AMVEST

Sustainable Finance Disclosure Regulation (SFDR)

Amvest Investment Management

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 on 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.

Based on the SFDR, Amvest, in its role as manager, is required to set out on its website:

1. how it plans to deal with sustainability risks in its investment decisions and what the consequences of this will be;

2. publish information about the way in which the negative impact of investments on sustainability factors will be handled; and

3. set out how it deals with sustainability in its investment decision policy and its remuneration policy and to detail the consequences of its approach.

In addition, the regulation contains transparency requirements at fund level. For these requirements we refer to the funds under Amvest management:

- Amvest Residential Core Fund;
- De Utrechtse Fondsen Vastgoed C.V.;
- Amvest Living & Care Fund.

Re. 1 Integration of sustainability risks into investment decision policy for investment decisions

Based on the SFDR, Amvest is required to indicate how it takes sustainability risks into account in its investment decisions. 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.

On behalf of the investors in funds under its management, Amvest invests in residential real estate. For investments in real estate, specific sustainability risks are relevant. Real estate is subject to the following:

<u>Transition risks – risks based on the transfer from a fossil economy to a climate-neutral economy.</u>

Based on additional laws and regulations and/or changes to the current laws and regulations, new requirements can be placed on the energy usage and CO_2 emissions of real estate. These developments can have consequences for the value of the real estate investments and can lead to costs associated with making real estate objects more sustainable.

Climate risk – (physical) risks resulting from climate change

In certain areas, buildings or the ground on which has been built, may get damaged during extreme weather such as heat, or due to slow developments such as rising sea levels. This may result in a lower valuation of the real estate investments.

Social risks – risks resulting from social trends and developments.

It is important that Amvest focuses on the satisfaction of tenants and the affordability of the homes based on its mission "Giving people a great home" and "Fair living for all generations."

Not advocating well enough for the interests of tenants may result in a lower tenant satisfaction. As a result, homes can be less attractive to tenants.

- Potential i) additional costs for maintenance, ii) lower rental income and iii) lower valuation of real estate are possible consequences that can result in a decline of the return of investment of the real estate funds managed by Amvest. For this reason, the sustainability risks are taken into account in investment decisions. Amvest has implemented these requirements as follows:

- when purchasing a new-build complex, the schedule of requirements is the minimum that must be complied with. This schedule includes a minimum of technical and sustainability requirements that are often more stringent than the current building code. For new-build complexes pursuant to the building regulations, stringent rules apply with regard to the expected energy usage and CO2 emissions2. These data are recorded and guarantee that new investments comply with the most recent requirements;

- when there is intent to acquire 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 as outlined in the current Portfolio Plan (e.g. the required energy label) and there is no cost-effective way to bring the building up to the desired sustainability level (in due course), then as a rule the purchase will not take place ;

- For the various real estate portfolios, Amvest has formulated CO2 reduction objectives and will be measuring by how much the CO2 emissions of the real estate portfolio have been reduced. Based on this analysis it is determined which complexes are eligible for a sustainability investment (e.g. solar panels or renovation) or disinvestment (sale of complex). Making the portfolios more sustainable is the starting point in managing the transition risk and investment decisions will be geared to achieving this aim.

- Amvest provides insight into physical climate risks based on climate risk scans. Based on these scans, a clear image can be created of the exposure of real estate objects to various types of physical risks;

- An annual survey is conducted on the topic of tenant satisfaction among tenants of the existing complexes, and, based on the results, we identify which areas could be improved;

- Both in the individual investment decisions and at portfolio level, the affordability of homes will be examined, with, as a starting point, a focus on the mid-range segment.

The described measures and frameworks have been included in various documents, including the Programme of Requirements, which newly acquired real estate must comply with, fund terms and conditions, portfolio plans, quarterly reports and annual reports. The measures described ensure that sustainability risks, particularly in terms of the environment, are taken into account in investment decisions with the aim of preventing risks as much as possible.

Re. 2 Taking into account negative effects on sustainability factors

Investments in real estate can have a negative impact on sustainability factors – environmental and societal. 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 certain sustainability factors.

Providing insight into and limiting the negative effects of real estate on environmental factors is easily done. Amvest currently views CO2 emissions and the energy use and consumption of its investments as the most important negative effects of real estate on sustainability factors.

When it comes to acquiring real estate, the Amvest 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 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 first discusses an investment proposal extensively in a range of bodies before being permitted and able to take 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. 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 is shown to have a possible unfavourable effect on sustainability factors, then the likelihood of this unfavourable effect occurring and the severity of the impact will be examined based on a property analysis and the available data among other things once a year. Based on this analysis, Amvest can take the decision either to modernise this investment until it once again meets the requirements, or to sell it.

Amvest supports a number of international standards focused on including sustainability aspects into operations and on investing. For example, Amvest and its funds take part in the GRESB benchmark. GRESB is the annual worldwide benchmark on ESG themes (Environmental, Social, Governance). Amvest is also signatory for the United Nations Principles for Responsible Investment (UN PRI), an international commitment for investors that promotes the integration of ESG into investment decisions. Based on the UN PRI a report must be made of the way in which Amvest has given substance to this commitment.

Re. 3 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 into the remuneration policy. 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 in the area of sustainability;

- 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.