# ANVEST



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#### **CONTACTS**

## **ABOUT THE AMVEST RESIDENTIAL CORE FUND**

#### **QUALITY, AFFORDABILITY, SUSTAINABILITY**

The Amvest Residential Core Fund (hereafter "ARC Fund") invests in Dutch residential real estate, with a focus on quality, affordability, and sustainability, to generate healthy, long-term returns for our investors. We achieve this by establishing a portfolio of high-quality homes for a large target group, from young professionals to elderly singles and couples, in attractive areas with strong economic outlooks. The ARC Fund is driven by its commitment to investors, its role in achieving the Paris Climate goals, and its responsibility to help solve the shortage of affordable housing in the Netherlands.





**'We envision a future in which everyone has access to a comfortable, safe, and healthy living environment'** 



The ARC Fund has a long-term investment horizon, focused on generating stable, attractive returns. Fund Management actively manages the portfolio towards the target LTV ratio of 25%. Acquisitions, divestments, and (sustainability) improvements contribute to the growth, rejuvenation, and quality of the portfolio.



The ARC Fund has a long-term horizon, which goes beyond our commitment to investors. Sustainability is an integral part of our strategy. ARC Fund designs and builds new homes according to a strict Program of Requirements to guarantee their energy efficiency and low carbon footprint. We monitor the energy use of our properties to set goals for optimisation and use the CRREM (Carbon Risk Real Estate Monitor) framework to determine the steps we must take, and the cost involved, to achieve the Paris Climate Agreement CO<sub>2</sub> targets.



The ARC Fund has a right of First Refusal (RoFR) agreement in place with Amvest Development Fund B.V. (ADF) as part of its access to the acquisition of residential rental properties. The RoFR agreement provides reliable and continuous access to new high-quality rental homes, ensures that investment opportunities are in line with the portfolio strategy, and avoids exposure to development risk as ADF is a separate legal entity.



## **KEY HIGHLIGHTS 2021**



#### **MAJOR PROJECTS DELIVERED**

The ARC Fund achieved significant growth in 2021. Major projects concentrated in the Big Four regions were delivered, adding 515 homes to the portfolio. Highlights included the partial delivery of the Amsterdam Aan 't IJ project and the completion of over 300 homes on Cruquius Island in the Eastern Port area of Amsterdam, strengthening our portfolio of sustainable homes in high-quality living environments.



## 5 star

GRESB rating<sup>1)</sup> (The ARC Fund's GRESB score increased from 84 points in 2020 to 87 points in 2021 and maintained its five-star rating.)

#### **AFTERMATH OF COVID-19**

Distribution challenges and building material shortages related to the COVID-19 pandemic caused the cost of construction to rise sharply. As the ARC Fund does not exclusively rely on third parties for the acquisition of new rental properties and has access to high-quality investment product through its RoFR with ADF, the current impact is limited. In the long run, the ARC Fund would benefit from the recovery of the supply chain.

#### STRONG PERFORMANCE

Despite the challenging market conditions, such as the increase of the transfer tax from 2% to 8% and the growing gap between supply and demand, the ARC Fund showed strong results. The budgeted dividend yield of 2.9% was achieved. Operational costs decreased between from 22.6% in 2020 to 20.6% in 2021 due to careful planning and monitoring.

#### **ENERGY USE INTENSITY<sup>1</sup>**

In 2021, the average EUI of our properties was 220.9 kWh/m<sup>2</sup>/year, compared to 197.5 kWh/m<sup>2</sup>/year in 2020.

Portfolio composition by energy label:



### **OUTPERFORMANCE MSCI 3, 5 AND 10-YEAR AVERAGE**



The ARC Fund outperformed the 3, 5 and 10-year MSCI all residential benchmarks.

Please refer to the KPI tables in the Annexes. KPIs include limited assurance by external auditor. 1)

2) Income return, Capital growth and Total return are calculated separately.

Due to the calculation method (time weighted) the sum of the Income return and Capital growth does not always equal the Total return.

#### **ROADMAP TO** PARIS-PROOF<sup>1</sup>

We applied the CRREM framework to analyse the impact and costs of various scenarios for further reducing our carbon emissions. resulting in a roadmap.

#### **CO<sub>2</sub> EMISSIONS**<sup>1</sup>

Carbon emmissions 2021:  $48.6 \text{ kg CO}_2/\text{m}^2/\text{year}$ Carbon emmissions 2020: 43.7 kg  $CO_2/m^2/year$ 





Noorderduinstraat, Almere

## **MANAGEMENT TEAM FOREWORD**

We are pleased to share our 2020-2021 Sustainability Report. Sustainability plays a key role in our ability to achieve long-term value growth for our investors. To deliver on our commitments, now and in the future, we invest in new, sustainable residential properties and improvements of our standing portfolio. In this report, we share our vision for and progress towards a future-proof portfolio and securing a healthy future for our planet and for our Fund.

The ARC Fund continues to improve its GRESB (Global Real Estate Sustainability Benchmark) score. GRESB assesses and ranks the sustainability performance of real estate asset portfolios. In 2020 and 2021, we maintained our five-star GRESB rating while increasing our score from 84 to 87 points. As the sector is making significant strides forward in the area of sustainability, the ARC Fund must continue to prioritise Environmental, Social, and Governance (ESG) initiatives to maintain and improve our position in the GRESB ranking.

The implementation of the CRREM (Carbon Risk Real Estate Monitor) framework in 2021 is one of those initiatives. As a real estate investment fund, we play an important role in meeting the Paris climate goals. How we design, construct and maintain properties has a significant impact on our energy consumption and therefore our carbon emissions. The CRREM framework allows us to calculate the impact of various sustainability improvements on our carbon emissions and to estimate their costs. Using this framework, we have established a roadmap towards a portfolio that meets the Paris climate goals and continues to generate attractive returns for our investors. As we collect new data, using smart meters connected to a digital dashboard, we will continue to refine this roadmap.

In addition to the environment, home comfort is an important theme to the ARC Fund. We aim to achieve a tenant satisfaction score of at least 7.5 on a scale of 10 and outperform our peers in the IVBN tenant satisfaction benchmark. In recent years, our score has remained largely stable and higher than the benchmark score, yet below our ambitious target. As property management plays a key role in tenant satisfaction, we aim to provide property managers with additional support and enhance the quality of our services.

We endorse the United Nations Principles for Responsible Investment and use the GRI Standards for the development of our report. We do not yet report in accordance with the Standards. The GRESB requirements were taken into account in the creation of this report. In the coming years, we aim to transition towards an integrated reporting model. This will provide our investors with even more insight into how we're creating value and support our strategic decision-making.

On behalf of the Board of Management,

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

## **STRATEGY & RESULTS**

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 14 for the materiality matrix and material themes.

#### **ESG TARGETS 2021**

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
Generated economic value	<ul> <li>Health and safety for inhabitants</li> </ul>	• Training and education of staff	<ul> <li>Energy consumption and energy saving</li> </ul>
Integrity and anti-corruption	<ul> <li>Tenant satisfaction</li> </ul>	<ul> <li>Fair marketing and communication</li> </ul>	• Carbon emissions and climate change
• Prevention of vacancy and occupancy rate	• Fire safety		<ul> <li>Generation of renewable energy</li> </ul>
<ul> <li>Compliance to legislation</li> </ul>			
<ul> <li>Supply of sufficient high quality and affordable private sector homes</li> </ul>			
• Shareholder rights			

#### **AFFORDABLE HOUSING**

Availability and affordability have become increasingly important over the past years as rental levels have increased 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 investment in the mid-priced segment, specifically in high demand areas, makes both economical and societal sense. The portfolio of the ARC Fund has grown by over 4.000 homes since the beginning in 2015. In addition, the commitments and pipeline of the ARC Fund consists of more than 2,600 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, 81% of the ARC Fund's portfolio consists of homes with mid-priced rental prices, with another 3% consisting of social housing.

The ARC Fund furthermore recognizes 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**

Tenant satisfaction is an important indicator of home comfort. By definition, our goal to deliver high-quality living environments means a commitment to tenant satisfaction. Each year, we strive to outperform our peers in the IVBN tenant satisfaction benchmark. For the third year in a row, the ARC Fund scored a 7.2\* in the satisfaction survey. In comparison, the benchmark scored a 7.1. The overall score of 7.2 is the average of three components: quality of the home, the living environment, and property management. Between 2020 and 2021, the score for all three components has remained largely stable. The scores for complaints management and repair request management remain very low.

\* Please refer to the KPI tables in the Annexes. KPIs include limited assurance by external auditor.

#### **FIGURE 20: TENANT SATISFACTION\***



\* Please refer to the KPI tables in the Annexes. KPIs include limited assurance by external auditor.

While we reached our goal of outperforming our peers, we did not achieve our target of obtaining a minimum grade of 7.5. This is a challenging target given the relatively low satisfaction scores in our sector. However, we continue to hold ourselves to a high standard. Considering the impact of property managers, who serve as the main point of contact for our tenants, on satisfaction levels, we aim to provide property managers with additional support. In the coming years, we will work towards establishing dedicated partnerships with property managers to enhance the quality of our services. This is a key initiative for improving our tenant satisfaction.

We also pay close attention to the health and safety of our tenants. In 2021 we installed 45 AEDs (Automatic External Defibrillators) in our properties. AEDs can be lifesaving in the event of cardiac arrest. To ensure the fire safety of our buildings, we equip all homes with smoke detectors, periodically check, and communicate with tenants about fire safety at least annually, and maintain smoke detectors and fire extinguishers. To maintain a healthy indoor climate, we periodically clean and maintain air treatment and ventilation systems.

#### **INVESTING IN A FUTURE-PROOF PORTFOLIO**

Investing in the energy efficiency of our properties is a key to our objective to achieve a future-proof and Paris-proof portfolio. By monitoring the energy consumption of our properties, the ARC Fund is able to set goals for optimization. We increasingly use smart meters, in combination with the a digital dashboard, to track and report on the sustainability performance of our buildings. Energy Use Intensity (EUI) provides a consistent unit of measurement to report on the energy efficiency of our properties by converting heat energy in GJ and gas use in m<sup>3</sup> to kWh/m<sup>2</sup>/year.

In 2021, the average EUI of our properties was 221 kWh/m<sup>2</sup>/year\*, compared to 198 kWh/m<sup>2</sup>/year. The energy use of newly built buildings in 2021 isn't taken into account in the current figures, this results in an increase of the EUI. The increase compared to previous year is mainly caused by people working from home for a full year due to COVID-19.

New builds perform better than renovated buildings, as new construction must adhere to strict energy efficiency standards. In addition, new builds are significantly better insulated. In addition, gas heating systems consume more energy than gas-free heating systems (e.g. hybrid or ground-source heat pumps).

In 2021, the average carbon emmision of our properties was 48.6 CO<sub>2</sub>/m<sup>2</sup>/year\*, this is an increase of 11.2% compared to previous year.

We apply the CRREM framework to determine the required reduction in the average EUI of the ARC Fund to achieve a Paris-proof portfolio. By setting annual targets, we continue to work towards this long-term objective. During 2021 a coverage rate of 87.4% was achieved, which improves the insight in energy usage.

In 2021, we installed solar panels on several existing multi-family homes and on newly completed multi-family homes, after equipping the majority of single-family homes with solar panels in previous years. ARC Fund increased the number of solar panels with 1.6% to 22,291\*.

#### GRESB

The ARC Fund has been participating in the Global Real Estate Sustainability Benchmark (GRESB) since 2013. GRESB allows for an objective assessment of the sustainability of our portfolio. The ARC Fund's score increased from 84 points in 2020 to 87 points\* in 2021. We met our target of achieving a minimum score of 84 points and maintaining our five-star rating. While our score improved, our position in the ranking dropped slightly. Towards the end of 2021, we conducted a comprehensive analysis of the 2021 survey results to determine areas of improvement.

To improve our score in the Building Certifications category, we aim to obtain GPR certificates for most of our properties. GPR is an instrument for measuring the sustainability of a property. Measuring the current sustainability of our properties in five different categories (energy use, environmental impact, health, quality, and future value) will also allow us to set goals for future optimisations and track the impact of our optimisation efforts. By investing in GPR certificates and other initiatives that contribute towards our GRESB score, we aim to remain among the best-performing residential funds in the field of sustainability.

\* Please refer to the KPI tables in the Annexes. KPIs include limited assurance by external auditor.

## **COMPLIANCE**

#### **COMPLIANCE PROGRAM**

The corporate Compliance Program forms the basis for all relevant compliance-related themes. It consists of a Compliance Charter, an annual Compliance Plan, and a Compliance Manual containing all policies and procedures.

The Compliance Program provides insight into the activities that Amvest carries out to comply with legislation and regulations and serves an informative function for employees, shareholders, investors, regulators, auditors, and other stakeholders.

The Risk & Compliance Officer (RCO), as the internal supervisor of compliance with compliance regulations, is responsible for the execution of the Compliance Program.

#### **INTEGRITY, CUSTOMER DUE DILIGENCE**

Integrity and customer due diligence are key elements of Amvest's Compliance Program. [In 2021, the Customer Due Diligence Policy and Anti Money Laundering Policy were updated following the relevant adjustments in the Anti-Money Laundering and Counter-Terrorist Financing Act (Wwft).]

Amvest maintains an internal complaints procedure as well as a confidant and an incident reporting system that is reviewed by the external auditor. Integrity is a recurring agenda item at the Management Board and Supervisory Board meetings of Amvest.

At the ARC Fund level, the RCO regularly attends the management team meetings with a minimum of one meeting per quarter.

The Fund Manager maintains a transaction register, which is compliant with both the IVBN and NEPROM guidelines. The register is used to document the ARC Fund's property transactions in a transparent manner. All business-to-business property transactions are monitored and documented so that they can be checked for correctness, legality, and integrity.

#### **CODE OF CONDUCT**

In 2021, as in previous years, all employees of Amvest were asked to sign the internal Amvest Code of Conduct. The Code of Conduct is an inseparable part of the employment contract. Revisiting the Code of Conduct on an annual basis creates awareness around integrity and provides the opportunity to adjust the code when necessary.

The Code of Conduct is available on the Amvest website. Active compliance with the Code of Conduct is required by all Amvest employees and the Management Board.

The RCO acts as the central point of contact for all integrity-related issues. All required information shall be made available to the RCO. If deemed necessary, the RCO will make use of the expertise of professional external advisors.

In 2021, there were no noteworthy incidents in relation to integrity. Amvest believes that the measures implemented as part of its corporate integrity policy have been effective.

In addition to the Amvest Code of Conduct, Amvest, as a member of IVBN and the NEPROM, complies with the codes of conduct applicable to members of these associations.

#### **'WWFT/SW'**

In 2021, as in previous years, identified ARC Fund staff and all other employees involved with transactions, Investors, and other relevant business relations, attended the annual training sessions on the provisions of the Anti-Money Laundering and Counter-Terrorist Financing Act ('Wwft')) and the Dutch Sanctions Act ('Sw'). It is important for client-related employees to be aware of related risks and the latest adjustments.

#### **AIFMD AND DEPOSITARY**

The ARC Fund (the AIF) and its Fund Manager (Amvest REIM B.V., the AIFM) are fully within the scope of the AIFM Directive. The Fund Manager obtained its AIFM licence on 26 November 2014. In addition to the ARC Fund, the Fund Manager also manages the licensed De Utrechtse Fondsen Vastgoed C.V. and the Amvest Living & Care Fund.

The Fund Manager has appointed Intertrust Depositary Services B.V. to act as depositary for the ARC Fund and has entered into a depositary services agreement with the depositary for the benefit of the ARC Fund and its Investors in accordance with article 4:37f AFS. 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 LAW**

The AIFMD requires investment funds to prepare an annual report including fund manager's report according to Dutch law. Certain requirements included in the law should be disclosed in the fund manager's report. The ARC Fund complies with these requirements. Requirements that are not applicable due to the nature and structure of the ARC Fund are:

• Disclosure on research and development (art 391.2 BW2) is not applicable due to nature of the Fund;

• Disclosure on personnel developments (art 391.2 BW2) is not applicable as the Fund has no employees.

#### INREV

Since 2002, the European Association for Investors in Non-listed Real Estate Vehicles (INREV) has published various guidelines and recommendations that were incorporated into a set of standard INREV Guidelines (last significant revision in 2014 with subsequent updates of modules). The ARC Fund follows these guidelines for all financial ratios, such as NAV, TER, and REER (reference is made to the key figures).

As for property valuations, the appraisal process of the ARC Fund is fully compliant with the INREV Guidelines and undertaken by external appraisers.

#### SUSTAINABLE FINANCE DISCLOSURE REGULATION

The European Union has set in motion a legislative program regarding environmental, social and governance (ESG) for the financial services industry. Part of this package is the Sustainable Finance Disclosure Regulation (or "SFDR"). The SFDR consists of two levels. The first level concerns high level disclosures on sustainability and has come into effect as of 10 March 2021. The second level concerns regulatory technical standards ("RTS") which underpin the SFDR and demand more detail in disclosure. As it stands, the RTS will come into effect per January 2022.

One of the consequences of the SFDR coming into effect is that Amvest REIM B.V., as fund manager of alternative investment funds is required to disclose sustainability information to its (potential) investors and funds under its management should be classified ('grey'/'light green'/ 'dark green'). Although the RTS are still lacking clarity, based on our current knowledge, ARC Fund has been classified as a 'light green' (article 8) fund. An article 8 fund promotes environmental or social characteristics and incorporates ESG themes in its strategy, acquisition and investment decision process and operations. This classification affects pre-contractual disclosure, website disclosure and periodic reports. The Level 1 disclosures have timely been processed. For more details we refer to the website of Amvest.

We are convinced that our investment policy and portfolio management with an integrated ESG approach will generate sustainable returns. These returns will be both financial and non-financial, with a positive impact not only for our investors, but also for our tenants and society as a whole.

Sustainability is playing an increasingly important role in business and finance. In 2018, the European Commission published the EU Action Plan for Sustainable Finance. With this plan, the European Commission wants to promote the transition to a circular economy and achieve greater transparency about sustainability. The plan consists of new laws and has implications for existing laws. The SFDR first came into effect, on 10 March 2021. This European information regulation is applicable to financial market parties including pension funds, banks and insurers but it also applies to Amvest as the manager of three supervised funds.

On the basis of the SFDR, Amvest, in its role as manager, is required to set out how it deals with sustainability in its investment decision policy and remuneration policy, and to detail the consequences of its approach. In addition, the regulation contains transparency requirements at fund level.

#### Integration of sustainability risks into investment decision-making

The SFDR requires the manager to indicate how it takes sustainability risks into account in its investment policy. Sustainability risk is defined as an event or circumstance in the environmental, societal or governance sphere that, if it occurred, would actually have or could potentially have an adverse effect on the value of the investment.

Amvest has implemented this requirement as follows:

- when purchasing a new-build complex, the schedule of requirements forms the (minimum) basis that must be met. This schedule includes a minimum of technical and sustainability requirements that are often more stringent than the current building code. This ensures that new investments meet the latest requirements;
- when acquiring an existing complex, an extensive and thorough inspection of the quality and sustainability of the complex forms part of the acquisition process. If the complex does not meet the defined objectives (e.g. the required energy label) and there is no cost-effective way to bring the building up to the desired level, then as a rule the purchase will not take place. Almost all of the existing portfolios of the funds under management have energy label A, which sets the bar high;
- in the case of existing investments, an annual property analysis and available data are used to determine which complexes are eligible for investment (e.g. solar panels or renovation) or disinvestment (sale of complex).

Making the portfolios more sustainable is the starting point, and investment decisions will be geared to achieving this aim. The measures described (schedule of requirements, inspection, property analysis) ensure that sustainability risks, particularly in terms of the environment, are taken into account in investment decisions with the aim of preventing risks as far as possible.

#### Taking into account negative impacts on sustainability factors

Investments in real estate can have a negative impact on sustainability factors (environmental, societal and governance factors). For example, investments in homes that are not energy efficient can have a negative impact on the climate. Amvest therefore does all that it can to take such negative effects into account when making investment decisions. When selecting, managing and selling complexes, we check whether our decision has a negative impact on sustainability factors.

When it comes to acquiring complexes, the acquisition policy sets out a number of criteria that acquisitions are required to meet. One of these criteria is that acquisitions have to be in line with Amvest's sustainability ambition as a manager and the objectives defined at fund level. The guiding principle is that acquisitions must increase the sustainability of the portfolios. Together with the schedule of requirements, this ensures that negative effects on sustainability factors are taken into account when making an investment decision.

An investment decision is based on an investment proposal. Amvest, in its role as manager, discusses an investment proposal extensively in a range of bodies before taking a decision. In this decision-making process, the intended acquisition is discussed at length in relation to the predetermined criteria laid down in the fund conditions and portfolio plans of the three funds. Predefined risks (including the 'climate risk') from the risk management framework are also checked. This comparison is explicitly recorded in the investment proposal and discussed in the various bodies. Each fund has its own framework and governance bodies.

If an existing investment may have an unfavourable effect on sustainability factors, the likelihood of this unfavourable effect occurring and the severity of the impact will be examined, among other things, based on a property analysis and the available data. Based on this analysis, Amvest, in its role as manager, can take the decision either to modernise this investment until it once again meets the criteria or to sell it.

Amvest currently views the energy use and consumption of its investments as the predominant theme in relation to sustainability factors.

#### Integrating sustainability into remuneration policy

On the basis of the SFDR, the remuneration policy must be consistently aligned with the sustainability objectives of the manager and the funds, and must incorporate the management of sustainability risks.

Amvest has implemented these requirements as follows:

- for all Amvest employees, part of the variable remuneration depends on the execution of the annual portfolio plans and the achievement of predefined targets. Portfolio plans contain non-financial sustainability targets as well as financial targets;
- benchmarking customer satisfaction and sustainability (GRESB) against formulated targets is part of the remuneration policy;
- the remuneration policy provides for a partially deferred payment of variable remuneration for key employees, including the fund director and portfolio manager;
- the remuneration policy provides for the possibility of reversing or reclaiming (in full or in part) the variable remuneration awarded and/or paid to key employees if and in so far as that variable remuneration was based on criteria which subsequently proved to be incorrect.

#### SFDR AT FUND LEVEL

On the basis of the SFDR, financial market participants are required to indicate how they handle sustainability risks and to detail the consequences of this approach. In addition, the regulation contains transparency requirements at fund level.

The regulation distinguishes between:

- funds that are not promoted as sustainable (grey);
- funds that promote environmental or societal characteristics (light-green);
- funds with sustainable investments as their objective (dark-green)

The Amvest Residential Core Fund qualifies as a light-green fund which promotes the use of clean energy, energy efficiency and affordable rental housing as characteristics.

A materiality analysis was conducted in 2018 to identify the key financial and non-financial themes for the fund. This was done by distributing an extensive survey – a peer analysis based on various standards (GRI, GRESB, INREV) – to all of the fund's major stakeholders.

For 2021, a selection of fifteen factors emerged as material to the fund. These factors were grouped into five main themes:

- economic aspects;
- living comfort;
- internal operations;
- environmental aspects;
- living environment.

These themes are integrated into the fund's strategy and the individual aspects for each theme are reflected in Key Performance Indicators (KPIs). These KPIs are defined and measured at fund level and at individual property level (if applicable). A target is set for each KPI that is measured and reported. The KPIs and targets are evaluated annually and adjusted if necessary.

For SFDR purposes, the fund promotes clean energy, energy efficiency and affordable rental housing. KPIs for these themes include environmental aspects ('energy consumption/energy savings', 'CO<sub>2</sub> emissions/climate change' and 'clean energy generation') and economic aspects ('provision of sufficient high-quality affordable private sector rental housing').

KPIs defined and measured for these themes are:

- determining customer satisfaction and comparing it with our peers (benchmarking);
- determining the GRESB score and comparing it with our peers (benchmarking);
- measuring energy consumption per complex;
- measuring CO<sub>2</sub> emissions per complex;
- reducing CO<sub>2</sub> emissions and making the portfolio more sustainable by installing solar panels (clean energy).

#### **Results 2021**

Based on SFDR regulation we are not yet required to report on defined KPI's. However, defined KPI's are included throughout our annual reporting and are limited assured by KPMG. Please refer to annex for complete set of assured KPI's.

#### Outlook 2022

In order to comply with the expectations of our investors, AFM and other regulators in relation to sustainability we will report on ESG aspects promoted by the fund and on aspects that may cause negative impact on sustainability. Required information and the format of our reporting will be developed throughout 2022 in order to comply to formal reporting as is required by SFDR.



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#### De Fred, Amsterdam

ANNEXES

## **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 organisation 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 21, 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 20). 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 20 and table 21).

#### FIGURE 27: MATERIALITY MATRIX ARC FUND



#### FIGURE 28: MATERIAL THEMES FOR THE ARC FUND

Economic aspects	Home comfort	Social aspects	Internal operations	Environmental aspects	Living environment
E1 Generated economic value	W1 Health and safety for inhabitants	S1 Health and safety	11 Training and education of staff	M1 Energy consumption and energy saving	O1 Engagement and dialogue with local stakeholders
2 Integrity and anti-corruption	W2 Tenant satisfaction		I2 Diversity	M2 Energy	O2 Liveability and
3 Prevention	W3 Flexibility during		I3 Primary and secondary tenms	consumption and energy saving of	living enviro nment
of vacancy and occupancy rate	building and living		of employment	the Amvest office	O3 Biodiversity and nature
E4 Compliance	W4 Fire safety		I4 Health of employees	M3 Materials and circularity	O4 Climate adaptation
to legislation			15 Membership of industry associations	M4 Carbon emissions	
5 Supply of sufficien	t		and knowledge sharing	and climate change	
affordable private sector rental homes			I6 Innovation and knowledge sharing	M5 Generation of renewable energy	
6 Shareholder rights			17 Employee satisfaction	M6 Water	
			18 Fair marketing	M7 Environmental certificates for	
			and communication	residences	
				MB Supplier environmental assessment	
				M9 Sustainable renovations	
				M10 Waste	
				M11 Clean air	

## **KPI'S FOR THE PURPOSE OF NON-FINANCIAL DATA**

Objective	Determine resident satisfaction
KPI owner	Customeyes
Definition	Through an annual tenant survey the ARC Fund measures the property management quality and the customer satisfaction amongst its tenants. This concerns in particular the degree of satisfaction regarding the rented property, the surroundings and the service level. Important elements are the contact moments and availability of staff of the property manager, the service performance, the letting process (intake) and repair requests.
Scale / unity	Absolute score on a scale from 0 (minimum) to 10 (maximum)
Calculation	<ul> <li>The satisfaction score is calculated by Customeyes based on the answers provided by the participant in the survey</li> <li>For each question a maximum number of points is possible to be achieved (scale 1-10)</li> <li>The survey is a quantitative research and fully digital</li> <li>Each respondent counts even heavily when calculating averages</li> <li>The benchmark consisits of 7 investors</li> </ul>
Target	To achieve a tenant satsisfaction score of at least 7.5 and outperforming its peers in the IVBN benchmark. The grade is determined by the average of three components: quality of home, living environment and property management.
Scope	A sample of all the tenants from the ARC Fund who participated the questionnaire relating to tenant satisfaction
Frequency	Once a year
Reporting process	<ul> <li>The tenants fills out a score on a total of five components</li> <li>Customeyes measures the responses</li> <li>Customeyes delivers a report (dashboard) with the average score per component, propertymanager and complex including the number of responses</li> </ul>
Systems and sources	Survey tool
Audit process	The tenant satisfaction score is measured completely independently by Customeyes based on the adress list provided by Amvest. Adresses with no current tenants are not included. The same holds true for adresses for which the renta agreement has been signed less than 1 year prior to the start of the survey
Result 2021	The average score of three components measured in the tenant satisfaction score for the ARC Fund was 7.2, which is above the benchmark (7.1). The scores for the three components were as follows: • Quality of home: 7.6 • Quality of living environment: 7.4 • Quality of property manager: 6.6

#### **GRESB SCORE**

Objective	Achieve a GRESB score
KPI owner	Global Real Estate Sustainability Benchmark
Definition	The GRESB score is an overall measure of ESG performance, represented as the number of stars
Scale / unity	Number of stars from 1 (minimum) to 5 (maximum)
Calculation	The GRESB score is calculated by the GRESB organization based on the answers provided by the participant in a survey. For each question a maximum number of points is possible to be achieved. The number of stars are awarded based on the relative score in comparison with the other participants.
Target	To achieve the maximum 5 stars, with a minimum score of 84
Scope	The complete ARC Fund
Frequency	Once a year
Reporting process	<ul> <li>The survey is filled in by the ARC Fund with the burden of proof and argumentation for the answers given</li> <li>The GRESB organization checks the answers, the burden of proof and the argumentation and determines the score per question</li> <li>The GRESB organization reports to the ARC Fund the score of the Fund, how it is structured and how it scores in relation to the peer group</li> </ul>
Systems and sources	Survey tool
Audit process	The GRESB organization checks the answers, the burden of proof and the argumentation according to its (high) standards and can visit the Fund for a further check
Result 2021	GRESB score of 87 (2020: 84) Retained 5-star status from previous year.

#### ENERGY USE INTENSITY (EUI)

Objective	Measure the energy consumption of the objects in the ARC Fund portfolio
KPI owner	Amvest
Definition	The total energy consumption in kWh per m <sup>2</sup> per year of all objects in the portfolio that have been in operation for the entire calendar year. The sum of the amount of electricity (in kWh), disctrict heating in GJ and gas (in m <sup>3</sup> ) which is converted to kWh.
Scale / unity	kWh / m <sup>2</sup> / year
Calculation	Electricity: • The total energy consumption (KWh) per building is divided by the total Gross Floor Area in m <sup>2</sup> • Three connections are monitored for each building: supply from the grid operator, electricity generated by the solarpanels (if applicable) and electricity supplied to the grid (if applicable) • Net consumption = supply grid operator + (generated electricity PV panels - / - electricity supplied back to grid) Gas: • Gas consumption in m <sup>3</sup> is converted into kWh (factor 1 m <sup>3</sup> = 9.769 kWh) • District steam generated in a centralized location for residential heating requirements in GJ is converted into kWh (factor 1 GJ = 277.78 kWh)
Target	Decrease the like-for-like energy consumption compared to previous year
Scope	All buildings in the ARC Fund, that are included in the annual report of the specific year (only buildings with a 100% data coverage are included). The buildings that are not in use for a full calendar year fall outside the scope as this may distort the data due to seasonal effects. Furthermore, when energy consumption deviates more than 25% from previous year, the data is regarded as an outlier and removed from the final calaculation.
Frequency	Once a year
Reporting process	The energy consumption is measured based on a new method which uses the following data: The total energy consumption in kWh per m <sup>2</sup> per year of all objects in the portfolio that have been in operation for the entire calendar year. The sum of the amount of electricity (in kWh), district steam/heat (in GJ) and gas (in m <sup>3</sup> ) which is converted to kWh. This information is collected by the asset manager. The information is obtained from smart meters, readings on locations and determined standard year usage of the energy/gas supplier. The asset manager delivers the data to Cooltree. Cooltree puts the data in the standard calculation sheet which will process the data.
Systems and sources	ESG Data Template (managed by Cooltree, ARC Fund has access), Cushman & Wakefield as a provider of data and external portal (managed by Sungevity) for renewable energy
Audit process	Amvest will check all manual input to ensure sufficient evidence has been provided by the property managers. A sample will be checked for data provided through Cushman & Wakefield and Sungevity portal to ensure all data is accurate. The auditor will have access to the final calculation sheet.
Result 2021	Average Energy Use Intensity 2021: 220.9 kWh/m <sup>2</sup> /year The change percentage between 2020 and 2021 is +11.8%, based on the new method of measurement*.

\* In 2021 a new measurement method for the KPI is used. In this new method, the amount of consumed energy is divided by the actual square meters of a building covered by the consumption data, instead of by the square meters of the total building. Due to this change the Energy Use Intensity figure has increased compared to the figure reported in the 2020 annual report. For comparison reasons the annual figures used for calculating the change percentage between 2020 and 2021 are both based the new measurement method.

#### **RENEWABLE ENERGY**

Objective	Reduce carbon emissions by increasing the produced renawable energy produced by placing solar panels
KPI owner	Sungevity
Definition	The reduction of carbon emissions and climate change is addressed by increasing the production of renawble energy by placing solar panels.
Scale / unity	# solar panels in the portfolio
Calculation	The number of solar panels/homes is registered via the Sungevity dashboard, this information is added to ESG Data Template of Cool Tree
Target	The ARC Fund expects to increase the number of solar panels in comparison to previous year.
Scope	All homes within the fund.
Frequency	Once a year
Reporting process	<ul> <li>From the date of placing of the new solar panels electricity which is generated by the panels is measured on the basis of smart meters (automatically read, implemented by Sungevity)</li> <li>Every 6 weeks an overview is drafted of all homes/solar panels that are in operation.</li> <li>Furtermore the data (number of solar panels/energy generated by the solar panels) in the Sungevity dashboard is part of the ESG Data Template of Cool Tree</li> </ul>
Systems and sources	Tool (dashboard) Sungevity
Audit process	<ul> <li>The data for the # solar panels/homes and the data for the generation of energy is checked by Sungevity and by Cooltree</li> <li>The conversion factors are checked on the website of www.co2emissiefactoren.nl</li> </ul>
Result 2021	In 2021 the ARC Fund has 22.291 solar panels, this is an increase of 1.6% in comparison to previous year.

#### IMPROVE INSIGHT IN ENERGY CONSUMPTION (COVERAGE RATE)

Improve the insight within the portfolio of energy usage (improving the coverage rate of energy consumption)
Cushman & Wakefield
The total coverage rate of energy/water/gas in all ARCF properties.
Percentage
The coverage rate is determined by data per m <sup>2</sup> , if one of the elements (energy/water/gas) is missing there will de a deduction of the coverage percentage.
Improve upon last year (long term target 100%)
All buildings in the ARC Fund
Once a year
All energy/water/gas meter readings will be made available to Amvest through eView (smart meters) and the property managers (providing proof) after which it will be calculated against all such meters in the portfolio. Meter readings behind the front door are approached using usage rates on postal code level (standaard jaar verbruiken)
Manual data from property managers, Eview, CWING, SJV's
When all data becomes available, KPMG will be able to take sample selection to ensure data is correct en verified
Coverage rate: 87.4% (2020: 87.5%)

#### **CARBON EMISSION**

Objective	Measure carbon emissions from the ARC Fund
KPI owner	Amvest
Definition	The total CO <sub>2</sub> emissions in kg or tonnes of the buildings of the ARC Fund
Scale / unity	# kg CO <sub>2</sub> / m <sup>2</sup> / year
Calculation	Electricity: • The amount of electricity in kWh per building is made clear via ESG Data Template of Cool Tree (see KPI Energy Use Intensity) • The buildings for which 100% green electricity is purchased are taken from the total consumption in kWh • The total amount of kWh of 'gray' electricity is converted to kg of CO <sub>2</sub> in accordance with the emission factors of www.co2emissiefactoren.nl. 1 kWh = 0.5560 kg of CO <sub>2</sub> Gas: • The amount of gas in m <sup>3</sup> per building is made clear via ESG Data Template of Cool Tree (see KPI Energy Use Intensity) • The buildings for which 100% green gas is purchased are taken from the total consumption in m <sup>3</sup> • The total amount of m <sup>3</sup> natural gas is converted to kg CO <sub>2</sub> in accordance with the emission factors of www.co2emissiefactoren.nl. 1 m <sup>3</sup> natural gas = 1.88 kg CO <sub>2</sub> • District steam generated in a centralized location for residential heating requirements in GJ is converted into 35,97 CO <sub>2</sub>
Target	Improving kg CO <sub>2</sub> reduction compared to previous year
Scope	All buildings in the ARC Fund, that are included in the annual report of the specific year (only buildings with a 100% data coverage are included, see coverage rate). The buildings that are not in use for a full calendar year fall outside the scope as this may distort the data due to seasonal effects.
Frequency	Once a year
Reporting process	<ul> <li>The energy consumption is compiled based on the data as described in the KPI Energy Use Intensity</li> <li>Subsequently, the tenants are asked which energy contracts have been concluded for gas and electricity</li> <li>The total CO<sub>2</sub> emissions are determined based on energy consumption and contract types</li> </ul>
Systems and sources	The systems used for the energy usage form the source
Audit process	<ul> <li>The data for the consumption is already checked by Cooltree and added in ESG Data Template of Cool Tree</li> <li>The conversion factors are checked on the website of www.co2emissiefactoren.nl</li> </ul>
Result 2021	Average carbon emission Intensity 2021: 48.6 kg CO <sub>2</sub> / m <sup>2</sup> / year This shows an increase of 11.2% in comparison to previous year based on the new measurement method*.

\* In 2021 a new measurement method for the KPI is used. In this new method, the amount of consumed energy is divided by the actual square meters of a building covered by the consumption data, instead of by the square meters of the total building. Due to this change the Energy Use Intensity figure has increased compared to the figure reported in the 2020 annual report. For comparison reasons the annual figures used for calculating the change percentage between 2020 and 2021 are both based the new measurement method.

#### **GENERATED ECONOMIC VALUE**

Objective	Create a stable dividend yield for the funds investors
KPI owner	Amvest
Definition	The realised dividend yield of the ARC Fund per calender year
Scale / unity	Absolute percentage
Calculation	The dividend of a calander year that is reserved for payment to the investors of the ARC Fund as percentage of the NAV per 1/1
Target	Stable dividend yield of >2.9%
Scope	The dividend yield of the ARC Fund
Frequency	Once a year
Reporting process	The financial staff of the fund calculates the yearly dividend yield and reports about it in the annual report
Systems and sources	Amvest financial systems
Audit process	Financial process of Amvest
Result 2021	2.9%

#### **VACANCY RATE**

Objective	Maintain a minimal stable vacancy rate	
KPI owner	Amvest	
Definition	The realised vacancy rate of the ARC Fund per calender year	
Scale / unity	Absolute percentage	
Calculation	The average vacancy rate of all existing properties of the ARC Fund, corrected for property size (excluding properties built in 2020/2021)	
Target	<2.75%	
Scope	The vacancy rate of the ARC Fund	
Frequency	Once a year	
Reporting process	The financial staff of the fund calculates the vacancy rate for all properties and reports about it in the annual report	
Systems and sources	Amvest financial systems	
Audit process	Financial process of Amvest	
Result 2021	2.8%	

#### **INVESTING IN MID-PRICED RENTAL SEGMENT**

Objective	Maintaining a minimum portfolio allocation in the mid-priced segment (mid-priced formulated in ARCF Portfolio Plan 2021)
KPI owner	Amvest
Definition	The end-year portfolio allocation of the ARC Fund in the mid-priced segment
Scale / unity	Absolute percentage
Calculation	The percentage of homes (both single-family and multi-family) in absolute numbers of the ARCF allocated in the mid-priced segment compared to the ARCF portfolio
Target	Minimum of 75%
Scope	The allocation in mid-prized houses of the ARC Fund
Frequency	Once a year
Reporting process	The financial staff of the fund calculates the portfolio allocation of the fund and reports about it in the annual report
Systems and sources	Amvest financial systems
Audit process	Financial process of Amvest
Result 2021	83.1%

#### LIMITED RENTAL INCREASE

Objective	Ensuring that no property has an average increase in rent exceeding the advised rental increase of the IVBN
KPI owner	Amvest
Definition	The rental increase of the ARC Fund per property
Scale / unity	Absolute percentage
Calculation	The highest percentage of rental increase in a property, and compare it to the advised rental increase from the IVBN
Target	Equal to or below IVBN recommendation
Scope	ARCF rental increases
Frequency	Once a year
Reporting process	The financial staff of the fund has an overview of the rental increase per property
Systems and sources	Amvest financial systems
Audit process	Financial process of Amvest
Result 2021	2.0%, IVBN recommendation 2.3%

#### **RENOVATION ROAD MAP**

Objective	Draw up a renovation roadmap for all properties
KPI owner	Amvest
Definition	The renovation roadmap provides guidance for sustainable tranfomation of the portfolio towards energy neutral
Scale / unity	# KWh netto energy consumption
Calculation	This Roadmap links up with the Carbon Risk Real Estate Monitor (CRREM). The CRREM decarbonisation pathways align with the Paris climate goals of limiting global temperature rise to 2°C, with the ambition towards 1.5°C.
Target	A roadmap in which all objects of the fund are incorporated and on the basis of which a sustainability trajectory can be calculated
Scope	All buildings in the ARC Fund
Frequency	Once a year
Reporting process	The roadmap is drawn up using information provided by Amvest
Systems and sources	Dashboard roadmap tool
Audit process	KPMG checks whether the roadmap is drawn up.
Result 2021	The roadmap is drawn up this meets the target for the year.

## **CONTACTS**

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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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