

## SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

Vesteda

21 December 2023

### VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Green Finance Instruments
- Green Bond Principles, as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)

Relevant standards

- Green Loan Principles, as administered by the Loan Market Association (LMA) (as of February 2023)
- EU Taxonomy Climate Delegated Act (as of June 2023)
- Vesteda Green Finance Framework (as of December 21, 2023)
- Vesteda Eligibility Criteria (as of December 21, 2023)

Scope of verification

- Pre-issuance verification

Lifecycle

Validity

- Valid as long as the cited Framework remains unchanged

## CONTENTS

SCOPE OF WORK.....	3
VESTEDA BUSINESS OVERVIEW .....	3
ASSESSMENT SUMMARY .....	4
SPO ASSESSMENT.....	6
PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES (GBP) AND GREEN LOAN PRINCIPLES (GLP) .....	6
PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA .....	8
A. CONTRIBUTION OF THE GREEN FINANCE INSTRUMENTS TO THE UN SDGs .....	8
PART III: ALIGNMENT OF THE ELIGIBILITY CRITERIA WITH THE EU TAXONOMY CLIMATE DELEGATED ACT .....	12
PART IV: LINKING THE TRANSACTION(S) TO VESTEDA'S ESG PROFILE.....	18
A. CONSISTENCY OF GREEN FINANCE INSTRUMENTS WITH VESTEDA'S SUSTAINABILITY STRATEGY .....	18
B. VESTEDA'S BUSINESS EXPOSURE TO ESG RISKS .....	20
ANNEX 1: METHODOLOGY .....	27
ANNEX 2: QUALITY MANAGEMENT PROCESSES.....	28
About this SPO.....	29

## SCOPE OF WORK

Vesteda (“the Issuer” or “the Company”) commissioned ISS Corporate Solutions (ISS-Corporate) to assist with its Green Finance Instruments by assessing four core elements to determine the sustainability quality of the instruments:

1. Vesteda’s Green Finance Framework (as of December 21, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) and Loan Market Association’s (LMA) Green Loan Principles (GLP).
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The alignment of the project categories with the EU Taxonomy on a best-efforts basis<sup>1</sup> – whether the nominated project categories are aligned with the EU Taxonomy Technical Screening Criteria (including Substantial Contribution to Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2023).<sup>2</sup>
4. Linking the transaction(s) to Vesteda’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.

## VESTEDA BUSINESS OVERVIEW





Vesteda is classified in the Real Estate industry, as per ISS ESG’s sector classification.

Vesteda Finance BV is a real estate investor that operates in the Netherlands. Founded in 2012, the company has residential, commercial, healthcare, and parking properties in its portfolio. As of 31<sup>st</sup> December 2022, the company’s property portfolio consisted of 27,661 residential units with a total value of €9.4 billion.

<sup>1</sup> Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a “best efforts basis”.

<sup>2</sup> Commission Delegated Regulation (EU) 2021/2139 of June 2021, [URL https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139)

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>3</sup>
<p><b>Part 1:</b></p> <p><b>Alignment with GBP and GLP</b></p>	<p>The Issuer has defined a formal concept for its Green Finance Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles (GBP) and Green Loan Principles (GLP).</p>	<p><b>Aligned</b></p>
<p><b>Part 2:</b></p> <p><b>Sustainability quality of the Eligibility Criteria</b></p>	<p>The Green Finance Instruments will (re)finance the following eligible asset category: Product and/or service-related use of proceeds category<sup>4</sup> individually contribute to one or more of the following SDGs:</p> <div style="text-align: center;">   </div> <p>Process-related use of proceeds category<sup>5</sup> individually improve (i) the Issuer's/Borrower's operational impacts and (ii) mitigate potential negative externalities of the Issuer's/Borrower's sector on one or more of the following SDGs:</p> <div style="text-align: center;">   </div>	<p><b>Positive</b></p>
<p><b>Part 3:</b></p> <p><b>Alignment with EU Taxonomy</b></p>	<p>Vesteda's project characteristics, due diligence processes, and policies have been assessed against the requirements of the EU Taxonomy (Climate Delegated Act of June 2023), on a best-efforts basis<sup>6</sup>. The nominated project categories are considered to be:</p> <ul style="list-style-type: none"> <li>▪ Aligned with the Climate Change Mitigation Criteria</li> <li>▪ Aligned with the Do No Significant Harm Criteria</li> <li>▪ Aligned with the Minimum Safeguards requirements</li> </ul>	

<sup>3</sup> ISS-Corporate's evaluation is based on Vesteda's Green Finance Framework (December 21, 2023 version), on the analyzed Eligible Criteria as received on December 21, 2023, and on the Indicative Corporate Rating and applicable at the SPO delivery date.

<sup>4</sup> Green Buildings

<sup>5</sup> Green Buildings

<sup>6</sup> Whilst the Final Delegated Act for Mitigation and Adaptation was published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

<p><b>Part 4:</b></p> <p><b>Linking the transaction(s) to Vesteda's ESG profile</b></p>	<p>The key sustainability objectives and the rationale for issuing Green Finance Instruments are clearly described by the Issuer. The project category considered is in line with the sustainability objectives of the Issuer.</p>	<p><b>Consistent with Issuer's sustainability strategy</b></p>
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## SPO ASSESSMENT

### PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES (GBP) AND GREEN LOAN PRINCIPLES (GLP)

This section evaluates the alignment of the Vesteda’s Green Finance Framework (as of December 21, 2023) with the Green Bond Principles (GBP) and Green Loan Principles (GLP).

GREEN BOND PRINCIPLES (GBP) AND GREEN LOAN PRINCIPLES (GLP)	ALIGNMENT	OPINION
<p><b>1. Use of Proceeds</b></p>	<p>✓</p>	<p>The Use of Proceeds description provided by Vesteda’s Green Finance Framework is <b>aligned</b> with the Green Bond Principles (GBP) and Green Loan Principles (GLP).</p> <p>The Issuer’s green category aligns with the project categories as proposed by the Green Bond Principles (GBP) and Green Loan Principles (GLP). Criteria is defined in a clear and transparent manner. Disclosure of an allocation period and commitment to report by project category has been provided and environmental benefits are described.</p>
<p><b>2. Process for Project Evaluation and Selection</b></p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by Vesteda’s Green Finance Framework is <b>aligned</b> with the Green Bond Principles (GBP) and Green Loan Principles (GLP).</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer clearly defines responsibilities in the process for project evaluation and selection and is transparent about it and identifies alignment of their Green Bond framework and their green</p>

		<p>projects with official or market-wide taxonomies and to reference any green standards or certifications used, in line with best market practice.</p>
<p><b>3. Management of Proceeds</b></p>	<p>✓</p>	<p>The Management of Proceeds provided by Vesteda’s Green Finance Framework is <b>aligned</b> with the Green Bond Principles (GBP) and Green Loan Principles (GLP).</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner. The net proceeds are managed on an aggregated basis for multiple Green Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The Issuer has defined an expected allocation period of 24 months and discloses information regarding the allocation to portfolio disbursements, in line with best market practice.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting provided by Vesteda’s Green Finance Framework is <b>aligned</b> with the Green Bond Principles (GBP) and Green Loan Principles (GLP).</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. Vesteda explains that the level of expected reporting will be at a portfolio level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The Issuer is transparent on the level of impact reporting, on the information reported in the impact report, and defines the reporting frequency of the impact reporting, in line with best market practice.</p>

## PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

### A. CONTRIBUTION OF THE GREEN FINANCE INSTRUMENTS TO THE UN SDGs<sup>7</sup>

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.


#### 1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Green Finance Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Green Buildings</b></p> <p><i>New or existing residential buildings in the Netherlands:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Buildings built before 31 December 2020 with at least an Energy Performance Certificate (EPC) Class A</i></li> </ul>	<p><b>Contribution</b></p>	

<sup>7</sup> The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.



- *Buildings built before 31 December 2020 belonging to the top 15% of the Dutch building stock based on Primary Energy Demand (PED)<sup>8</sup>*
- *New residential buildings built or permitted after 31 December 2020 with energy performance at least 10% better than the threshold for Nearly Zero-Energy Buildings ('NZEB') in the local market<sup>9</sup>*

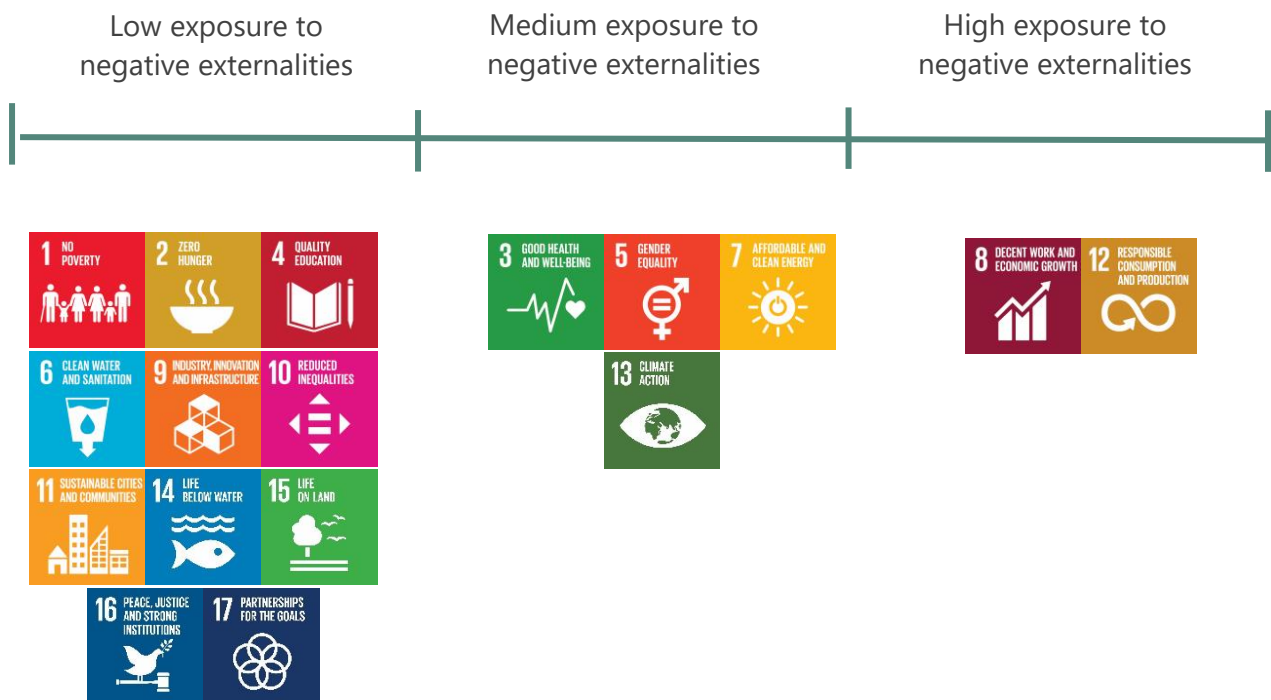
<sup>8</sup> Vesteda may engage external consultants to define the top 15% and NZEB-10% in the context of the national building stock in the Netherlands where there is no definition of NZEB or there is no practical solution to implement NZEB, Vesteda may choose to rely on the top 15% approach.

<sup>9</sup> For buildings larger than 5,000m<sup>2</sup> there are additional EU Taxonomy criteria 7.1.2 (air-tightness and thermal integrity, the "blowerdoortest" and the infra-red scan) and 7.1.3 (Life-cycle Global Warming Potential, GWP). Under Dutch Law it is obligatory to provide evidence for airtightness and thermal integrity; GWP is described under Dutch law under EPBD article 7 limb 2. Vesteda tests for thermal integrity, airtightness and global warming potential; there are documents available per building. For residential buildings, the calculations and disclosures are made for a representative set of dwelling/apartment types.



**2. Improvements of operational performance (processes)**

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.

According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities<sup>10</sup> in the Real Estate industry (to which Vesteda belongs) are the following:



The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT <sup>11</sup>	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Green Buildings</b></p> <p><i>New or existing residential buildings in the Netherlands:</i></p>		

<sup>10</sup> Please, note that the impact of the Issuer’s products and services resulting from operations and processes is displayed in section 3 of the SPO.

<sup>11</sup> Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

## SECOND PARTY OPINION

Sustainability Quality of the Issuer  
and Green Finance Framework

ISS-CORPORATE 

*Buildings that have been renovated, resulting  
in a reduction of Primary Energy Demand of  
at least 30% and at least EPC label C*

## PART III: ALIGNMENT OF THE ELIGIBILITY CRITERIA WITH THE EU TAXONOMY CLIMATE DELEGATED ACT

The alignment of Vesteda's project characteristics, due diligence processes and policies for the nominated Use of Proceeds project categories have been assessed against the relevant Climate Change Mitigation and Do Not Significant Harm Criteria (DNSH) Technical Screening Criteria, and against the Minimum Safeguards requirements of the EU Taxonomy Climate Delegated Act<sup>12</sup> (June 2023), based on information provided by Vesteda. Where Vesteda's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

Vesteda's project selection criteria overlap with the following economic activities in the EU Taxonomy:

- 7.2 Renovation of existing buildings
- 7.7 Acquisition and ownership of buildings

All projects financed under the Green Finance Framework are and will be located in the Netherlands.

Note: In order to avoid repetition, the evaluation of the alignment of Vesteda's assets to the Do No Significant Harm Criteria to Climate Change Adaptation is provided in Section C.2. Similarly, the evaluation of the alignment to the DNSH to Protection and Restoration of Biodiversity and Ecosystems is given in Section C.3.

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

<sup>12</sup> Commission Delegated Regulation (EU) 2020/852, URL [https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts\\_en](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en)

a) 7.2 Renovation of existing buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>13</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
The activity consists of renovation of residential buildings in compliance with the requirement for major renovations. <sup>14</sup>	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See c)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: The financed projects are the renovation of residential buildings.	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
Vesteda finances buildings that meet national and european standards. As part of the European Economic Area (EEA), the Netherlands complies with the Waste Framework Directive (2008/98/EC of 19 November 2008) that requires that, by 2020, at least 70% by weight of non-hazardous construction, non-soil and stone construction, and demolition waste is prepared for reuse, recycling or other material recovery. The Directive was transposed into national law in the Netherlands, Afvalpreventieprogramma Nederland (Waste Prevention Program Netherlands). In addition, the Dutch Building Decree requires to have proper separation of construction waste. <sup>15</sup> The contractors are responsible for recycling the waste, which is a requirement set by the Issuer in the RfPs the contractors sign for every project.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
All buildings in the Netherlands comply with regulations covering noise, dust, and pollutants during construction or maintenance work. The buildings financed comply with the following European regulations and laws, covering the requirements for hazardous chemicals and pollutants:	✓

<sup>13</sup> This column is based on input provided by the Issuer.

<sup>14</sup> The Issuer commits to comply with all the requirements from the EU Taxonomy, including “the 30% improvement can be achieved through a succession of measures within a maximum of three years”.

<sup>15</sup> Building Decree, 2012. [wetten.nl - Regeling - Bouwbesluit 2012 - BWBR0030461 \(overheid.nl\)](http://wetten.nl - Regeling - Bouwbesluit 2012 - BWBR0030461 (overheid.nl))

- EU Regulation 2019/1021 on Persistent Organic Pollutants (June 2019)
- EU Directive on Environmental Impact Assessment in accordance with Directive 2011/92/EU, transposed into national regulation.<sup>16</sup>
- EU Regulation 2017/852 on mercury, and repealing Regulation (EC) No 1102/2008
- EU Regulation 1005/2009 (Sept 2009) on substances that deplete the ozone layer.
- EU Directive 2017/2102 (Nov 2017) amending Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment.<sup>17</sup>
- EU Regulation 1907/2006 (Dec 2006) concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation 793/93 and Commission Regulation 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC
- CEN/TS 16516:2013 Construction products. Providing an assessment of the release of dangerous substances and of emissions into indoor air.<sup>18</sup>

Council Directive 98/24/EC of 7 April 1998 on the protection of the health and safety of workers from the risks related to chemical agents at work (fourteenth individual Directive within the meaning of Article 16(1) of Directive 89/391/EEC).<sup>19</sup>

**6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA**

N/A: there is no EU Taxonomy criteria for the category

**b) 7.7 Acquisition and ownership of buildings**

**PROJECT CHARACTERISTICS AND SELECTION PROCESSES<sup>20</sup>**

**ALIGNMENT WITH THE EU**

<sup>16</sup> National regulations covering this Directive are de Wet milieubeheer; de Crisis- en herstelwet; het Besluit milieueffectrapportage.

<sup>17</sup> Transposed into national legislation "Regeling gevaarlijke stoffen in elektrische en elektronische apparatuur", URL: Staatscourant 2019, 32315 | Overheid.nl > Officiële bekendmakingen (officielebekendmakingen.nl)

<sup>18</sup> Transposed into national legislation "Bouwproducten – Bepaling van de afgifte van gevaarlijke stoffen – Bepaling van emissies naar binnenlucht". URL: [Staatscourant 2020, 42763 | Overheid.nl > Officiële bekendmakingen \(officielebekendmakingen.nl\)](https://www.staatscourant.nl/onderzoek-en-toezicht/publicaties/2020/42763-overheid-nl-officiële-bekendmakingen-officielebekendmakingen-nl)

<sup>19</sup> Transpose into national legislation "Wet milieugevaarlijke stoffen". URL: [wetten.nl - Regeling - Veiligheidsinformatiebladenbesluit Wet milieugevaarlijke stoffen - BWBR0005974 \(overheid.nl\)](https://wetten.nl/-/Regeling-Veiligheidsinformatiebladenbesluit-Wet-milieugevaarlijke-stoffen-BWBR0005974-overheid-nl)

<sup>20</sup> This column is based on input provided by the Issuer.


	TAXONOMY'S TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
For buildings built before 31 December 2020, the buildings are required to have an EPC A label.	
For buildings built after 31 December 2020, the PED is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament. <sup>21</sup>	✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See c)	✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for the category.	
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for the category	✓
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for the category	
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for the category	✓

c) Generic Criteria for DNSH to Climate Change Adaptation

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>22</sup>	ALIGNMENT WITH THE EU TAXONOMY
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	


<sup>21</sup> Vesteda may engage external consultants to define the top 15% and NZEB-10% in the context of the national building stock in the Netherlands. Where there is no definition of NZEB or there is no practical solution to implement NZEB, Vesteda may choose to rely on the top 15% approach.

<sup>22</sup> Ibid.

<p>Vesteda has identified, in collaboration with experts, six threats that are material for buildings in the Netherlands: flooding due to heavy rain, flooding due to extreme rain, wildfire, groundwater depletion, groundwater flooding, and heat stress.</p> <p>The Issuer's in-house climate risk tool, created with Climate Adaptation Services and Sweco, is used to gather and combine environmental data of existing buildings and newly built to get insight into the climate risks. The tool uses available data in the Netherlands from Klimaateffectatlas.nl and is applicable to newly built/acquisitions, and existing buildings. Vesteda has a policy, climate tool, and database to identify the risks that are high and can be mitigated by the Issuer, like heat stress, and water hazard due to extreme rainfall. The Issuer has a policy to reduce the high risks within two years and develop an action plan by 2025. The risks that are not easily mitigated by Vesteda (forest fires, flooding through barrier breaks, the rise of groundwater) are being investigated further with stakeholders like local councils. Also, Vesteda has action plans for situations where high risks occur and to ensure the safety of its tenants.</p> <p>In addition, the Issuer chose the RCP 8.5 scenario to assess actual and future risks towards 2050 since the assets financed have a life span of over 10 years.</p>	
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### Minimum Safeguards

The alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Safeguards as described in Article 18 of the Taxonomy Regulation<sup>23</sup> have been assessed. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>24</sup>	ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
<p>Vesteda adheres to national and international legislation, and as part of it, the EU legislation Sustainable Finance Disclosure Regulation (SFDR) from March 10th, 2021, discloses obligations regarding environmental and social aspects. As part of its commitment to align with the EU taxonomy, Vesteda has policies covering different areas, including Remuneration policy and integration of sustainability risks, and Investment Policy. Vesteda's Human Rights Policy is publicly available it is website.<sup>25</sup> The policy includes embedding responsible business conduct into policies and management systems, identifying potential adverse impacts associated with the Issuer's operations, preventing, and</p>	

<sup>23</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

<sup>24</sup> This column is based on input provided by the Issuer.

<sup>25</sup> <https://www.vesteda.com/en/corporate/sustainability/sustainability-related-disclosures>



mitigating adverse impacts, tracking the implementation, communicating how the impacts are addressed, and providing remediating when appropriate.

The environmental impacts of the categories financed are assessed following the internal Policy on Sustainability risks in the investment process<sup>26</sup>. The Issuer shares its policies and approach to environmental impact assessment on its website and its annual report. Furthermore, Vesteda’s grievance mechanisms include a speak-up line, for both employees and clients.

<sup>26</sup> [vesteda.com/media/0oldzyky/20230207-policy-on-the-integration-of-sustainability-risks-and-factors-into-the-investment-decision-making-process.pdf](https://vesteda.com/media/0oldzyky/20230207-policy-on-the-integration-of-sustainability-risks-and-factors-into-the-investment-decision-making-process.pdf)

## PART IV: LINKING THE TRANSACTION(S) TO VESTEDA'S ESG PROFILE

### A. CONSISTENCY OF GREEN FINANCE INSTRUMENTS WITH VESTEDA'S SUSTAINABILITY STRATEGY

#### *Key sustainability objectives and priorities defined by the Issuer*

As part of the sustainability strategy and to further safeguard the fund and optimize its long-term risk return ratio, Vesteda has set several targets, some examples are:

- Reduce fossil fuel use and make buildings adaptive: they have set an energy reduction target of 55% in 2030 (compared to 1990).
- To have a low climate risk portfolio: they have set a target to have mitigated and/or have planned actions for assets with elevated risk by 2025.
- Reduce waste flows and raw material use: they aim to build circular buildings, using recycled and re-used materials that can be used again as raw materials at the end of their useful life. The aim of this is to reduce waste materials to zero in the future, and to no longer use the earth's diminishing natural resources.
- Reduce total cost of living by stimulating the behavior of tenants to reduce energy consumption.

Vesteda reports in accordance with the CRREM methodology (SBTi) on actual energy performance on Scope 1, 2, and 3, but do not yet conform to the CRREM pathways as they are not suitable for existing residential real estate. However, they do have targets set in line with the Dutch and European Paris Proof goals. Vesteda discloses and tracks its targets in the annual report<sup>27</sup>.

Furthermore, Vesteda has an action plan to reduce the actual energy consumption and therefore also the emissions (Scope 1, 2, and 3) through:

- Improving energy labels
- Installing (hybrid) heat pumps
- Installing solar panels
- Improving the high energy consuming buildings based on actual energy emissions and by social interventions with tenants to reduce their consumption.

Additionally, Vesteda has a target of approximately €200 million in sustainability investments to achieve these goals up to 2030. Vesteda is a member of the Dutch Green Building Council, the Association of Institutional Investors in Real estate in the Netherlands, and the Urban Land Institute.

As part of climate change mitigation, Vesteda updated its CO<sub>2</sub> roadmap, in which it committed to the Paris Agreement by reducing its carbon footprint. The two primary KPIs in the CO<sub>2</sub>

<sup>27</sup> Annual Reports, <https://www.vesteda.com/en/corporate/investment/annual-reports>

roadmap are the portfolio's kWh/square meters and CO<sub>2</sub>/square meters. Using the 'Trias Energetica principle,' they will first focus on lowering home energy usage. In comparison to 1990, Vesteda's energy reduction target has been increased from 50% to 55% by 2030. To achieve these goals, they will increase sustainability investments, including investments in climate adaptivity. After 2030, Vesteda will focus on further reducing energy consumption and switching to sustainable 'green' energy sources (coming from renewable sources) in order to realize a 95% reduction in CO<sub>2</sub> emissions by 2050. The goal is to ensure that the energy consumption that remains is CO<sub>2</sub> emission free.

Vesteda's Supervisory Committee oversees ESG topics. Furthermore, Vesteda uses its Technical Standards and the ESG risk framework to assess the ESG performance of the project. The ESG risk framework is used both to identify sustainability risks and to identify if the investment contributes to Vesteda's ESG goals. In the case, Vesteda identifies a sustainability risk or a certain impact on a sustainability factor, the project thus scores low about that specific item. Vesteda will then, together with the counterparty, try to find mitigating solutions that can address, reduce, or eliminate the risk or impact.

Vesteda follows the Global Reporting Initiative (GRI) reporting standard and Task Force on Climate-Related Financial Disclosures (TCFD) recommendations for its Annual Report. Furthermore, in October 2021, Vesteda issued its second green bond for an amount of €500 million in senior unsecured notes.

### *Rationale for issuance*

Vesteda has established its Green Finance Framework to attract specific funding for assets that contribute to achieving its sustainability goals. Under this Green Finance Framework, Vesteda intends to align the Green Finance Instruments with the requirements of the EU Taxonomy Regulation for climate change mitigation. Furthermore, through its Green Finance Instruments, it will finance and/or refinance projects related to Green Buildings.

**Opinion:** *The key sustainability objectives and the rationale for issuing Green Finance Instruments are clearly described by the Issuer. The project category financed is in line with the sustainability objectives of the Issuer.*

## B. VESTEDA'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

### *ESG risks associated with the Issuer's industry*

Key issues faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry. The issuer is classified under Real Estate industry, as per ISS ESG's sector classification.

ESG KEY ISSUES IN THE INDUSTRY
Climate protection, energy efficiency and renewables
Environmental and social aspects in site selection
Green building considerations
Health and well-being of occupants
Occupational health and safety

### *ESG performance of the Issuer*

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.A of the report.

### *ESG strengths and points of attention related to the Issuer's disclosures*

Leveraging ISS ESG's Research, the following strengths and points of attention<sup>28</sup> have been identified:

STRENGTHS	POINTS OF ATTENTION
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<sup>28</sup> Please note that Vesteda is not part of the ISS ESG Corporate Rating Universe. Thus, the information is based on a disclosure review conducted by the analyst in charge of the Real Estate sector, based on publicly available information exclusively. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

<p>The company has implemented some elements of an Energy Management System (EnMS) such as action plans, targets and objectives, and data compilation. Additionally, it is committed to reducing greenhouse gas emissions and has energy use reduction targets in place. Moreover, it has also disclosed energy use by source, greenhouse gas emission inventories, and climate change risks and mitigation strategies.</p>	<p>The company has not set a greenhouse gas emission reduction target and an action plan. Additionally, the energy consumption and greenhouse gas emission data are not disclosed by property type. Further, as floor area is not disclosed, the energy intensity and greenhouse gas emission intensity could not be assessed.</p>
<p>The company's entire property portfolio is certified to BREEAM, which is a comprehensive sustainable building standard and has clear environmental benefits.</p>	<p>A general statement is available on water use minimization of buildings and on green procurement of building materials; however, measures or a strategy is missing. Further, there is no disclosure on construction, site waste management plans, and demolition waste reduction targets, and measures to promote environmental awareness among tenants.</p>
	<p>The company operates in the Netherlands, which has high legal standards, thus limiting the risk of its employee's health and safety. However, it remains unclear if the company has implemented its own health and safety management system for its employees and contractors.</p> <p>The company provides psychological support to its employees; however, measures to prevent mental health issues among employees is not disclosed. Additionally, work-related accidents and fatalities among employees and contractors are not reported by the company. Further, details on supplier standards and procedures to ensure compliance with supplier standards are not disclosed.</p>
	<p>The company consults with biodiversity experts; however, further information on elements of biodiversity management, such</p>

	<p>as risks and impact assessments, and targets and objectives are missing.</p> <p>There is no disclosure on a policy for responsible site selection, the percentage of brownfield development, and information pertaining to access to public transportation for occupants. Further, there is no information on the company’s strategy or a measure to reduce negative impacts from construction, refurbishment, and closure activities on neighborhoods.</p>
	<p>The company has disclosed limited information on measures to ensure the health of its tenants from chemical and biological factors; no information is available on physical factors. Further, the company has implemented measures to provide tenants with safety and security; however, limited information is available on measures to ensure tenants’ well-being.</p>

Please note that the consistency between the issuance subject to this report and the Issuer’s sustainability strategy is further detailed in Part III.A of the report.


*Sustainability impact of products and services portfolio*

Leveraging ISS ESG’s Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the issuer’s current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the issuer’s production process.

**Social Impact of Product Portfolio:**

Vesteda Finance BV is a Dutch residential investor, that has residential, commercial, healthcare, parking properties in its portfolio. The company focuses primarily on mid-rental residential properties, and manages non-luxury residential housing, thereby positively contributing to the UN SDG of Providing Basic Services.

**Environmental Impact of Product Portfolio:**

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE <sup>29</sup>	DIRECTION OF IMPACT	UN SDGS
Buildings certified to a comprehensive sustainable building standard.	100%	Contribution	

*Breaches of international norms and ESG controversies*

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Real Estate industry are as follows: Accounting / disclosure standards, Strike action, and Failure to respect the right to just and favorable conditions of work.

Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

<sup>29</sup> Percentages presented in this table are not cumulative.

**SECOND PARTY OPINION**

Sustainability Quality of the Issuer  
and Green Finance Framework

**ISS-CORPORATE** 



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the sole minority shareholder of the combined entity. The combination is expected to be completed in the third quarter of 2023. In July 2023, the stakes of Genstar and ISS management in ISS HoldCo Inc. were acquired by DB. The non-interference and similar policies implemented by ISS related to Genstar are no longer applicable and disclosures regarding Genstar and ISS management's ownership of ISS are withdrawn.

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## ANNEX 1: METHODOLOGY

The ISS-Corporate's SPO provides an assessment of labelled transactions against international standards using ISS ESG proprietary methodology. For more information, please visit: <https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf>

### EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Finance Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2023).

The evaluation shows if Vesteda's project categories are indicatively in line with the entirety (or some of) the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by Vesteda (e.g., Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the Issuer.

## ANNEX 2: QUALITY MANAGEMENT PROCESSES

### SCOPE

Vesteda commissioned ISS-Corporate to compile a Green Finance Instruments SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the Green Bond Principles (GBP) and Green Loan Principles (GLP) and to assess the sustainability credentials of its Green Finance Instruments, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion:

- Green Bond Principles (GBP) and Green Loan Principles (GLP)

### ISSUER'S RESPONSIBILITY

Vesteda's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the asset level

### ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

This independent Second Party Opinion of the Green Finance Instruments to be issued by Vesteda has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles (GBP) and Green Loan Principles (GLP).

The engagement with Vesteda took place from November to December 2023.

### ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About this SPO

Companies turn to ISS Corporate Solutions (ISS-Corporate) for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: [SPOsales@iss-corporate.com](mailto:SPOsales@iss-corporate.com)

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