



AMVEST RESIDENTIAL CORE FUND

SUSTAINABILITY REPORT 2017



INTRODUCTION BY THE BOARD OF MANAGEMENT

It is my pleasure to provide you with our Sustainability Report 2017 for the Amvest Residential Core Fund (ARC Fund). This report provides an overview of our sustainability policies and performance. With this report, we aim to satisfy our stakeholders' need for sustainability information with respect to our company.

At Amvest, we truly care about a sustainable and vital living environment. We develop and manage real estate to fully satisfy the expectations of our stakeholders. By doing so we provide our tenants with attractive, suitable, sustainable and comfortable homes, while simultaneously providing our investors a stable and appropriate return on investment.

The ESG policy of the ARC Fund is focused on a directed and balanced implementation of Environmental, Social and Governance aspects in the management of the ARC Fund. In 2017, a materiality survey was conducted among the stakeholders of the ARC Fund. The output of the survey is reflected in a materiality matrix, which is a guide for the ARC Fund's ESG policy in the coming years.

The ARC Fund pursues an active policy of rejuvenating the portfolio to keep it young and sustainable in terms of using technologies that increase comfort and reduce energy consumption and the environmental burden. More than 75% of the homes in the ARC Fund portfolio has energy label A. Solar panels are offered to tenants to reduce carbon emissions. In addition, communal areas of apartment buildings are made energy neutral by installing solar panels.

The ARC Fund participates in the GRESB survey. As from 2014, the ARC Fund has been recognised as a Green Star by GRESB and since 2017 the ARC Fund has had a 4-star ranking (out of 5). The ARC Fund also participates in the IVBN tenant satisfaction benchmark and with a score of 7.3 the ARC Fund outperformed this benchmark in 2017.

We have prepared this report in line with several standards and benchmarks. We endorse the United Nations Principles for Responsible Investment. We have used the GRI Standards as underlying bases for our report. We do not yet report in accordance to the Standards. Our ambition is to report in accordance with the Global Reporting Initiative (GRI) Standards - Option Core in the following years. The GRESB requirements were taken into account in the creation of this report. Another ambition is to work towards creating an integrated report in the following years.

On behalf of the Board of Management,

Wim Wensing



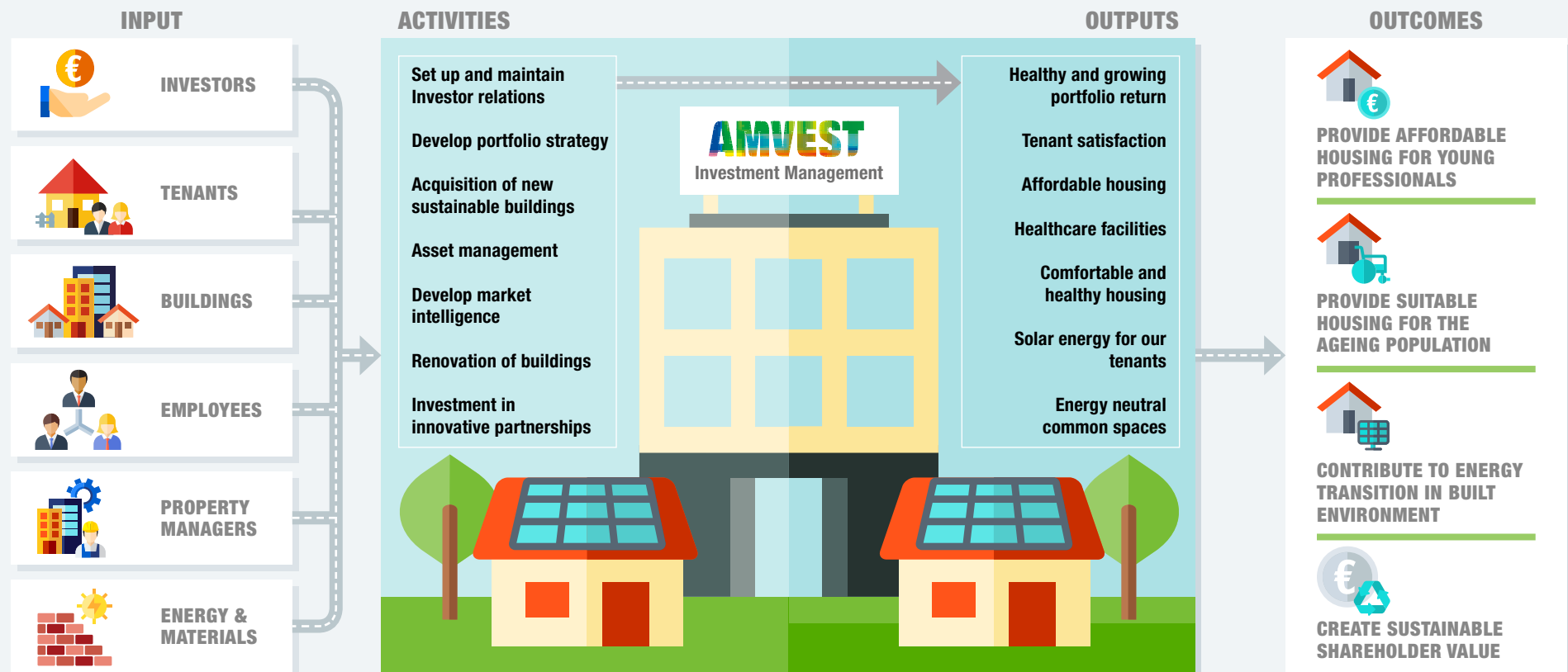
CONTENT

Introduction by the Board of Management	2
Mission	4
How we create value	4
2017 in numbers	5
About Amvest Residential Core Fund	6
ESG policy 2017	7
Materiality analysis	7
ESG measures	7
Materiality matrix	8
Contact	13

MISSION

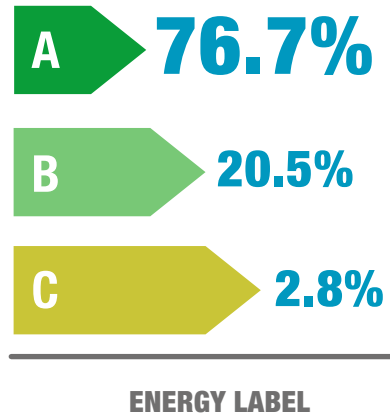
Comfortable living in an attractive area is one of the basic needs of people. We consider it our primary task and responsibility to provide such living conditions. It is our role to contribute to the availability of high-quality and affordable rental houses. We want to fulfil the implicit and explicit needs and expectations of the current and future tenants regarding comfort, service, quality of the area and sustainability.

HOW WE CREATE VALUE



2017 IN NUMBERS¹

OPERATIONAL PROPERTIES



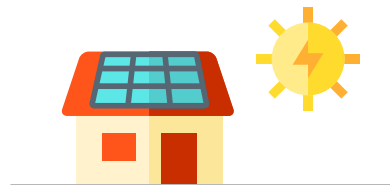
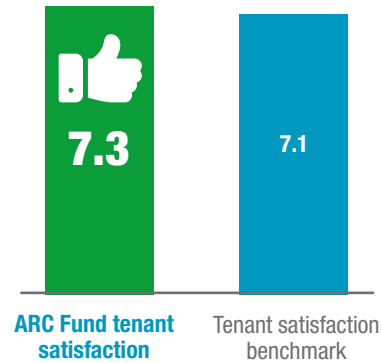
GREEN STARS GRESB
4



EMPLOYEE SATISFACTION

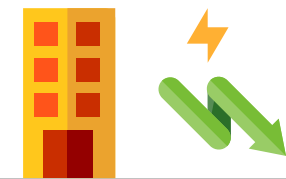
7.5

TENANT SATISFACTION



NUMBER OF SOLAR PANELS PLACED IN 2017

2,500
De spakler²: **approx. 1,000**



DECREASE IN ENERGY USE OF THE COMMON SPACES IN OUR APARTMENT COMPLEXES³

-20%

1 Numbers end 2017
2 Apartment building Amsterdam
3 Compared with 2016



ABOUT AMVEST RESIDENTIAL CORE FUND

The ARC Fund has a core investment strategy, invests in the Dutch residential mid-priced rental sector and focuses on young, high quality, sustainable residential properties located in areas with the best economic and demographic potential (the ARC Fund focus areas). The ARC Fund aims to realise an attractive, stable dividend yield available for distribution and long-term value growth for its Investors. In addition, the ARC Fund aims to provide its Investors with a net IRR derived from rental income, divestment profit and appreciation of 7%, including a dividend yield of approximately 4% per year.

The ARC Fund has a strict regional policy, based on the ARC Fund focus areas. The portfolio has a strong allocation to the Big Four, the largest cities (Amsterdam, Rotterdam, The Hague and Utrecht) and their suburbs in the Netherlands and to other Randstad, Noord-Brabant and Gelderland cities. This area with strong urbanisation perspectives, is defined as the 'Central Circle'. Additional high performance areas are the Regional Economic Centres, which are selected strong cities outside the 'Central Circle'.

With an average age of around nine years, the portfolio is very young. A dynamic portfolio policy ensures that the quality of the portfolio remains at a high level and operating costs remain relatively low. The ARC Fund aims at an annual rejuvenation of the portfolio of 5%.

The ARC Fund's strategy is incorporated in the annual Portfolio Plan, which is discussed with the Investment Committee and approved by the Advisory Board.

The Fund Manager focuses on strategic and tactical portfolio and asset management. Operational management is outsourced to regional property managers. In addition to maintaining close contact with the property managers, the portfolio manager and asset managers also liaise closely with the Amvest Tenant Platform and the individual tenant organisations in order to have a good understanding of tenants' needs.

The ARC Fund attaches great value to corporate social responsibility and sustainable entrepreneurship. The Fund Manager believes that this can be achieved by permanently adhering to the wishes and expectations of the stakeholders and society. For this reason, the ARC Fund's ESG policy is largely based on the outcome of a materiality survey that was performed among the stakeholders of the ARC Fund.



ESG-POLICY 2017

The ESG policy is focused on a directed and balanced implementation of Environmental, Social and Governance aspects in the management of the ARC Fund. In 2017, considerable attention was paid to this theme. This led, amongst other things, to a top 3 ranking (in the peer group) in the GRESB and an improvement from 3 to 4 stars (out of 5).

As an investment fund with a client base of institutional investors and a large portfolio rented out to many households, the ARC Fund has a large social impact. In order to be successful as a socially responsible Fund in the long run, it is of great importance that the ARC Fund sets high standards for sustainability. An ESG programme has been established in collaboration with an external consultancy company (RoyalHaskoningDHV, 2017).

Materiality analysis

The ARC Fund attaches great value to corporate social responsibility and sustainable entrepreneurship. The Fund Manager believes that this can be achieved by permanently adhering to the wishes and expectations of the stakeholders and society. A materiality analysis has been conducted in order to assess the interests of external stakeholders of the ARC Fund and employees related to the ARC Fund. The materiality survey was broadly composed, covered ESG factors and consisted of six sections:

- economic aspects;
- home comfort;
- social aspects;
- internal operations;
- environmental aspects;
- the living environment.

MATERIAL THEMES FOR THE ARC FUND

Economic aspects (E)	Home comfort (W)	Internal operations (I)	Environmental aspects (M)
E1 Generated economic value	W1 Health and safety for inhabitants	I1 Training and education of staff	M1 Energy consumption and energy saving
E2 Integrity and anti-corruption	W2 Tenant satisfaction	I8 Fair marketing and communication	M4 Carbon emissions and climate change
E3 Prevention of vacancy and occupancy rate	W4 Fire safety		M5 Generation of renewable energy
E4 Compliance to legislation			
E5 Supply of sufficient high quality and affordable private sector rental homes			
E6 Shareholder rights			

The output of the survey is reflected in a materiality matrix that shows which themes are material according to the external stakeholders and the employees related to the ARC Fund. This matrix is drawn up in accordance with the guidelines of the Global Reporting Initiative (GRI)¹, an independent international organisation that sets (inter alia) the Sustainability Reporting Standards (SRS). The GRI SRS are considered to be the worldwide standard in the field of sustainability reporting. In order to be able to report on sustainability, ESG factors should be fully embedded in the ARC Fund's strategy.

ESG measures

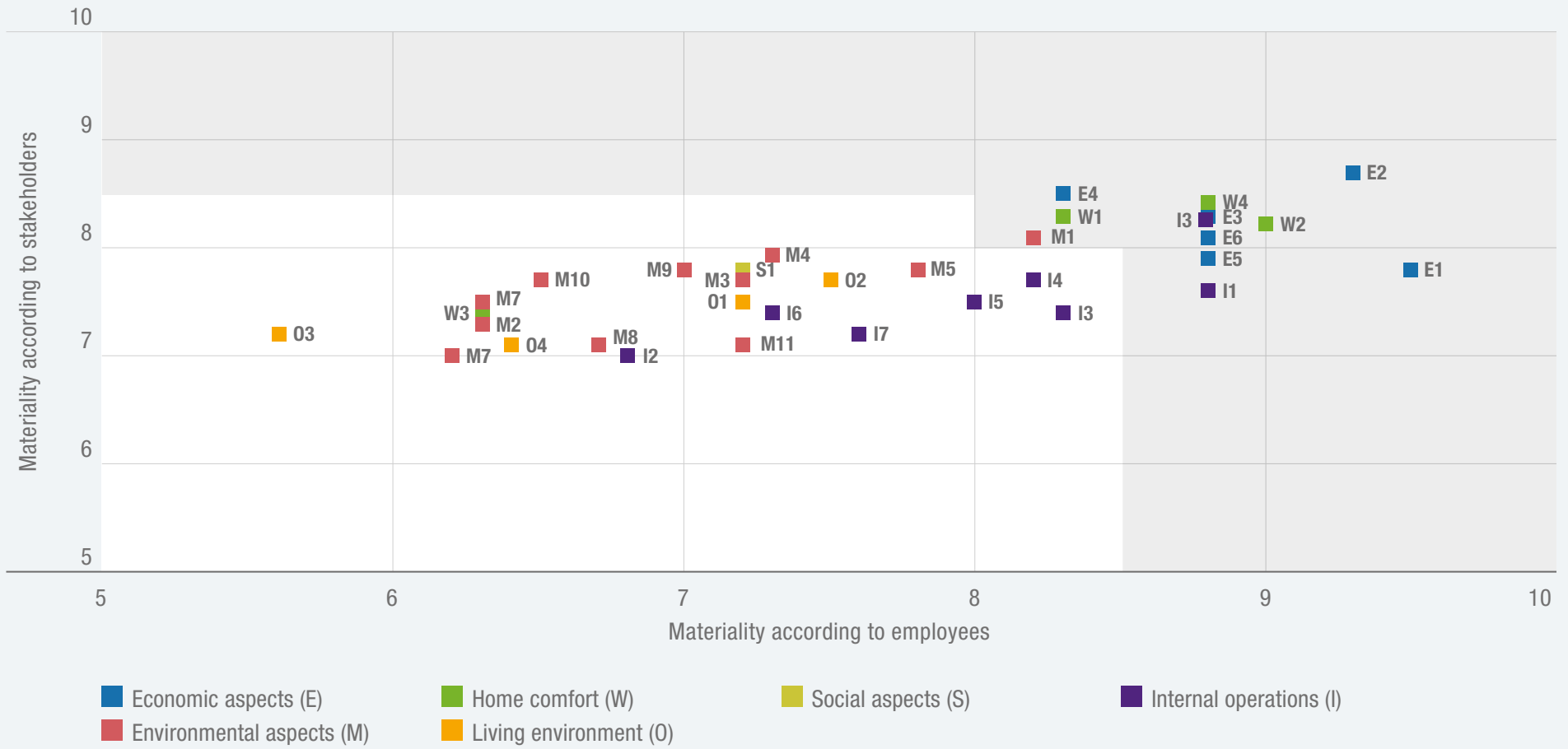
Fourteen themes were selected as most material for the ARC Fund in the coming years (items in the grey shaded area of graph 21). These most material themes were selected in the following manner:

- themes which scored 8.0/10 or higher by both the stakeholders of the ARC Fund and the employees related to the ARC Fund;
- themes which scored 8.5/10 or higher by the stakeholders or the employees related to the ARC Fund;
- themes which are closely related to other selected themes (M4 and M5, see graph 21 and table 22).

The ESG policy focuses in particular on the aspects on which the Fund scored low (the respondents also judged the performance of the Fund on the deemed material themes). In order to achieve its targets and to check the Fund's progress on a periodic basis, the Fund Manager specified several Key Performance Indicators (KPI's) for the most important ESG aspects per theme.



MATERIALITY MATRIX



Economic aspects

The ARC Fund was established to generate economic value for its shareholders by paying an attractive and stable dividend yield and long-term value growth of the homes, taking into account a certain degree of risk. However, this theme is broader than just a sound business case. The type of investments and the way in which the investment occurs are of great importance in the real estate sector and in particular among institutional investors. The starting point for the fund's working method is to provide as much transparency as possible to its stakeholders. As can be seen from graph 21 and table 22, all economic aspects are considered material by both the stakeholders and the employees to the ARC Fund.

E5 Supply of sufficient high quality and affordable private rental homes

The ARC Fund invests in high-quality mid-priced rental homes with a focus on urban areas and strong economic regions in the Netherlands. As a result, the ARC Fund contributes to an improvement and increase in the current supply of mid-priced rental housing, meeting the high demand from the market.

E2 Integrity and anti-corruption

E4 complying fully with (socio-economic) legislation

Integrity and anti-corruption are of paramount importance to the Fund Manager. As well as complying fully with (socio-economic) legislation, various pro-active measures are taken in this context. There is a code of conduct for all Amvest employees, which must be signed annually. In addition, Customer Due Diligence (CDD) is performed to all related parties, so that it can be prevented that the ARC Fund can be misused for the wrong purposes.

KPI'S AND TARGETS ECONOMIC ASPECTS

Number	Theme	KPI	Target	Result 2017
E1	Generated economic value	Dividend yield	>= 4.0%	4.5%
E3	Prevention of vacancy and occupancy rate	Vacancy rate	<= 2.5%	2.2%
E5	Supply of sufficient high quality and affordable private sector rental homes	Investing in the mid-priced rental segment	>= 75%	72%*

* In the Portfolio Plan for 2018 the upper limit of the mid-priced segment is increased to EUR 1,000 – EUR 1,300 (depending on region) following market developments, resulting in an exposure to the mid-priced segment of around 80%.

E6 Shareholders rights

Further, the ARC Fund is supervised by the AFM (AIFMD license Amvest REIM B.V.). Therefore, (as well as besides the regular supervision) an independent depositary is hired to check the cash flows of the ARC Fund. In 2017, the depositary did not detect any irregularities.

Additionally, the ARC Fund operates in accordance with the requirements described in the ISAE 3402 Type 2. This is checked annually by an independent auditor, after which the results are shared with the shareholders (Investors). In 2017, an ISAE 3402 Type 2 report was drawn up without relevant findings with respect to the financial processes of the ARC Fund.



Melisseweg, Groningen



■ Home comfort

The ARC Fund considers the home comfort, safety and satisfaction of its tenants to be of great importance.

W4 Fire safety

Within the home comfort section, (fire) safety is crucial to the ARC Fund, in the operation as well as in the acquisition of new properties. In addition to adhering to strict Dutch regulations (Building Decree), the ARC Fund demands from related parties that they should comply with high standards with respect to (fire) safety. For example, all homes will be equipped with smoke detectors and all of these smoke detectors and dry fire extinguishing pipes will be checked annually. The ARC Fund also considers it important to inform tenants about fire safety on a proactive basis.

W1 Health and safety for inhabitants

Apart from fire safety, ensuring a healthy indoor climate for tenants is also an important issue. In addition to complying with regulations on this issue and maintaining the properties well, this subject will be discussed more extensively in the coming years. In 2017, we investigated whether (parts of) the GPR-building certificate could be included in our 'Schedule of Requirements (SoR)'. As a

result, the SoR was further refined on these points, letting us set our level of ambition regarding safety and home comfort for new-build projects.

W2 Tenant satisfaction

The ARC Fund actively supports the establishment of tenants' associations in its properties. These tenants' associations discuss daily management and service levels with the property managers on a regular basis. Tenants' associations can also give advice to the Fund Manager on more strategic issues.

Overarching tenants' associations, there is the Amvest tenant platform. This platform is a national umbrella organisation that represents the interests of all tenants' associations affiliated with Amvest. Because Amvest takes the opinions expressed by the platform very seriously, there are periodic meetings with the platform and the Fund Manager. These meetings take place at least twice a year. The platform organises an annual meeting for members and an annual event based on a theme related to renting or living. Every Amvest tenants' association is automatically a member of the platform and is welcome to attend these meetings.

Every year, a survey is conducted among the tenants of the ARC Fund to investigate tenant satisfaction with respect to the service level and the quality of the home and living environment. This survey is carried out by an independent agency, Customeyes. In addition to this survey, the ARC Fund participates in the IVBN tenant satisfaction benchmark.

The overall score improved to 7.3 in 2017 (2016: 6.8). The ARC Fund outperformed the benchmark on the overall score, quality of home, property management and repair requests. Results of the materiality analysis however, indicate that the stakeholders require a better performance of the ARC Fund on tenant satisfaction. The aim is to score

7.5 as an overall score. Therefore, improving tenant satisfaction will be addressed continuously over the coming years. In particular, complaints management needs to be improved.

Based on the results of the annual tenant satisfaction survey, several individual meetings with external property managers were organised to discuss their performance relating to tenants. The property managers are actively encouraged to improve performance. As part of the management fee, the property managers are entitled to a bonus scheme based on a Service Level Agreement (SLA). The service level of the property manager is an important part of the SLA, which is based on the results of the tenant satisfaction survey.

TENANT SATISFACTION

(Source: Customeyes)

	Scores ARC Fund 2017	Scores benchmark 2017
Overall score	7.3	7.1
Quality of home	7.7	7.3
Living environment	7.6	7.6
Property Management	6.6	6.4
Repair requests	7.1	7.0
Complaints management	4.8	4.8





De Spakler, Amsterdam

Internal operations

The internal operational process is a prerequisite for good performance of the ARC Fund. With respect to this issue, two aspects were considered material by the stakeholders in the survey.

I1 Training and education of staff

First, it is important that the employees related to the ARC Fund receive sufficient training and education in the field of residential investments in order to be able to manage the ARC Fund well and to keep cooperation with relevant stakeholders to the optimum. Additionally, it is part of the strategy of the ARC Fund to share knowledge and remain innovative in the field of residential investments across the board.

I8 Fair marketing and communication

Second, fair marketing and communication (internally and externally) are of great importance in order to be able to meet the high standards that the ARC Fund sets itself with respect to transparency. These will contribute to well-informed decisions by the shareholders (Investors) of the ARC Fund. More attention will be paid to this issue over the coming years. For example, the further development of computerisation of the rental process will provide more information and transparency, resulting in fairer marketing and communication.



■ Environmental aspects

The most tangible and concrete results with respect to sustainability and real estate can be achieved by means of reducing energy consumption. According to the stakeholders and employees, the ARC Fund performs reasonably well on this theme, but improvements are possible.

The ARC Fund has a young portfolio and in the past few years, more attention has been paid to the environment during the completion of new properties. Consequently, more than 75% of the homes in the ARC Fund portfolio have energy label A.

M4 Carbon emissions and climate change

M5 Generation of renewable energy

Furthermore, we have offered more tenants (single-family homes) a solar energy package for their homes to generate their own electricity. As a result, more than 3,000 solar panels were installed in 2017 and more are to be installed in the coming years. Additionally, renewable energy generation is preferred to traditional systems and this will be included explicitly in the SoR of the ARC Fund. In addition, the communal areas of apartment buildings will be made energy neutral and more solar panels will be placed on apartment buildings and single-family homes, resulting in the reduction of carbon emissions because of less fossil fuel consumption. Apart from installing solar panels, the Fund Manager will provide green energy to all tenants on a competitive basis.

M1 Energy consumption and energy saving

In the coming years, the ARC Fund wants to have more insight into the consumption and generation of energy in the properties. This will allow more targeted control of energy-saving measures and make it easier to emphasise the importance of energy-saving opportunities to tenants.



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We always aim to further improve our sustainability activities and reporting. Therefore, we highly appreciate your feedback, questions and comments on our sustainability report. Please contact us.

AMVEST

