



AMVEST RESIDENTIAL CORE FUND

Sustainability Report 2018

INTRODUCTION BY THE BOARD OF MANAGEMENT

It is our pleasure to provide you with our Sustainability Report 2018 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 Investment Management, we truly care about a sustainable and vital living environment. We develop and exploit real estate to fully satisfy the expectations of our stakeholders. By doing so we provide our tenants with attractive, suitable, sustainable and comfortable houses, while simultaneously providing our investors an optimal and appropriate return on investment.

ESG

In 2017, the ARC Fund set out its Environmental, Social and Governance (ESG) programme consisting of 14 material themes based on a materiality survey conducted among the stakeholders of the ARC Fund. As part of this programme, most single-family homes in the portfolio are equipped (2018) and will be equipped (2019 and further) with solar panels. In addition, the ARC Fund increases its insight in energy consumption of its portfolio. This allows active management of further reducing energy consumption.

The ARC Fund participates in the Global Real Estate Sustainability Benchmark (GRESB) survey. A benchmark that assesses the sustainability performance of real estate asset portfolios. 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 aim is to maintain at least this 4-star ranking in combination with the continual improvement of sustainability objectives.

Through an annual tenant survey and periodically quality surveys, the Fund Manager measures the property management quality and the customer satisfaction amongst its tenants. The objective is to achieve a structural high tenant satisfaction. The ARC Fund aims to achieve a tenant satisfaction score of at least 7.5 on a scale of 10 and outperforming its peers in the IVBN tenant satisfaction benchmark.

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, Fund Director
Niclas von der Thüsen, Director Finance and Risk
Dennis Wedding, Portfolio Manager



Dennis Wedding, Wim Wensing and Niclas von der Thüsen

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2018 IN NUMBERS

ON SITE RENEWABLE ENERGY

To support the transition to a low carbon economy, we have further invested in on site renewable energy. Renewable energy is generated from natural resources such as sunlight, wind, water and geothermal heat, that are not considered finite. In 2018, the properties in our portfolio consumed 3,123 MWh of renewable energy, lowering our carbon footprint by 1,290 tonnes of CO₂.¹⁾

CARBON EMISSION

30,762 tonnes CO₂ like-for-like energy consumption decreased by 10.3%.¹⁾



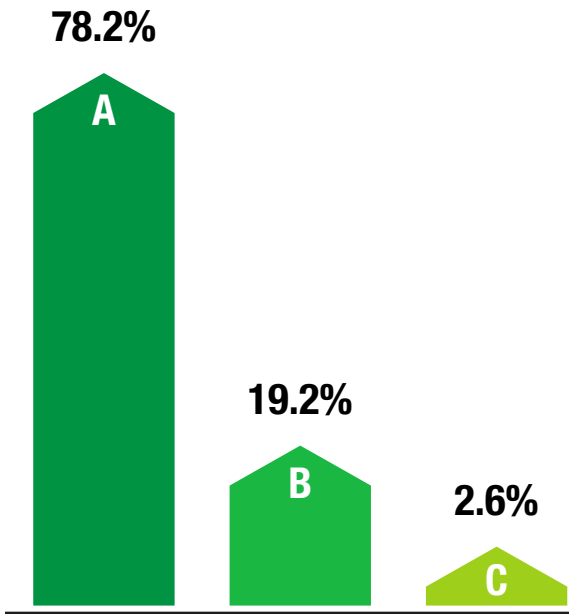
BENEFITING FROM SOLAR

In 2018 we started our solar power programme to speed up our sustainability improvements. 5,048 solar panels were installed on the roofs of 636 existing single family homes, which in total produced 113.6 MWh renewable energy in 2018 (saving 47 tonnes of CO₂). There are 7,548 solar panels in the total portfolio, which in total produced 169.8 MWh renewable energy in 2018.

ABOUT 700 HOMES MADE MORE SUSTAINABLE

We have taken major steps in preparing and implementing a number of refurbishment and renovation projects within the ARC Fund portfolio. These steps have led to more comfortable homes and energy label improvements.

The percentage of A-label homes in our portfolio has increased from 76.7% in 2017 to 78.2% in 2018. We will continue our efforts over the years to come.



8,055

homes
EUR 2.3 billion



3,177

homes in pipeline
EUR 956 million



4 stars

GRESB rating
4 out of 5



7.1

tenant satisfaction
benchmark: 7.0



8.0

employee
satisfaction

1) The direct landlord-obtained energy consists of 100% green energy. In our calculations, Amvest assumes that the tenant only consumes non-green energy (due to privacy regulation, Amvest is not able to retrieve this data).

ABOUT THE AMVEST RESIDENTIAL CORE FUND

‘OUR AIM IS TO CONTRIBUTE TO THE DEVELOPMENT OF MORE SUSTAINABLE REAL ESTATE IN THE NETHERLANDS’



The ARC Fund aims to achieve a stable and attractive return in a sustainable manner supported by conservative use of leverage. Dynamic portfolio management ensures that the quality of the portfolio remains at a high level while operating costs remain relatively low.



The ARC Fund plays an active role in taking steps towards a more sustainable world. Its ESG (Environmental, Social and Governance) policy is largely based on the outcome of a materiality survey that was performed among tenants, investors and other stakeholders of the fund.



The ARC Fund has a Right of First Refusal (RoFR) agreement in place, which covers the acquisition of residential properties that are developed by Amvest Development Fund. The RoFR Agreement provides the fund with the opportunity to secure a long-term high-quality pipeline on an arm’s length basis.

KEY CHARACTERISTICS

- Dutch non-listed residential core investment fund.
- Low risk, stable dividend and long-term value growth.
- Right of First Refusal with regard to residential properties developed by Amvest Development Fund.
- Conservative use of leverage with a target loan-to-value of 25%.
- Fund structure is transparent for tax purposes (fund for joint account structure).
- INREV and AIFMD compliant.
- ISAE 3402 Type II certified Fund Services Provider.
- Long-term investment horizon (term of the fund until at least 17 January 2026, plus extension options).
- Managed by a dedicated Fund team.
- Quarterly external appraisals by reputable surveyors.
- Professional third-party property management.
- The portfolio has a substantial allocation towards cities that are located in the ‘Central Circle’ region.



ESG POLICY

The ESG policy is focused on a directed and balanced implementation of Environmental, Social and Governance aspects in the management of the ARC Fund. 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.

MATERIALITY ANALYSIS

A materiality analysis was conducted in 2017 in order to identify the most important themes for the ARC Fund. An extensive survey based on the GRI Standards, GRESB, the INREV guidelines and a peer analysis was sent to the stakeholders of the ARC Fund questioning the materiality of a wide range of themes. This resulted in a selection of 14 factors that were considered material for the ARC Fund as well as for its societal stakeholders. The Fund Manager determines several Key Performance Indicators (KPI's) for each of the most important ESG themes. See page 10 for the materiality matrix and material themes.

ESG TARGETS 2018

The material themes are central to the ESG policy of the ARC Fund, and are grouped by four sections. The ESG policy focuses in particular on those aspects that emerge as the most important from the survey. In order to achieve its targets and to check the ARC Fund's progress on a periodic basis, the Fund Manager determined several Key Performance Indicators (KPI's) for the most important ESG aspects per theme.

1. MATERIAL THEMES FOR THE ARC FUND

ECONOMIC ASPECTS	HOME COMFORT	INTERNAL OPERATIONS	ENVIRONMENTAL ASPECTS
<ul style="list-style-type: none">Generated economic valueIntegrity and anti-corruptionPrevention of vacancy and occupancy rateCompliance to legislationSupply of sufficient high quality and affordable private sector homesShareholder rights	<ul style="list-style-type: none">Health and safety for inhabitantsTenant satisfactionFire safety	<ul style="list-style-type: none">Training and education of staffFair marketing and communication	<ul style="list-style-type: none">Energy consumption and energy savingCarbon emissions and climate changeGeneration of renewable energy

ECONOMIC ASPECTS

Within the economic aspects, emphasis is placed on financial targets like dividend yield and vacancy rate as well as compliance requirements like ISAE 3402 Type II and AIFMD documents. These aspects are discussed in previous sections and will therefore not be included in this section. Instead, this section highlights the ARC Fund's position in the housing market by elaborating on the theme of 'Supply of sufficient high quality and affordable private sector rental homes'. Availability and affordability have become increasingly important over the past years as rental levels increase and supply is drying up.

By creating more supply in the mid-priced rental sector, the ARC Fund is contributing to the availability of homes. Since this segment is experiencing the most pressing shortage in supply, increasing the investment in the mid-priced segment makes both economical and

societal sense. The portfolio of the ARC has grown by over 2,000 homes since the beginning in 2015. In addition, the commitments and pipeline of the ARC Fund consists of more than 3,200 new homes to be added to the portfolio over the coming years. The bulk part of new constructions, commitments and pipeline units are situated in regions with the highest scarcity in the mid-priced segment. The ARC Fund actively pursues the mid-priced segment by setting a minimum portfolio allocation of 75% to this segment. Currently, 84% of the ARC Fund's portfolio consist of homes with mid-priced rental prices.

The ARC Fund recognises the importance of affordable housing for key workers ("sleutelberoepen") in sectors such as healthcare and security. Whilst affordability in general is already high on the agenda, special attention will be given to the housing of key workers in local markets with the most pressing shortage in supply.

HOME COMFORT

The ARC Fund defines its tasks in home comfort by the themes 'Health and safety for inhabitants', 'Tenant satisfaction' and '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. Apart from fire safety, ensuring a healthy indoor climate for tenants is also an important issue and this subject will be discussed more extensively during the coming years.

In 2018, the ARC Fund incorporated the GPR score in the programme of requirements. The ARC Fund is refining its target by aiming to include a GPR score ¹⁾ in each acquisition in 2019. As the GPR score contains an MPG-calculation (Milieu Prestatie Gebouwen), this will also increase insight into the consumption of energy. The MPG indicates the environmental impact of the materials used in a building.

The ARC Fund actively supports the establishment of tenants' associations in its properties. Tenants' associations provide a platform that represents tenant needs and will 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 the tenants' associations, there is the Amvest tenant platform, which celebrated its 20th anniversary in 2018. 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

1) GPR charts the sustainability of buildings based on an assessment of five themes: energy, the environment, health, quality of use and future value.

2. TENANT SATISFACTION

ASPECT	SCORES ARC FUND 2018	SCORES BENCHMARK 2018
Overall score	7.1	7.0
Quality of home	7.7	7.4
Living environment	7.4	7.4
Property Management	6.3	6.3
Repair requests	7.0	7.0
Complaints management	4.5	4.6

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.

As tenant satisfaction is a direct result of the products the ARC Fund offers and how the ARC Fund offers them, this aspect is of great importance to the ARC Fund. With a score of 7.1 in 2018, the ARC Fund did not reach the targeted minimum grade of 7.5, but did outperform the IVBN tenant satisfaction benchmark (7.0).

The ARC Fund expects to improve the grade by actively engaging with the external property managers. As the property managers are the first point of contact for the tenants, they are of great impact to the tenants satisfaction score. The scores are available per manager, which makes it possible to monitor the performance for each property manager. The ARC Fund encourages the property managers to improve performance by providing customer service training sessions and sending mystery guests to assess the full customer journey. Additionally, performance on tenant satisfaction is included in the manager's targets, influencing their fee.

INTERNAL OPERATIONS

The internal operational process is a prerequisite for good performance of the ARC Fund. All 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 maintain cooperation with the relevant stakeholders at an optimal level. Additionally, it is part of the strategy of the ARC Fund to share knowledge and remain innovative in the field of residential investments across its full breadth.

The marketing and communication process was improved further in 2018. The two main questions are 'Is our message attracting the target groups we intended?' and 'Is our product the right one for the target group?'. Those questions remain valid for the upcoming year as the product and the market continue to evolve. The ARC Fund wants to increase its responsiveness to the market by collecting data of the visitors at sales events and people who sign up for a home via the internet.

To increase the sophistication of the analysis, the data collected from our clients is combined with publicly available data for parameters like levels, household composition and car ownership. As the ARC Fund expects to improve the rental process further over the coming years, this theme remains relevant.

ENVIRONMENTAL ASPECTS

The environmental aspects are subdivided in the themes 'Energy consumption and energy saving', 'Carbon emissions and climate change', and 'Generation of renewable energy'.

The ARC Fund has a young portfolio. Consequently almost 80% of the homes in the ARC Fund portfolio have energy label A. The energy label is a good indication of energy efficiency. However, to concentrate on 'Energy consumption and energy saving', the ARC Fund wants to gain more insight into the consumption and generation of energy in all its assets. This insight is comprehensive for the common spaces, but for whole properties it is impossible to get a full insight, since the ARC Fund does not have access to smart meters of individual units because of privacy regulations. As a workaround the ARC Fund uses publicly available data about energy consumption at a postal code level. In order to further increase the ARC Fund's insight, the ARC Fund asks each new tenant for permission to read out the smart meter. Participating is voluntary due to AVG regulations.

In 2018 smart gas- and electricity meters have been installed for all common spaces placed or have been requested from the network companies. Additionally, a lot of effort was put into gathering the data in an online portal. This portal enables the Fund Manager to implement a dashboard which can be used for reporting on energy use per property. The information can also be used to alert tenants to the energy use and to plan further energy improvements of buildings (e.g. additional insulation or installation of solar panels).

Based on the data collected, the total carbon emission of the ARC Fund in 2018 was 30,762 tonnes. Like-for-like energy consumption decreased by 10.3%. This includes all properties where 12 months of full data is available for 2017 and 2018.

The reduction of carbon emissions and climate change is addressed by increasing the use of energy generated by solar panels and providing the option to buy green energy at a discount. The ARC Fund fitted out 636 homes with in total 5,048 solar panels in 2018 and has upgraded

its target to 750 homes in 2019. The ARC Fund does not need approval from its current tenants to put panels on the roof since it is 'giving away' the installation. The financial return lies in the increase in value of the home and the higher market rental price.

In 2018, the properties in our portfolio consumed 3,123 MWh of renewable energy, lowering our carbon footprint by 1,290 tonnes of CO₂. The direct landlord-obtained energy (common spaces) consists of 100% green energy. In our calculations, Amvest assumes that the tenant only consumes non-green energy (due to privacy regulation, Amvest is not able to retrieve this data).

For the common spaces the ARC Fund purchases green energy from the energy provider 'Green Choice'. For the residential units, the ARC Fund is currently examining the possibility of negotiating low energy prices by bundling energy demand.

The program of requirements for new projects includes a preference for the generation of renewable energy integrated in the property.



De Spakler, Amsterdam

MATERIALITY MATRIX AND MATERIAL THEMES

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. In order to assess the interests of the tenants, investors, developers, maintenance companies, real estate managers and employees of the Fund Manager, a materiality analysis has been conducted. An extensive survey (based on the GRI Standards, GRESB, the INREV guidelines and a peer analysis) was sent to the stakeholders of the ARC Fund questioning the materiality of a wide range of themes and the performance of the Fund on these themes. The materiality survey was broadly composed, covered ESG factors and consisted of six sections:

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

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 of the Fund Manager. This matrix is drawn up in accordance with the guidelines of the Global Reporting Initiative (GRI), an independent international organization that set (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 Fund’s strategy.

In the materiality matrix, which is represented in graph 3, all themes are plotted on two axes:

- on the vertical axis the importance of the theme to the stakeholders (0-10);
- on the horizontal axis the importance of the theme to the employees of the Fund Manager (0-10).

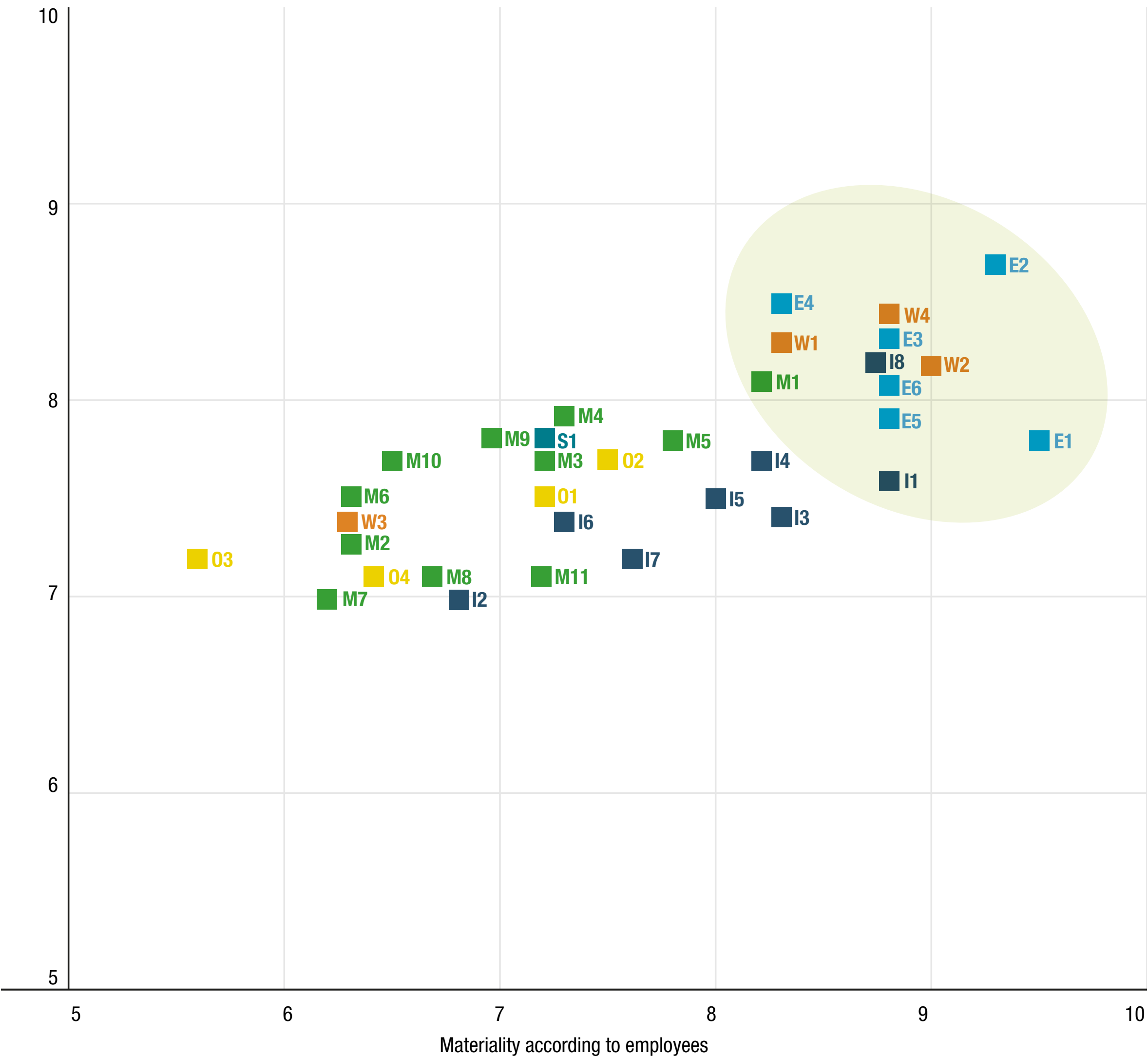
ESG MEASURES

From the extensive list of material themes, twelve themes were selected as most material for the Fund in the coming years (items in the green shaded area of graph 3). 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 of the Fund Manager;
- themes which scored 8.5/10 or higher by the stakeholders or the employees of the Fund Manager;
- themes which are closely related to other selected themes (M4 and M5, see graph 3 and table 4).

3. MATERIALITY MATRIX ARC FUND

Materiality according to stakeholders



4. MATERIAL THEMES FOR THE ARC FUND

ECONOMIC ASPECTS	HOME COMFORT	SOCIAL ASPECTS	INTERNAL OPERATIONS	ENVIRONMENTAL ASPECTS	LIVING ENVIRONMENT
<div>E1 Generated economic value</div> <div>E2 Integrity and anti-corruption</div> <div>E3 Prevention of vacancy and occupancy rate</div> <div>E4 Compliance to legislation</div> <div>E5 Supply of sufficient high quality and affordable private sector rental homes</div> <div>E6 Shareholder rights</div>	<div>W1 Health and safety for inhabitants</div> <div>W2 Tenant satisfaction</div> <div>W3 Flexibility during building and living</div> <div>W4 Fire safety</div>	<div>S1 Health and safety</div>	<div>I1 Training and education of staff</div> <div>I2 Diversity</div> <div>I3 Primary and secondary tenms of employment</div> <div>I4 Health of employees</div> <div>I5 Membership of industry associations and knowledge sharing</div> <div>I6 Innovation and knowledge sharing</div> <div>I7 Employee satisfaction</div> <div>I8 Fair marketing and communication</div>	<div>M1 Energy consumption and energy saving</div> <div>M2 Energy consumption and energy saving of the Amvest office</div> <div>M3 Materials and circularity</div> <div>M4 Carbon emissions and climate change</div> <div>M5 Generation of renewable energy</div> <div>M6 Water</div> <div>M7 Environmental certificates for residences</div> <div>MB Supplier environmental assessment</div> <div>M9 Sustainable renovations</div> <div>M10 Waste</div> <div>M11 Clean air</div>	<div>O1 Engagement and dialogue with local stakeholders</div> <div>O2 Liveability and living environment</div> <div>O3 Biodiversity and nature</div> <div>O4 Climate adaptation</div>

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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.

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