 2021	**16**	**98**	**3**	**117**
Results 2021	1	4	1	6
Dividend distribution	(4)	-	-	(4)
As at 31 December 2021	**13**	**102**	**4**	**119**
Results 2022	2	(12)	-	(10)
Dividend distribution	(2)	-	-	(2)
As at 31 December 2022	**13**	**90**	**4**	**107**

Besides participations in Vesteda Investment Management BV, Vesteda Finance BV and Vesteda Project Development BV, the Fund also has 100% of the participations in Stichting DRF I and Custodian Vesteda Fund I B.V.

8. Trade and other receivables

The trade and other receivables are made up as follows:

	31-12-2022	31-12-2021
Trade receivables	-	-
Other receivables	-	-
Total	**-**	**-**

The trade receivables include a provision for doubtfulness of €1 million (2021: €1 million) for overdue amounts.

9. Cash and cash equivalents

The cash and cash equivalents are made up as follows:

	31-12-2022	31-12-2021
Cash at bank and on hand	9	61
Total	**9**	**61**

Cash and cash equivalents are at the free disposal of the Fund.

10. Equity

The participation rights issued can be specified as follows:

			Reserve				
	Fund equity	General paid in surplus	Property	Derivatives	Legal	Other	Total equity
As at 1 January 2021	35	1,845	2,630	(5)	3	1,786	6,294
Result for the year	-	-	1,154	-	(1)	291	1,444
Other comprehensive income	-	-	-	1	-	-	1
Total comprehensive income	**-**	**-**	**1,154**	**1**	**(1)**	**291**	**1,445**
Realised from property sales	-	-	(33)	-	-	33	-
Distribution paid	-	(186)	-	-	-	-	(186)
As at 31 December 2021	**35**	**1,659**	**3,751**	**(4)**	**2**	**2,110**	**7,553**
Result for the year	-	-	(168)	-	-	156	(12)
Other comprehensive income	-	-	-	1	(1)	2	2
Total comprehensive income	**-**	**-**	**(168)**	**1**	**(1)**	**158**	**(10)**
Realised from property sales	-	-	(14)	-	-	14	-
Equity redemption	-	(50)	-	-	-	-	(50)
Distribution paid	-	(195)	-	-	-	-	(195)
As at 31 December 2022	**35**	**1,414**	**3,569**	**(3)**	**1**	**2,282**	**7,298**

Proposals to investors

Proposed appropriation of result for 2022

The Management Board proposes that the loss for the year of €12 million be taken to equity. This proposal has been incorporated in the annual report.

Proposed distribution to participants

The Management Board proposes a distribution to participants of €200.8 million for the year 2022, of which €117.6 million was paid in the financial year 2022 and €39.2 million was paid in January 2023. The financial statements will be presented for adoption at the General Meeting of Participants on 12 April 2023. Following the adoption, the remaining €44 million will be paid as a final distribution for 2022.

11. Provisions

The current provisions are made up as follows:

	2022	2021
As at 1 January	**7**	**3**
Additions	6	5
Decrease	(1)	-
Transfer to IPUC	(9)	(1)
As at 31 December	**3**	**7**

12. Payables to associated companies

The financial liabilities are made up as follows:

	Loan Vesteda Finance BV
As at 1 January 2022	**1,784**
Drawn	150
Discount	-
Repayments	-
Reclass to Current liabilities	-
Financing costs	1
Amortisation	2
As at 31 December 2022	**1,937**

13. Payables to associated companies

	Vesteda Investment Management BV	Vesteda Finance BV	Vesteda Project Development BV	Total
As at 1 January 2022	**4**	**305**	**8**	**317**
Drawn	24	1,192	51	1,267
Repaid	(12)	(1,263)	(7)	(1,282)
Transfer from non-current liabilities	-	-	-	-
As at 31 december 2022	**16**	**234**	**52**	**302**

14. Trade and other payables

The trade and other payables are made up as follows:

	31-12-2022	31-12-2021
Trade payables	7	13
Rental deposits	27	26
Interest	11	12
Tax and social security contributions	4	2
Other	33	20
Total	**82**	**73**

15. Other comprehensive income

The other comprehensive income arising during the year are made up as follows:

	2022	2021
Settlement pre-hedge contracts	1	1
Revaluation Property, Plant and Equipment	1	-
Total	**2**	**1**

16. Transactions with associated companies

In 2022 transactions have been made between Vesteda FGR, Vesteda Finance BV, Vesteda Investment Management BV and Vesteda Project Development BV for loans provided and interest accrued.

At year-end the balances relating to these loans amount to:

Vesteda Finance BV: €2.2 billion
Vesteda Investment Management BV: €16.5 million
Vesteda Project Development BV: €51.6 million

In 2022 also transactions have been made between Vesteda FGR and Vesteda Investment Management BV for management expenses charged from Vesteda Investment Management BV to the Fund for an amount of €27.1 million.

The Management Board and the Supervisory Committee remuneration complies with article 2:383 of the Dutch Civil Code. Please see Note 29 and Note 30 of the consolidated financial statements.

The Fund has a pension plan with ABP. In 2022, the Fund paid premiums in the amount of €2.6 million (2021: €2.5 million). This counterparty is also a participant in the Fund. All transactions are at arm's length.

Please see Note 34 of the consolidated financial statements for a description of the events after balance sheet date.

Signing of the financial statements

Amsterdam, 23 March 2023

Signed by:

G.S. van der Baan
CEO

F. Vervoort
CFO

17. Other information

Appropriation of result according to the Fund's Terms and Conditions

In Article 22 of the Fund's Terms and Conditions regulations the following has been presented concerning the appropriation of result: Subject to the retention of reserves as reasonably deemed necessary by the Manager, all Distributable Income allocated for distribution shall be distributed to the Participants pro rata their respective Participation Rights. Distributable Income means the realised result less the result on property sales, provided that if the amount calculated pursuant to the above formula is less than zero, it shall be deemed to be zero.

Independent auditor's report

Please see the Independent auditor's report as included hereinafter.

Independent auditor's report

To the participants and the Supervisory Committee of Vesteda Residential Fund FGR

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

We have audited the financial statements 2022 (as set out on page 79 up to and including page 127) of Vesteda Residential Fund FGR, based in Amsterdam. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Vesteda Residential Fund FGR as at 31 December 2022, and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU- IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Vesteda Residential Fund FGR as at 31 December 2022, and of its result for 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2022.
2. The following statements for 2022: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising material accounting policy information.

The company financial statements comprise:

1. The company balance sheet as at 31 December 2022.
2. The company profit and loss account for 2022.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Vesteda Residential Fund FGR in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at €72 million. The materiality is based on 1% of group equity. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Committee that misstatements in excess of € 3.6 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Vesteda Residential Fund FGR is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Vesteda Residential Fund FGR.

Because we are ultimately responsible for the opinion, we are responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out on the entities. We have included all entities which are part of the group in our audit scope.

We have performed the audit procedures ourselves, we did not make use of component auditors.

Based on our work performed we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Committee exercises oversight, as well as the outcomes. We refer to, amongst others, section Risk management of the Management Report for management's fraud risk assessment and section incidents and fraud risk of the Supervisory Committee report in which the Supervisory Committee reflects on this fraud risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption and from time to time in co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We did not identify fraud risk factors with respect to revenue recognition. We have assessed the accuracy of gross rental income based on a test of detail and analytical procedures on the tenancy schedule and linked the completeness to the property portfolio. Given the occupancy rate, we were able to complete an assessment of the recorded gross rental income based on the substantive analytical procedures performed using the tenancy schedules and property portfolio.

We identified the following fraud risks and performed the following specific procedures:

Fraud risk	How the fraud risk was addressed in the audit
Management override of controls	
We presume a risk of material misstatement due to fraud related to management override of controls. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	Our audit procedures included, among others, the following: We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We considered available information and made inquiries of relevant persons during the year and at year end (including management, general counsel, internal auditor, compliance officer and the Supervisory Committee). Additionally we requested confirmation from the depositary on the ownership of assets and any irregularities. We have performed a review of available minutes for the relevant organizational bodies and have obtained and reviewed the ISAE 3402 type 2 report over 2022 of Vesteda Investment Management B.V. having made appropriate links to our risk assessment and relevant controls. We evaluated whether the selection and application of accounting policies by the Company, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting. For significant transactions we have evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets. As part of our audit procedures, we verified whether the significant transactions should be considered related-party transactions. We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 3, 15 and 16 of the financial statements. We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements. Valuation of investment property is a significant area to our audit as the valuation is inherently judgmental in nature, due to the use of assumptions that are highly sensitive, any change in assumptions may have a significant effect on the outcome given the relative size of the investment property balance. Reference is made to the section "Our key audit matter".

This did not lead to indications for fraud potentially resulting in material misstatements.

Audit approach compliance with laws and regulations

We assessed the laws and regulations applicable to the company via our inquiries with management and other personnel, and our assessment of relevant correspondence.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: adherence to financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements.

We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the Vesteda Residential Fund FGR is subject to other laws and regulations – including amongst other the Alternative Investment Fund Managers Directive (AIFMD), the Wet op het financieel toezicht (Wft), the Wet ter voorkoming van witwassen en het financieren van terrorisme (Wwft) – where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation.

By nature, we remain alert to indications of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Audit approach going concern

The financial statements of Vesteda Residential Fund FGR have been prepared on the basis of the going concern assumption. As indicated in the responsibilities of the management below, the management is responsible for assessing the company's ability to continue as a going concern.

We have evaluated the management's assessment of the company's ability to continue as a going concern and inquired the management regarding any knowledge of events or conditions beyond the period of the management's assessment. Sensititvity analyses of the client indicates that breach of covenants is unlikely in the near future. We evaluated the sensitivity analyses and concluded that this is not a high risk in relation to the going concern. Furthermore we noted that there is no indication that cash positions and cash flows will be insufficient to meet future obligations. The Company has total liabilities for obligations entered into for construction contracts, rental and lease instalments which stood at €354 million at year-end 2022. These off-balance sheet commitments will be financed via, (a) the cash flow from operating activities, (b) the available cash position as per 31 December 2022, (c) the outstanding undrawn commitments of €850 million as well as undrawn uncommitted instruments of €969 million to the extent needed, noting sufficient headroom in the current market circumstances, considering the loan covenant requirements related to the debt funding. The tenant mix does not lead to concern over dependency on a single tenant or group of tenants in respect to the rental income and respective cash flows.

This did not lead to indications of the company not being able to continue as a going concern, which is in line with management's assessment.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Committee. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of key audit matters	Summary of procedures and activities
Valuation of investment property	
Refer to notes 15 and 16 to the consolidated financial statements. As at 31 December 2022 the Company held a portfolio of investment property with a fair value of €9,302 million, excluding IFRS 16 right-of-use asset (31 December 2021: €9,397 million). The portfolio consist of €9,145 million residential, €88 million commercial, €47 million healthcare and €22 million parking properties. At the end of each reporting period, the Management Board determines the fair value of its investment property portfolio in accordance with the requirements of IAS 40 and IFRS 13. The Company uses external valuation reports issued by external independent professionally qualified valuers to determine the fair value of its investment property. As the valuation of investment property is inherently judgmental in nature, due to the use of assumptions that are highly sensitive, any change in assumptions may have a significant effect on the outcome given the relative size of the investment property balance. The most significant assumptions and parameters involved, given the sensitivity and impact on the outcome, are the gross initial yield and market rent levels. IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. (Unobservable) inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date. Fair value measurements categorised within Level 3 have the lowest priority as the valuation is predominantly based on unobservable inputs and those measurements have a greater degree of uncertainty and subjectivity. This means that a valuation at Level 3 has a fairly large measure of estimation uncertainty and as a result a fairly large bandwidth of valuation uncertainty in which a valuation can been seen reasonable in the light of IFRS 13.	Our audit procedures included, among others, the following: We have gained understanding of the valuation process and tested the design and implementation of the Company's relevant controls with respect to the data used in the valuation of the property portfolio. We evaluated the competence of the Company's external appraiser, which included consideration of their qualifications and expertise. We noted that management involved established parties to assist with the valuation of the investment properties. In relation to the significant assumptions in the valuation of investment property: - Determined that the valuation methods as applied by management, as included in the valuation reports, are appropriate and consistent with prior year; - We have challenged the significant assumptions used (such as gross initial yield, market rent levels) against relevant market data. We have involved our internal real estate valuation experts in these assessments; - We assessed the sensitivity analysis on the key input data and assumptions to understand the impact of reasonable changes in assumptions on the valuation and other key performance indicators (i.e., loan covenants); - We have assessed the appropriateness of the disclosures relating to the assumptions used in the valuations and sensitivity analysis in the notes to the consolidated financial statements. Observation: We found that, with the (significant) assumptions used in the valuation reports, the valuation of the investment property is valued within a reasonable range in the light of the valuation uncertainty for level 3 valuations.

Report on the other information included in the annual report

The annual report contains other information, in addition to the financial statements and our auditor's report thereon. The other information consists of:

- Management Report.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
- Other included information.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains all the information regarding the Management Report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Committee as auditor of Vesteda Residential Fund FGR on April 1, 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year.

Description of responsibilities regarding the financial statements

Responsibilities of management and the Supervisory Committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Commmittee is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

We provide the Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 23 March 2023

Deloitte Accountants B.V.

Signed on the original: J. Holland

Vesteda Residential Fund FGR financial overviews in accordance with INREV valuations principles

General introduction

To provide investors with information on the transition from Net Asset Value (NAV) according to IFRS to adjusted NAV based on INREV valuation principles, the Vesteda Residential Fund FGR (VRF FGR) also publishes its financial statements in accordance with the INREV valuation principles.

The Fundamental assumption underlying the adjusted INREV NAV of VRF FGR is that it should give a more accurate reflection of the economic value of VRF FGR and a participation in VRF FGR, as it would be realised by a participant in a theoretical sale, as of the balance sheet date, assuming an arm's length transaction, a willing buyer/seller and an adequate time to market.

The adjusted INREV NAV is based on the IFRS valuation principles plus the deviations described below.

	Note	Actual impact on 2022 figures	Actual impact on 2021 figures
NAV per the IFRS financial statements			
Reclassification of certain IFRS liabilities as components of equity			
Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle	1	N/A	N/A
Effect of dividends recorded as a liability which have not been distributed	2	N/A	N/A
NAV after reclassification of equity-like interests and dividends not yet distributed			
Fair value of assets and liabilities			
Revaluation to fair value of investment properties	3	N/A	N/A
Revaluation to fair value of self-constructed or developed investment property	4	N/A	N/A
Revaluation to fair value of investment property held for sale	5	N/A	N/A
Revaluation to fair value of property that is leased to tenants under a finance lease	6	N/A	N/A
Revaluation to fair value of real estate held as inventory	7	N/A	N/A
Revaluation to fair value of other investments in real assets	8	N/A	N/A
Revaluation to fair value of indirect investments not consolidated	9	N/A	N/A
Revaluation to fair value of financial assets and financial liabilities	10	Yes	Yes
Revaluation to fair value of construction contracts for third parties	11	N/A	N/A
Set-up costs	12	N/A	N/A
Acquisition expenses	13	Yes	Yes
Contractual fees	14	N/A	N/A
Effects of the expected manner of settlement of sales/vehicle unwinding			
Revaluation to fair value of savings of purchaser's costs such as transfer taxes	15	N/A	N/A
Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	16	N/A	N/A
Effect of subsidiaries having a negative equity (non-recourse)	17	N/A	N/A
Other adjustments			
Goodwill	18	N/A	N/A
Non-controlling interest effects of INREV adjustments	19	N/A	N/A
INREV NAV			

Consolidated statement of profit or loss and other comprehensive income in accordance with INREV valuation principles

For the year ended 31 December 2022; amounts in € million

	2022 IFRS	Adj.	2022 INREV	2021 IFRS	Adj.	2021 INREV
Gross rental income	363		363	347		347
Service charge income	11		11	12		12
Property operating expenses (excluding service charges)	(89)		(89)	(84)		(84)
Service charges	(16)		(16)	(16)		(16)
Other income	1		1	1		1
Net rental income	**270**		**270**	**260**		**260**
Result on disposals	6		6	16		16
Management expenses	(27)		(27)	(25)		(25)
Financial results	(42)		(42)	(39)		(39)
Realised result before tax	**207**		**207**	**212**		**212**
Unrealised result	(218)		(218)	1,233		1,233
Result before tax	**(11)**		**(11)**	**1,445**		**1,445**
Tax	(1)		(1)	(1)		(1)
Result after tax (attributable to equity holders of the parent)	**(12)**		**(12)**	**1,444**		**1,444**
Other comprehensive income that will be reclassified subsequently to profit or loss						
- Settlement pre-hedge contracts	1		1	1		1
Positive revaluation on Property, Plant and Equipment	1		1	-		-
Fair value adjustment on liabilities	-	369	369	-	54	54
Acquisition costs on Investment property (under construction)	-	(13)	(13)	-	17	17
Other comprehensive income, net of tax	**2**		**358**	**1**		**72**
Total comprehensive income (attributable to equity holders of the parent)	**(10)**		**346**	**1,445**		**1,516**

Consolidated statement of financial position in accordance with INREV valuation principles

For the year ended 31 December 2022; amounts in € million

	31 December 2022 IFRS	Adj.	31 December 2022 INREV	31 December 2021 IFRS	Adj.	31 December 2021 INREV
ASSETS						
Non-current assets						
Intangible fixed assets	6		6	7		7
Investment property	9,449	21	9,470	9,540	34	9,574
Investment property under construction	224		224	177		177
Property, plant and equipment	21		21	20		20
Financial assets	3		3	2		2
	9,703	**21**	**9,724**	**9,746**		**9,780**
Current assets						
Trade and other receivables	2		2	5		5
Cash and cash equivalents	11		11	109		109
	13		**13**	**114**		**114**
Total assets	**9,716**	**21**	**9,737**	**9,860**	**34**	**9,894**
EQUITY AND LIABILITIES						
Equity						
Group equity	7,298	309	7,607	7,553	(47)	7,506
Non-current liabilities						
Financial liabilities	1,936	(288)	1,648	1,784	81	1,865
Lease liabilities	148		148	145		145
	2,084	**(288)**	**1,796**	**1,929**	**81**	**2,010**
Current liabilities						
Financial liabilities	231		231	300		300
Provisions	3		3	7		7
Trade and other payables	99		99	70		70
Lease liabilities	1		1	1		1
	334		**334**	**378**		**378**
Total liabilities	**2,418**	**(288)**	**2,130**	**2,307**	**81**	**2,388**
Total equity and liabilities	**9,716**	**21**	**9,737**	**9,860**	**34**	**9,894**

Consolidated statement of changes in equity in accordance with INREV valuation principles

For the year ended 31 December 2022; amounts in € million.

	Fund Equity	General paid-in surplus	Reserve					
			Property	Derivatives	Legal	Other reserve	Total equity
As at 1 January 2021	**35**	**1,844**	**2,651**	**(5)**	**9**	**1,642**	**6,176**
Result for the year	-	-	1,158	-	(1)	287	1,444
Other comprehensive income	-	-	-	1	-	71	72
Total comprehensive income	**-**	**-**	**1,158**	**1**	**(1)**	**358**	**1,516**
Realised from property sales	-	-	(33)	-	-	33	-
Distribution paid	-	(186)	-	-	-	-	(186)
Changes according to INREV	-	-	17	-	-	(17)	-
As at 31 December 2021	**35**	**1,658**	**3,793**	**(4)**	**8**	**2,016**	**7,506**
Result for the year	-	-	(168)	-	-	156	(12)
Other comprehensive income	-	-	-	1	(1)	358	358
Total comprehensive income	-	-	(168)	1	(1)	514	346
Realised from property sales	-	-	(14)	-	-	14	-
Equity redemption	-	(50)	-	-	-	-	(50)
Distribution paid	-	(195)	-	-	-	-	(195)
Changes according to INREV	-	-	(13)	-	-	13	-
As at 31 December 2022	**35**	**1,472**	**3,598**	**(3)**	**7**	**2,557**	**7,607**

Certain figures have been rounded off; consequently, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

INREV expense metrics

	2022	2021
Total Expense Ratio (NAV)	0.35%	0.39%
Total Expense Ratio (GAV)	0.28%	0.29%
Real Estate Expense Ratio (GAV)	0.92%	0.98%

The decrease in ratio of the Total Expense Ratio (both NAV and GAV) from 2021 to 2022 is mainly due to the increase of the average asset value in 2022.

Fund expenses are the management expenses in the consolidated statement of comprehensive income. Property-specific expenses are the property operating expenses, including non-recoverable service charges in the consolidated statement of comprehensive income.

The weighted average INREV NAV is calculated as the closing INREV net asset value of five individual quarters (Q4 2021 – Q4 2022), divided by five. The quarterly figures for Q1, Q2 and Q3 2022 are unaudited.

The weighted average INREV GAV is calculated as the closing INREV gross asset value of five individual quarters (Q4 2021 – Q4 2022), divided by five. The quarterly figures for Q1, Q2 and Q3 2022 are unaudited.

The Total Expense Ratio (NAV) is calculated by dividing the Fund expenses by the weighted average INREV net asset value.

The Total Expense Ratio (GAV) is calculated by dividing the Fund expenses by the weighted average INREV gross asset value.

The Real Estate Expense Ratio (GAV) is calculated by dividing the property-specific expenses by the weighted average INREV gross asset value.

Notes to the INREV financial statements

Amounts in € million

	Note	31-12-2022	31-12-2021
NAV per the IFRS financial statements		7,298	7,553
Reclassification of certain IFRS liabilities as components of equity			
Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle	1		
Effect of dividends recorded as a liability which have not been distributed	2		
NAV after reclassification of equity-like interests and dividends not yet distributed		**7,298**	**7,553**
Fair value of assets and liabilities			
Revaluation to fair value of investment properties	3		
Revaluation to fair value of self-constructed or developed investment property	4		
Revaluation to fair value of investment property held for sale	5		
Revaluation to fair value of property that is leased to tenants under a finance lease	6		
Revaluation to fair value of real estate held as inventory	7		
Revaluation to fair value of other investments in real assets	8		
Revaluation to fair value of indirect investments not consolidated	9		
Revaluation to fair value of financial assets and financial liabilities	10	288	(81)
Revaluation to fair value of construction contracts for third parties	11		
Set-up costs	12		
Acquisition expenses	13	21	34
Contractual fees	14		
Effects of the expected manner of settlement of sales/vehicle unwinding			
Revaluation to fair value of savings of purchaser's costs such as transfer taxes	15		
Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	16		
Effect of subsidiaries having a negative equity (non-recourse)	17		
Other adjustments			
Goodwill	18		
Non-controlling interest effects of INREV adjustments	19		
INREV NAV		**7,607**	**7,506**

1. Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders' long-term interests in a vehicle
Investors' capital can take various forms aside from equity; examples include shareholder loans and hybrid capital instruments, such as convertible bonds. Some vehicles are structured via a combination of equity participations and shareholder loans.

Shareholder loans and hybrid capital instruments are generally seen as part of the investors' overall interest in the vehicle.

Since investors in VRF FGR only invest via participation rights according to the Terms and Conditions, no adjustment was applicable.

2. Effect of dividends recorded as a liability that have not yet been distributed
Under certain circumstances, dividends are recorded as a liability but have not yet been legally distributed.

For the determination of INREV NAV, these accrued dividends should be reversed to the NAV.

As per 31 December 2022, no adjustment was applicable, as no distributions were recorded as a liability.

3. Revaluation to fair value of investment properties
After initial recognition, investment property is valued at fair value under the fair value option of IAS 40.

As investment properties are valued at fair value, no adjustment had to be made as per 31 December 2022.

4. Revaluation to fair value of self-constructed or developed investment property
Development property is IPUC (investment property under construction) and valued at fair value under the fair value option of IAS 40.

As IPUC is valued at fair value, no adjustment had to be made as per 31 December 2022.

5. Revaluation to fair value of investment property held for sale
Assets in this category should be measured under IFRS at the lower of cost or net realisable value in the financial statements. The adjustment represents the impact on NAV of the revaluation of the property intended for sale, measured at cost, to fair value.

As per 31 December 2022, no adjustment was applicable, as no properties intended for sale have been identified and all investment properties have been valued at fair value.

6. Revaluation to fair value of property that is leased to tenants under a finance lease
Property that is leased to tenants under a finance lease is initially measured on a net investment basis and subsequently re-measured based on an amortisation pattern reflecting a constant rate of return. The adjustment represents the impact on NAV of the revaluation of the finance lease receivable to fair value.

As per 31 December 2022, no adjustment was made since no property was held that is leased to tenants under a finance lease.

7. Revaluation to fair value of real estate held as inventory
Properties intended for sale and accounted for under IAS 2 (Inventory) are measured at the lower of cost or net realisable value in the financial statements.

This adjustment represents the impact on the NAV of the revaluation of such properties to net realisable value (fair value less disposal costs). This adjustment should be included under the caption 'revaluation to fair value of real estate held as inventory'.

As per 31 December 2022, no adjustment was applicable, since VRF FGR has no inventory property.

8. Revaluation to fair value of other investments in real assets
Under IAS 16, other investments in real assets are normally accounted for at cost. The adjustment represents the impact on NAV of the revaluation of other investments in real assets to fair value in accordance with the fair value assumptions under IFRS 13.

As per 31 December 2022, no adjustment was made since VRF FGR has no investments in real assets.

9. Revaluation to fair value of indirect investments not consolidated
Indirect investments in real estate, such as investments in associations and joint ventures, have different accounting treatments and carrying values under IFRS. Such investments can be valued at cost, fair value or NAV.

The adjustment represents the impact on NAV of the revaluation of indirect investments to fair value if not yet accounted for at fair value.

As per 31 December 2022, no adjustment had been made, since all indirect investments in real estate are valued at fair value.

10. Revaluation to fair value of financial assets and liabilities (including revaluation to fair value of debt obligations)
Financial assets and liabilities such as debt obligations are generally measured at amortised cost, taking into account any impairment when applicable. The adjustment represents the impact on NAV of the revaluation of financial assets and financial liabilities to fair value as determined in accordance with IFRS.

As per 31 December 2022, an adjustment was made for the revaluation to fair value of the fixed interest debt financial liabilities of -€288 million (2021: €81 million). This adjustment relates to the senior unsecured notes (bonds issued in 2015, 2018,2019 and 2021), the private placement borrowings with PRICOA Capital Group (arranged 2016), with NYL and AIG (arranged in 2020), and EMTN private placements arranged in 2017.

No adjustments have been made for other financial assets and liabilities, as these were already valued at fair value in accordance with IFRS principles.

11. Revaluation to fair value of construction contracts for third parties
Under IFRS 15, construction contracts for third parties are normally accounted for based on the stage of completion.

The adjustment represents the impact on NAV of the revaluation of construction contracts for third parties to fair value in accordance with the fair value principles of IFRS 13.

As per 31 December 2022, no adjustment had been made, since VRF FGR has no construction contracts for third parties.

12. Set-up costs
Under IFRS, vehicle set-up costs are charged immediately to income after the inception of a vehicle. Such costs should be capitalised and amortised over the first five years of the term of the vehicle. The rationale for capitalising and amortising set-up costs is to better reflect the duration of the economic benefits to the vehicle.

The adjustment represents the impact on NAV of capitalising and amortising set-up costs over the first five-year period rather than charging them immediately to the income statement.

No adjustment has been made for set-up costs, as no set-up costs for VRF FGR have been incurred in the last five years.

13. Acquisition expenses
Under the fair value model, the acquisition expenses related to an investment property are effectively charged to income when fair value is calculated at the first subsequent measurement date after acquisition. This results in the fair value of a property upon subsequent fair value measurement being lower than the total purchase price of the property, all other things being equal. Property acquisition expenses should be capitalised and amortised over the first five years after acquisition of the property.

The rationale for capitalising and amortising acquisition expenses is to better reflect the duration of the economic benefits of these costs to the vehicle.

When capitalising and amortising acquisition costs, a possible impairment test should be taken into account every time the adjusted NAV is calculated when market circumstances change and the owner of an investment property does not expect to be able to recover the capitalised acquisition costs through the sale of units of a vehicle. When a property is sold during the amortisation period or is classified as held for sale, the balance of capitalised acquisition expenses of that property should be expensed.

This adjustment represents the impact on NAV of the capitalisation and amortisation of acquisition expenses over the period from acquisition of the specific asset to five years after initial closing.

As per 2021, the transfer tax for residential investment property changed from 2% into 8%. Most of the single asset acquisitions of residential complexes at Dutch institutional real estate funds are realized via a turn-key agreement with a development company. The increase in transfer tax has some accounting implications in light of the capitalization of the transfer tax as part of the initial acquisition expense(s) for determining the INREV NAV. For newly developed properties no transfer tax is due. Acquisitions of newly developed residential complexes can be purchased free of transfer tax. However, normally the acquisition price is higher than if transfer taxes should be paid separately. In general, the agreed price can be seen as the Gross Investment Value less actual other acquisition expenses (notary, broker, valuation, etc.). This so-called fictitious transfer tax will be included in the revaluation after initial recognition.

Up to the end of 2020, Vesteda did not made any adjustments in the INREV NAV for the capitalization of acquisition expenses in the light of the acquisition of turn-key complexes due to the fact that the effects of the difference between acquisition price and the net valuation was limited and did not have/had a material impact on the calculation of the INREV NAV.

As the transfer tax is now 8%, the difference between the agreed turn-key acquisition price and the net fair value will be larger and potentially material. Therefore, the respective implicit real estate transfer tax of 2% until 2020 and 8% as of 2021 and additional acquisition costs of 1% (in total 3% or 9%) have been capitalized for all realized acquisition projects dating back from 2017. For new acquisitions the 9% transfer tax costs are amortized over a 5 year period starting from the date of completion of the acquired property.

As per 31 December 2022, Vesteda had made an adjustment of €3 million for any acquisition expenses paid on the current portfolio and €19 million for the capitalized fictitious transfer tax. Taken into account the respective period as of completion of the property these amounts are amortised over a period of 5 years, which results in a net adjustment of approximately €22 million.

14. Contractual fees
A liability represents a present obligation as a result of past events. A fee payable at the end of the life of a vehicle or at any other time during the life of a vehicle may not meet the criteria for recognition as a provision or liability in accordance with IFRS at the reporting date.

Examples of such fees include performance fees, disposal fees, or liquidation fees, representing a present obligation from contractual arrangements.

Most of these fees are normally accrued under IFRS accounting rules. The adjustment represents the impact on the NAV of the amount of the estimated contractual fees payable based on the current NAV of the vehicle in the rare circumstances in which these fees are not already recognised in financial statements produced under IFRS and it is probable that they will be incurred. In order to determine the amount of the adjustment, reference should be made to IFRS standards for the measurement (but not necessarily the recognition) of provisions or deferred liabilities.

As per the balance sheet date, all contractual fees and contingent liabilities had been recognised in accordance with IFRS.

VRF FGR did not enter into any other contractual fees or contingent liabilities that are not presented in the accounts as per the balance sheet date.

15. Revaluation to fair value of savings of purchaser's costs such as transfer taxes
Transfer taxes and purchaser's costs which would be incurred by the purchaser when acquiring a property are generally deducted when determining the fair value of investment properties under IAS 40. The effect of an intended sale of shares in a property-owning vehicle, rather than the property itself, should be taken into account when determining the amount of the deduction of transfer taxes and purchaser's costs, to the extent that this saving is expected to accrue to the seller when the property is sold.

The adjustment therefore represents the positive impact on the NAV of the possible reduction of the transfer taxes and purchaser's costs for the benefit of the seller based on the expected sale of shares in the property-owning vehicle.

VRF FGR has no investment property structured in special purpose vehicles.

16. Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments
Under IFRS, deferred tax assets and liabilities are measured at the nominal statutory tax rate. The manner in which the vehicle expects to realise deferred tax (for example, for investment properties through share sales rather than direct property sales) is generally not taken into consideration.

The adjustment represents the impact on the NAV of the difference between the amount determined in accordance with IFRS and the estimate of deferred tax that takes into account the expected manner of settlement (i.e. when tax structures and the intended method of disposal or settlement of assets and liabilities have been applied to reduce the actual tax liability).

As per 31 December 2022, no adjustment had been made as VRF FGR has not valued deferred tax assets and liabilities on the balance sheet. Furthermore, no adjustment for the INREV NAV adjustments is required as VRF FGR is transparent for tax purposes.

17. Effect of subsidiaries having a negative equity (non-recourse)
The NAV of a consolidated group under IFRS may include the net liability position of subsidiary undertakings. In practice, however, the group may have neither a legal nor a constructive obligation to Fund the accumulated losses in situations where the financing of the subsidiaries is non-recourse to the vehicle. In this scenario, it is appropriate to make an adjustment when calculating the INREV NAV in order to recognise the group's interest in such subsidiaries at nil or an adjusted negative amount rather than at a full net liability position, to the extent there is no intention or obligation on the part of the vehicle to make good those losses.

The adjustment represents the positive impact on the NAV of the partial or full reversal of the negative equity of the specific subsidiary. If the vehicle has granted shareholder loans to the subsidiary, these should be taken into account.

As per 31 December 2022, no adjustment had been made since VRF FGR has no subsidiaries with a negative equity that are valued at zero and are included in the consolidation.

18. Goodwill
Upon the acquisition of an entity that has been determined to be a business combination, goodwill may arise as a result of a purchase price allocation exercise. A major component of such goodwill in property vehicles often reflects the difference between the full recognition of deferred tax, purchaser's costs or similar items in the IFRS accounts (which does not generally take into account the likely or intended method of subsequent exit), and the economic value attributed to such items in the actual purchase price.

Except where such components of goodwill have already been written off in the NAV, as determined under IFRS, they should be written off in the INREV NAV.

As per 31 December 2022, no adjustment had been made, since VRF FGR has no goodwill valued on the balance sheet.

19. Non-controlling interest effects on the above adjustments
This adjustment represents the impact on the NAV of the recognition of non-controlling interests on all of the above adjustments.

As per 31 December 2022, no adjustment had been made, since VRF FGR has no material adjustments that arise from its non-controlling interests.

Independent auditor's report

To the participants and the Supervisory Committee of Vesteda Residential Fund FGR

Report on the financial overviews in accordance with INREV Valuation Principles

Our opinion

We have audited the accompanying financial overviews 2022 of Vesteda Residential Fund FGR, based in Amsterdam.

In our opinion the financial overviews are prepared, in all material respects, in accordance with the accounting policies selected and disclosed by the fund, i.e. INREV valuation principles, as set out on page 135 up to and including page 145.

The financial overviews comprise:

1. The consolidated statement of financial position as at 31 December 2022.
2. The following statements for 2022: the consolidated statements of profit or loss and other comprehensive income and changes in equity.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.
Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial overviews" section of our report.

We are independent of Vesteda Residential Fund FGR in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Description of responsibilities for the financial overviews

Responsibilities of management and the Supervisory Committee for the financial overviews

Management is responsible for the preparation of the financial overviews in accordance with the accounting policies selected and disclosed by the fund (INREV valuation principles) as set out on page 135 up to and including page 145.

Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial overviews that are free from material misstatement, whether due to fraud or error.

The Supervisory Committee is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial overviews

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial overviews. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial overviews, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluating the overall presentation, structure and content of the financial overviews, including the disclosures.
- Evaluating whether the financial overviews represent the underlying transactions and events free from material misstatement.

We communicate with management and the Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

Amsterdam, 23 March 2023

Deloitte Accountants B.V.

Signed on the original: J. Holland

Annexes

Annex 1: Key figures 2013-2022

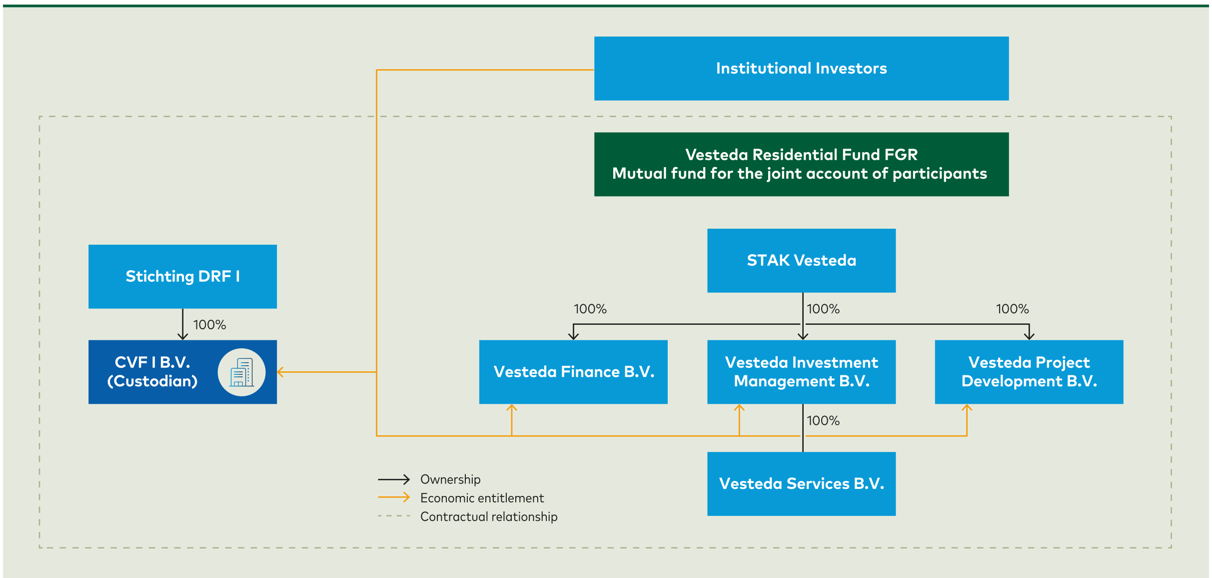
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statement of financial position (€ million, unless otherwise stated, year-end)										
Total assets (excl. IFRS 16)	9,567	9,714	8,285	7,928	7,337	5,084	4,375	3,839	3,667	3,782
Equity	7,298	7,553	6,294	6,022	5,517	3,819	3,045	2,629	2,262	2,280
Net debt	2,180	1,991	1,916	1,825	1,739	1,172	1,237	1,098	1,265	1,350
Leverage (%, excl. IFRS 16)	22.8	20.5	23.1	23.0	23.7	23.1	28.3	28.6	34.5	35.7
Portfolio value (€ million, year-end)										
Development portfolio	225	177	174	194	257	257	135	77	13	23
Investment portfolio	9,448	9,540	8,213	7,818	7,024	4,778	4,207	3,726	3,593	3,655
Total portfolio	**9,673**	**9,717**	**8,387**	**8,012**	**7,281**	**5,035**	**4,342**	**3,803**	**3,605**	**3,678**
Units (year-end)										
Number of residential units	27,661	27,570	27,482	27,290	27,809	22,454	22,629	22,599	22,990	23,791
Number of parking/garage spaces	10,425	10,039	9,885	9,716	9,830	9,226	9,094	9,293	9,335	9,527
Commercial space (COG, sqm)	44,323	44,936	44,924	44,631	45,106	38,722	35,406	34,319	36,359	36,640
Net rental income (€ million, unless otherwise stated)										
Investment portfolio, at start of year	9,540	8,213	7,818	7,024	4,778	4,207	3,726	3,593	3,655	3,970
Time weighted average portfolio	9,901	8,636	8,050	7,560	5,967	4,473	3,969	3,642	3,613	3,631
Net rental income	270	260	251	252	210	184	182	176	176	181
Net rental income (%)	2.7	3.0	3.1	3.3	3.5	4.1	4.6	4.8	4.9	5.0
Result (€ million)										
Realised result from letting & sales	207	212	191	202	207	138	141	122	110	104
Realised result from project development	-	-	-	-	-	-	1	-	4	(1)
Unrealised results	(218)	1,233	276	653	825	544	391	169	22	(163)
Result before tax	**(11)**	**1,445**	**467**	**855**	**1,032**	**682**	**533**	**291**	**136**	**(60)**
Tax	(1)	(1)	(1)	(1)	-	-	-	-	-	-
Derivatives	-	-	-	-	-	18	4	25	(4)	41
- revaluation	-	-	-	-	-	6	4	11	(16)	41
- unwind	-	-	-	-	-	12	-	14	12	-
Revaluation of PPE	1	-	-	1	2	1	-	-	-	-
Settlement pre-hedge contracts	1	1	1	(6)	-	-	-	-	-	-
Total comprehensive result	**(10)**	**1,445**	**467**	**849**	**1,034**	**701**	**537**	**316**	**132**	**(19)**
Return (% of time weighted average equity)										
Realised return from letting	2.6	3.2	3.1	3.6	4.6	4.1	5.1	5.0	4.8	4.4
Realised return from project development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	(0.1)
Unrealised return	(2.8)	18.7	4.5	11.4	18.4	16.3	14.2	7.0	1.0	(6.9)
Total operating return	(0.1)	21.9	7.6	15.0	23.0	20.4	19.3	12.0	6.0	(2.5)
Revaluation of derivatives and Other comprehensive income	0.0	0.1	-	(0.1)	-	0.5	0.2	1.0	(0.2)	1.7
Total comprehensive return	**(0.1)**	**22.0**	**7.6**	**14.9**	**23.0**	**20.9**	**19.5**	**13.0**	**5.8**	**(0.8)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Distribution to participants (€ million, unless otherwise stated)										
Opening equity	7,553	6,294	6,022	5,517	3,819	3,045	2,629	2,262	2,280	2,423
Time weighted average equity	7,842	6,589	6,169	5,708	4,481	3,350	2,766	2,426	2,284	2,364
Paid distribution*	195	186	195	344	415	206	121	107	100	74
Distribution as % of time weighted average equity	2.5	2.8	3.2	6.0	9.3	6.1	4.4	4.4	4.4	3.1
Distribution to participants (€ per participation)										
Opening equity	210.40	175.32	167.74	153.69	135.44	118.03	101.93	94.07	92.77	96.47
Time weighted average equity	219.78	183.55	171.85	159.01	158.92	129.88	107.23	100.91	92.93	94.09
Paid distribution based on number of participations at start of year*	5.43	5.19	5.42	9.58	14.72	7.98	4.71	4.43	4.07	2.95
Other										
Occupancy rate (%, year-end)	98.6%	98.8	97.5	98.4	97.5	97.6	97.8	97.9	96.6	96.1
Employees (FTE, year-end)	217	217	217	194	188	176	181	179	189	227

* Excludes equity redemptions from Redemption Available Cash (RAC). 2018 and 2019 figures include capital repayments related to portfolio sales.

Annex 2: Legal structure

Vesteda Residential Fund



Vesteda is a mutual fund for the joint account of the participants. Investors may join the fund by taking an interest in the fund. The fund is transparent for tax purposes. For this reason, participants can participate in Vesteda via an entity with its own legal and fiscal structure. Participants always join or exit the fund via a request to the fund Manager: Vesteda Investment Management B.V. The rights and obligations of the Manager, the Supervisory Committee and the participants are set out in the fund's Terms and Conditions.

StAK Vesteda

Participants' rights and obligations in respect of the fund Manager, Vesteda Project Development B.V. and Vesteda Finance B.V., are exercised through Stichting Administratiekantoor Vesteda (StAK Vesteda). Participants are granted a power of attorney to attend and exercise voting rights in the general meeting of shareholders of these three companies by StAK Vesteda at their request.

Vesteda Investment Management B.V. (the Manager)

The fund's Terms and Conditions instruct the Manager to manage the fund under the conditions specified therein. The Manager is responsible for day-to-day operations and implementation of the strategy. The Management Board and the staff are employed by the Manager.

Vesteda Finance B.V., Vesteda Project Development B.V. and Vesteda Services B.V.

Vesteda Finance B.V. undertakes Vesteda's (unsecured) financing activities on behalf of the fund. Vesteda Project Development B.V. is responsible for development projects in the committed pipeline and certain selected acquisition projects. Vesteda Services B.V. acts as an intra-group service provider.

Custodian

Custodian Vesteda Fund I B.V. is the legal owner of the property of the fund, while the fund is the beneficial owner. The custodian acts in accordance with all instructions regarding the fund's assets given by the Manager, and shall only be entitled to acquire, dispose of, transfer or otherwise deal with any fund assets on the instructions of the Manager.

Annex 3: Members of the Management Board and Management Team

The Management Board consists of Gertjan van der Baan (CEO) and Frits Vervoort (CFO).

Gertjan van der Baan (1968)

Chairman of the Management Board since 1 January 2014. Third term of office ends in December 2025.

As Chief Executive Officer, Gertjan van der Baan is responsible for portfolio strategy, acquisitions, HR Management, Corporate Communications & Marketing, Investor Relations and Corporate Sustainability & Social Responsibility.

Before joining Vesteda, Gertjan van der Baan was chairman of the Managing Board of Dutch residential property investor Nationaal Grondbezit (Nagron). Nagron is part of the Rotterdam-based investor Van Herk Group, where he also served as CEO from 2009. Prior to joining Van Herk Group, Gertjan van der Baan worked at merchant bank Kempen & Co in the field of Corporate Finance for close to nine years.

Other position: Chairman of the Board of Directors of IVBN.

Frits Vervoort (1962)

Member of the Management Board since 1 November 2016. Second term of office ends in October 2024.

As Vesteda CFO, Frits Vervoort's responsibilities include accounting, control & reporting, risk, legal/compliance, operations, IT and treasury.

Frits Vervoort has extensive background in finance and management and more than 15 years' experience as a CFO. His previous employers include Vedior, where he was CFO and a member of the Board of Management from 2001 to 2008, when Vedior was acquired by Randstad. Prior to joining Vesteda, Frits Vervoort was CFO and a member of the Executive Board of Grontmij.

In addition to Gertjan van der Baan and Frits Vervoort, the Management Team consists of Astrid Schlüter (COO), Pieter Knauff (CIO) and the HR Director (vacant position):

Astrid Schlüter (1969)

Astrid Schlüter joined Vesteda in 2013 as Property Management Director and was appointed as Operations Director in October 2016, followed by a promotion to COO in January 2021. Astrid Schlüter studied econometrics and started her career at accountancy firm EY. After EY, Astrid Schlüter worked at Jacobus Recourt, where she held the position of Managing Director/Owner in her last five years with the company.

Other position: member of the Supervisory Board of N.V. Zeedijk and member of the Supervisory Board of Givaudan Nederland.

Pieter Knauff (1977)

Pieter Knauff joined Vesteda in 2015 and was appointed as Acquisitions Director in July 2016, followed by a promotion to CIO in January 2021. Before joining Vesteda, Pieter Knauff worked for over 10 years at Van Herk Group, where his last position was Chief Investment Officer. Pieter Knauff is a business economist and started his career at merchant bank Kempen & Co in the field of Corporate Finance and Equity Research (Property & Construction).

Renée Verhulst (1971)

Renée Verhulst joined Vesteda on 1 May 2022 and was appointed as HR Director. Before joining Vesteda, Renée worked as Head of HR at Van Dorp, a leading technical services provider. Renée worked for over 20 years at the Achmea group, where she held several senior HR roles.

Annex 4: Members of the Supervisory Committee

Jaap Blokhuis (1958) - Chairman

Dutch. Former CEO of Multi Corporation and Redevco

Areas of expertise: real estate, investments, compliance, risk management.

Other positions: member of the Supervisory Board of Heembouw Holding B.V., member of the Supervisory Board of Vastned Retail N.V., advisor to Egeria Real Estate and advisor to Kubox B.V.

Hans Copier (1957)

Dutch. Former CEO of Propertize, former member of the European Executive Committee and Country Manager Netherlands of CBRE Global Investors.

Areas of expertise: management, real estate, finance, risk management and audit, compliance, personnel and organisation.

Other positions: member of the Supervisory Board of Green Real Estate and advisor to Pensioenfonds Rail & Openbaar Vervoer.

Seada van den Herik (1972)

Dutch. Managing Director of Onderlinge 's-Gravenhage. Former CEO of Zwitserleven and former board member of Vivat Verzekeringen.

Areas of expertise: personnel and organisation, customer management, finance, risk management.

Other positions: Managing Director of N.V. Levensverzekering-Maatschappij "De Hoop" and member of the advisory committee of Women in Financial Services.

Theo Eysink (1966)

Dutch. CFO KPN Business Market and former CFO Stork Technical Services Holding B.V.

Areas of expertise: risk management, audit, finance and compliance.

Other positions: member of the Supervisory Board and Audit Committee of Stedin Holding N.V.

Eva Klein Schiphorst (1964)

Dutch. Director Schiphol Area Development Company (SADC) and former Director of Public Buildings Business Unit of Royal HaskoningDHV.

Areas of expertise: real estate, energy transition, organisational development and project management.

Other position: member of the Supervisory Board of IPSE de Bruggen.

The table below provides an overview of the composition of the Supervisory Committee as per 16 March 2022 and the rotation schedule.

Name	Committee	Date of first appointment	End of current term
Jaap Blokhuis (Chairman)		11 September 2017	11 September 2025 (second term)
Hans Copier	Audit Committee	12 February 2016	12 February 2024 (second term)
Seada van den Herik	Chairman NomRem Committee	9 December 2015	9 December 2023 (second term)
Theo Eysink	Chairman Audit Committee	1 May 2019	1 May 2023 (first term)
Eva Klein Schiphorst	NomRem Committee	17 October 2019	17 October 2023 (first term)

All members of the Supervisory Committee are deemed independent.

Annex 5: GRI content index

Statement of use	Vesteda has reported in accordance with the GRI Standards for the period 1 January 2022 and 31 December 2022
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not applicable

GRI standard/ other source	Disclosure	Location
General disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	Vesteda at a glance, p.7; Corporate information, p.84
	2-2 Entities included in the organization's sustainability reporting	About this report, p.73; Basis of consolidation, p.85
	2-3 Reporting period, frequency and contact point	About this report, p.73; Colophon, p.169; Publication date will be 13 April 2023
	2-4 Restatements of information	About this report, p.73; There are non significant restatements regarding non-financial information.
	2-5 External assurance	Assurance report of the independent auditor, p.76; Independent auditor's report, p.128; Independent auditor's report, p.146
	2-6 Activities, value chain and other business relationships	Vesteda at a glance, p.7; Strategy, p.10; Economic value, p.15; Portfolio, p.15; Sustainable supply chain, p.30
	2-7 Employees	Organisation, p.46; Vesteda does not have non-guaranteed hours employees.
	2-8 Workers who are not employees	Organisation, p.46
	2-9 Governance structure and composition	Governance, p.38; Annex 4, p.154
	2-10 Nomination and selection of the highest governance body	Governance, p.38; Details are formalised in the Terms & Conditions of the fund, which is not disclosed externally due to confidentiality contraints
	2-11 Chair of the highest governance body	Annex 2: Legal structure, p.151; Annex 4, p.154
	2-12 Role of the highest governance body in overseeing the management of impacts	Report of the Supervisory Committee, p.57; Dialogue with stakeholders, p.74
	2-13 Delegation of responsibility for managing impacts	Outlook and management agenda, p.50; Report of the Supervisory Committee, p.57; Annex 3, p.152
	2-14 Role of the highest governance body in sustainability reporting	Report of the Supervisory Committee, p.57
	2-15 Conflicts of interest	Governance, p.38; No material conflicts of interest occured.
	2-16 Communication of critical concerns	Vesteda's view on compliance and integrity, p.43; Dialogue with stakeholders, p.74
	2-17 Collective knowledge of the highest governance body	Supervisory Committee activities 2022 (including committees), p.59: permanent education sessions
	2-18 Evaluation of the performance of the highest governance body	Report of the Supervisory Committee, p.57; Self-assessments are done periodically. We do not disclose the outcomes externally due to confidentiality constraints
	2-19 Remuneration policies	Remuneration report, p.54; Note 29 to the consolidated financial statements. Note that Vesteda adheres to the Alternative Investment Fund Managers Directive (AIFMD) and the Dutch Financial Supervision Act. Details are not disclosed due to confidentiality constraints
	2-20 Process to determine remuneration	Remuneration report, p.54; Dialogue with stakeholders, p.74; Korn Ferry is used to perform remuneration benchmarks
	2-21 Annual total compensation ratio	Remuneration report, p.54
	2-22 Statement on sustainable development strategy	Message from the Management Board, p.6
	2-23 Policy commitments	Sustainable supply chain, p.30; Compliance and integrity, p.43; Risk management, p.65; Anti-discrimination statement (www.vesteda.com/en/anti-discrimination-statement). Please note that Vesteda is only active in the Netherlands.

2-24 Embedding policy commitments	Strategy, p.11; Sustainable supply chain, p.30; Compliance and integrity, p.43; Risk management, p.65
2-25 Processes to remediate negative impacts	Compliance and integrity, p.43; Risk management, p.65; Integrity report (www.vesteda.com/en/integrity-report). SpeakUp is designed externally and managed and reviewed by the Compliance Officer
2-26 Mechanisms for seeking advice and raising concerns	Compliance and integrity, p.43; Integrity report (www.vesteda.com/en/integrity-report)
2-27 Compliance with laws and regulations	Compliance and integrity, p.43
2-28 Membership associations	Dialogue with stakeholders, p.74
2-29 Approach to stakeholder engagement	About this report, p.73
2-30 Collective bargaining agreements	Organisation, p.46

GRI standard/ other source	Disclosure	Location
Material topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	About this report, p.73
	3-2 List of material topics	About this report, p.73
Stable financial performance		
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, p.11; Notes to the results, p.25; Governance, p.38; Management agenda for 2023, p.51; Report of the Supervisory Committee, p.57; Dialogue with stakeholders, p.74
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Consolidated statement of profit or loss and other comprehensive income, p.80
Business integrity and compliance		
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainable supply chain, p.30; Compliance and integrity: The role of compliance in the organisation, p.43; Compliance and integrity: Focal points in scope of compliance function, p.43; Management agenda for 2023: Governance, p.52; Risk: Irregularities in the letting process, p.70; About this report, p.73; Dialogue with stakeholders, p.74
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Sustainable supply chain, p.30; Compliance and integrity: Vesteda's view on compliance and integrity, p.43; This is part of the annual confirmation by all employees, including Management Team, to adher to the code of conduct.
	205-3 Confirmed incidents of corruption and actions taken	Compliance and integrity: Vesteda's view on compliance and integrity, p.43. We do not disclose more details externally due to confidentiality constraints
Sustainable business operations		
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, p.11; Measuring and managing resource consumption of our tenants, p.31; CO_2 footprint of our organisation, p.35; Management agenda for 2023: Environmental, p.52; Dialogue with stakeholders, p.74
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Measuring and managing resource consumption of our tenants, p.31; CO_2 footprint of our organisation, p.35
	305-2 Energy indirect (Scope 2) GHG emissions	Measuring and managing resource consumption of our tenants, p.31; CO_2 footprint of our organisation, p.35
	305-3 Other indirect (Scope 3) GHG emissions	Measuring and managing resource consumption of our tenants, p.31; CO_2 footprint of our organisation, p.35
	305-4 GHG emissions intensity	Measuring and managing resource consumption of our tenants, p.31; CO_2 footprint of our organisation, p.35
	305-5 Reduction of GHG emissions	Measuring and managing resource consumption of our tenants, p.31; CO_2 footprint of our organisation, p.35
Own indicator	Circularity in business operations	Circularity within our organisation, p.36
Healthy and safe homes		
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, p.11; Healthy and safe homes, p.29; Dialogue with stakeholders, p.74
GRI 416: Customer health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Healthy and safe homes, p.29

GRI standard/ other source	Disclosure	Location
Tenant satisfaction		
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, p.11; Tenant satisfaction, p.36; Management agenda for 2023: Social, p.52; Risk: Negative tenant experiences, p.70; Dialogue with stakeholders, p.74
Own indicator	Tenant satisfaction	Tenant satisfaction, p.36
Sustainable portfolio		
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, p.11; Environmental, p.29, Management agenda for 2023: Environmental, p.52; Dialogue with stakeholders, p.74
GRI CRE8: Products and Service Labelling	Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment	Environmental, p.29, Management agenda for 2023: Environmental, p.52
Own indicator	Description of sustainability investments and amounts invested	Environmental, p.29
Affordable housing		
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, p.11; Segmentation, p.16; Affordability, p.37; Outlook and management agenda, p.50; Dialogue with stakeholders, p.74
Own indicator	Percentage of portfolio in mid-rental segment	Segmentation, p.16, Acquisitions and property sales, p.17
Own indicator	Percentage of acquisitions in mid-rental segment	Segmentation, p.16
Employee engagement		
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, p.11; Organisation, p.46; Management agenda for 2023: Organisation, p.52; Risk: Insufficient experience and capabilities within the organisation, p.71; Dialogue with stakeholders, p.74
Own indicator	Employee turnover rate	Workforce, p.46
Own indicator	High Performance Organisation score	Workforce, p.46

Annex 6: SFDR disclosure

Annex 6: SFDR disclosure

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

Product name: Vesteda Residential Fund **Legal entity identifier: 724500GA1ZREYP7XO676**

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It made **sustainable investments with an environmental objective:** ___%	☒ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 74% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective:** ___%	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

To what extent were the environmental and/or social characteristics promoted by this financial product met?

The Fund promotes environmental characteristics. The promoted environmental characteristics are met for the set targets on climate mitigtion and climate adaptation.

No reference benchmark has been designated.

How did the sustainability indicators perform?

The Fund uses the following sustainability indicators to measure the environmental characteristics:

- Energy consumption intension the Fund (metric: Energy consumption in kWh of owned real estate assets per square meter): for this metric, the actual energy consumption comprises approximately 96%.

  Performance 2022: 106.3

- Investments with a green (A,B,C) energylabel (metric: Share of investments with a green energylabel).

  Performance 2022: 94.6% (weight in value)

- Investments that have no to a mid physical climate risk (metric: share of investments in market value where no to a mid-climate risk is identified); this includes all 6 physical climate risks combined, being: flooding due to levy breach, flooding due to extreme rainfall, wildfires, drop in groundwater levels, rise in groundwater levels and heat stress. The physical climate risk assessment is done by an in-house tool that is created by experts to assess these risks. The tool uses high quality data from www.klimaateffectatlas.nl and includes building specific information to determine the risk exposed.

  Performance 2022: 56.4%

…and compared to previous periods?

FY 2022 is the first year in which this document forms part of the annual report.

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

The objective of the sustainable investments is climate mitigation. The Fund contributed to this objective by reducing the energy demand of the real estate portfolio.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

The indicators of table 1 of Annex 1 for real estate and the relevant indicators of table 2 of Annex 1 were assessed.

How were the indicators for adverse impacts on sustainability factors taken into account?

The Fund assessed for its sustainable investments whether the the Fund's real estate was not involved in the extraction, storage, transport or manufacture of fossil fuels. Futhermore, the Fund has checked whether the sustainable investmets stayed below the set tresholds by Vesteda for indicator 18 of Table 1 of Annex I and the relevant adverse sustainability indicators from Tabel 2 of Annex I of the SFDR Delegated Regulation (EU) 2022/1288.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

These guidelines and principles are not applicable because Vesteda invests only directly in real estate properties and not in companies.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

How did this financial product consider principal adverse impacts on sustainability factors?

The Fund assess the following principle adverse impact indicators: 1) Exposure to fossil fuels through real estate assets, 2) exposure to energy-inefficient real estate assets and 3) Energy consumption intensity every year.

1) Since we have no influence on the exposure to fossil fuels, since we cannot decarbonize the net and the tenant does their energy procurement themselves the threshold is 0 and therefor the whole fund meet the criteria.
2) Energy inefficient real estate is calculated based on the energy intensity of the asset, measured in actual energy consumption in kWh divided by the square meter of an asset. If an asset consumes more than 140 kWh/m2 it is seen as energy-inefficient. 85.4% of the fund meet this target and does not qualify as energy-inefficient.
3) The energy intensity of the fund is 106.3 kWh/m2, based on actual consumption including tenant consumption (scope 1, 2 and 3) with a coverage of 96%.

What were the top investments of this financial product?

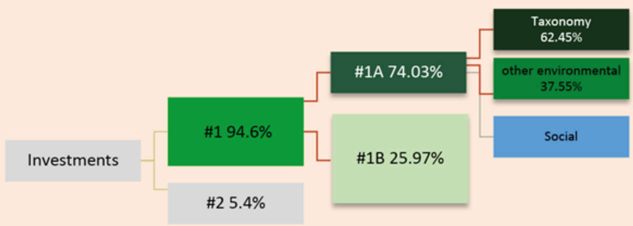
The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is:

Largest investments	Sector	% Assets	Country
Real Estate	*Real estate*	*100%*	*Netherlands*

What was the proportion of sustainability-related investments?

What was the asset allocation?

Asset allocation describes the share of investments in specific assets.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

In which economic sectors were the investments made?

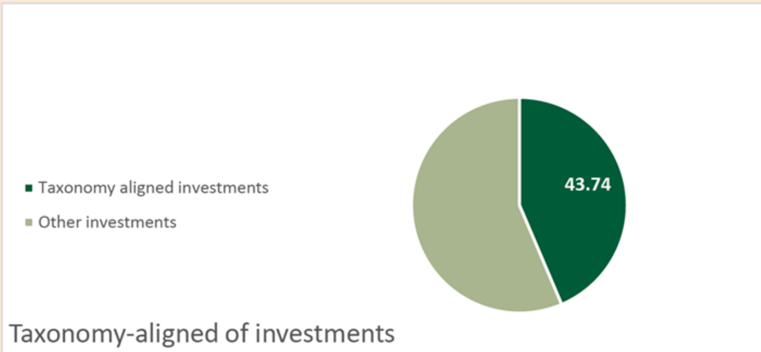
The Fund only invest in one economic sector residential real estate

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflects the "greenness" of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Given the fact that the sustainable investments comprise of investments in real estate only, Vesteda reports in market value

The graph below show in green the percentage of investments that were aligned with the EU Taxonomy. No investments in sovereign bonds.



**For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures*

What was the share of investments made in transitional and enabling activities?

0%

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

FY 2022 is the first year in which this document forms part of the annual report. There is not an earlier reference period available at present.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

37.55%

What was the share of socially sustainable investments?

0%

Annex 7: TCFD disclosure

Topic		Disclosure	Page
Governance	a	Describe board's oversight of climate related risks & opportunities	68-69
	b	Describe management's role in assessing and managing climate-related risks & opportunities	68-69
Strategy	a	Describe the climate related risks & opportunities the organization has identified over the short, medium and long term	30-31, 34-35
	b	Describe the impact of climate related risks and opportunities on the organisation's business, strategy & financial planning	29, 42
	c	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	30-31, 34-35
Risk management	a	Describe the organisation's processes for identifying and assessing climate-related risks	66-68
	b	Describe the organisation's processes for managing climate-related risks	69
	c	Describe how processes for identifying, assessing, and managing climate-related risks are integrated in the organisation's overall risk management	69

Annex 8: External appraisers

Appraisal process for investment properties

The purpose of the appraisal is to gain an accurate and independent valuation of the assets at the end of each quarter. The valuation of the properties in the investment portfolio complies with the relevant legislation and regulations (AIFMD, IFRS and Dutch legislation and regulations).

The appraisal is conducted in accordance with the guidelines and regulations of the Dutch Register of Real Estate Appraisers (NRVT), the prevailing valuation guidelines and valuation models as laid down by the Dutch property index, IPD, and the RICS Appraisal and Valuation Standards, the Red Book (including the International Valuation Standards, IVS) or the Blue Book (including the European Valuation Standards, EVS). The valuations of the properties are conducted using the Reaturn TM valuation system.

The valuation policy for Vesteda's properties complies with the INREV guidelines for property valuations.

In 2022, the valuations of the properties in the investment portfolio were conducted by the following agencies:

- Capital Value;
- Savills;
- Dynamis;
- MVGM;
- Colliers;
- Cushman & Wakefield;
- CBRE;
- JLL.

Valuations are conducted by qualified appraisers from these agencies; the appraisers are registered in the NRVT, which guarantees the initial qualification of the appraiser and their continuous training, and preferably also in RICS. In order to guarantee their independence and objectivity, every appraisal agency is contracted for a maximum period of four years (two in-growth quarters – three base years – two out-flow quarters). The contract is for one year and will be tacitly renewed every year.

The current valuation cycle for appraisers is structured as follows:

Two quarters : appraiser A : out-flow quarters and appraiser B : in-growth quarters (slow build up to full valuation)
Four quarters : appraiser B : reappraisal and three quarterly updates
Four quarters : appraiser B : reappraisal and three quarterly updates
Four quarters : appraiser B : reappraisal and three quarterly updates
Two quarters : appraiser B : out-flow quarters and appraiser C : in-growth quarters (slow build up to full valuation)

Each appraisal agency has its own independent part of the portfolio. Once a property has been valued by the same appraisal agency for three years, it is assigned to a different appraisal agency, to guarantee the objectivity of the appraisal. The appraisers value the properties that Vesteda assigns them once every three years, based on a full valuation. For this valuation, the appraiser visits the property in question and incorporates, substantiates and records all the factors relevant to the value of the property in the appraisal. In the remaining two years and quarters, the valuation is an update or a reappraisal of the previously conducted (full) appraisal. For this update or reappraisal, the appraiser does not need to visit the property and will update data and references and adjust the value on the basis of market developments relevant to the property.

The current valuation cycle for the complex is structured as follows:

Four quarters : full valuation and three quarterly updates
Four quarters : reappraisal and three quarterly updates
Four quarters : reappraisal and three quarterly updates

Annex 9: Definitions

AFM	Autoriteit Financiële Markten (Financial Markets Authority).
AIFMD	Alternative Investment Fund Managers Directive.
Business Plan	A strategy document that contains the 5 year strategy of Vesteda.
Core fund	Core fund according to the INREV Style Classification.
CPI	Consumer Price Index.
Development portfolio	Comprises of land and buildings (principally residential properties) under construction with the aim of adding said property to the investment portfolio upon completion.
GDPR	General Data Protection Regulation: a regulation in EU law on data protection and privacy in the European Union (EU) and the European Economic Area (EEA). It also addresses the transfer of personal data outside the EU and EEA areas.
EBITDA	Consolidated earnings before deduction interest charges, tax, depreciation and amortization, excluding result on property sales, and extraordinary items.
ECP	Euro Commercial Paper.
EMTN	Euro Medium Term Note Programme, a programme providing debt instruments.
ESG	The three central factors in measuring sustainability: Environmental, Social and Governance.
FGR	Fonds voor Gemene Rekening: a fund for the joint account of the participants under Dutch law, see Annex 2 of this report.
Financial liabilities	Interest bearing debt minus capitalized financing costs.
FSA	Dutch Financial Supervision Act.
GAV	Gross Asset Value: the value of total assets (balance sheet).
GRESB	Global Real Estate Sustainability Benchmark: industry-driven organisation committed to assessing the sustainability performance of real estate portfolios (public, private and direct) around the globe. The dynamic benchmark is used by institutional investors to engage with their investments with the aim to improve the sustainability performance of their investment portfolio, and the global property sector at large.
GRI	Global Reporting Initiative: international independent organisation that helps businesses, governments and other organisations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others.
Gross initial yield	Theoretical rent (on a given reference date) from a residential complex divided by the total investment in that residential complex.
Gross rental income	Theoretical rent less loss of rent.
Gross/net ratio	The percentage of property operating expenses relative to gross rental income.
High rental segment	Sector of the residential property market for rental properties with a net monthly rent of over approximately €1,200, excluding service charges.
HPO	High Performance Organisation (www.hpocenter.nl).
Interest cover ratio	EBITDA/net interest expenses.
INREV	European Association for Investors in Non-Listed Real Estate Vehicles. Europe's leading platform for the sharing of knowledge on the non-listed real estate industry. Their goal is to improve transparency, professionalism and best practices across the sector, making the asset class more accessible and attractive to investors.
Investment portfolio	All fully-completed and for rent available properties owned by Vesteda.
Investor (or Participant)	Holder of a direct interest in Vesteda Residential Fund.
ISAE 3402	International Standards on Assurance Engagements (ISAE) 3402.
IVBN	Vereniging van Institutionele Beleggers in Vastgoed (Association of institutional property investors in the Netherlands).
KPI (Key Performance Indicator)	Target used to translate strategy in to measurable results.
Leverage	Net debt/total assets (excluding IFRS 16).
Like-for-like rent increase	Comparison of this year's rent to last year's rent, taking into consideration only those complexes that were in portfolio during both time periods.

Loss of rent	Net financial vacancy plus incentives.
LTV (loan-to-value)	Net debt/investment portfolio.
Management expenses	Expenses that cannot be allocated directly to the various properties are regarded as management expenses.
Market rent	Rent of a property according to the market at a certain time.
Market value	Value of a property according to the market at a certain time.
Mid rental segment	Sector of the residential property market for rental properties with a net monthly rent from the regulated level to approximately €1,200, excluding service costs.
MSCI IPD Netherlands Residential Benchmark	Benchmark to determine the performance of the portfolio in comparison to other Dutch real estate portfolios.
NAV	Value of total assets minus the value total liabilities.
Net debt	Total interest bearing debt minus cash and cash equivalents.
Net financial vacancy	Gross financial vacancy less vacancy charged to results on property sales.
Net rental income	Gross rental income minus property operating expenses and other income.
Liberalised rental segment	Residential properties with rents above the regulation limit (€763.47 in 2022). These properties are in the mid and higher rental sectors.
NR Committee	Nomination and Remuneration Committee.
Occupancy rate	The number of residential properties actually generating rental income as a percentage of the number of properties that could generate rental income.
Other region	Regions that are not primary or secondary.
Participant (or Investor)	Holder of a direct interest in Vesteda Residential Fund.
Primary region	Regions that offer the highest market potential for the non-regulated rental sector. These regions are characterised by a high market potential and low market risks.
Property operating expenses	All expenses that can be directly allocated to the various properties in the investment portfolio.
Redemption Available Cash (RAC)	Cash that the Manager has available to fund redemption requests, amounting to €50 million per calendar year.
Real Estate Expense Ratio (REER)	Total property operating expenses divided by average GAV expressed in basis points.
Regulated mid rental segment	See mid rental segment. In addition, the contract may include additional conditions, such as a maximum initial rental price, a minimum operating period and a maximum annual rental price indexation.
Regulated rental segment	Residential properties with rents below the deregulation limit (€763.47 in 2022).
Return on equity (ROE)	The amount of total comprehensive income divided by opening equity.
Reversionary potential	The difference between market and theoretical rent divided by theoretical rent.
Revolving Facility Agreement (RFA)	Revolving credit facility for medium term debt.
Scope 1, 2 and 3 emissions	Scope 1: direct emissions; scope 2: indirect emissions; scope 3: indirect value chain emissions.
Secondary region	Secondary regions have a lower score than primary regions but have a positive economic and demographic outlook.
Sustainable Development Goals (SDGs)	Set of goals set up by the World Business Council for Sustainable Development (WBCSD), serving as guidance for enterprises to conduct business in a more sustainable way.
Systematic Compliance Risk Analysis (SCRA)	Analysis performed by Vesteda's compliance department in order to identify risks within the compliance framework.
TER (NAV/GAV)	Total Expense Ratio: Total management expenses divided by average NAV or average GAV expressed in basis points.
Theoretical rent	Passing rent for rented units and market rent for vacant units.

Colophon

The Vesteda Annual Report 2022 is published in the English language only.

Please contact us if you have any questions or comments concerning this Annual Report.

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