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1. Introduction

1.1 About Vastned

Vastned Retail N.V. (Vastned) is a leading listed European retail property company with a focus on high streets in historic city centers. Vastned invests in selected cities in Europe, with a focus on the Netherlands, Belgium, France and Spain. Vastned invests with a clear focus on the best retail properties in the most popular shopping streets. Vastned's tenants are strong and leading international and national retailers. The portfolio amounts to approximately € 1.5 billion as per June 2020.

Investing in historic city centers of larger European cities is attractive due to the positive demographic growth, strong purchasing power, cultural heritage, tourist appeal and the presence of national and international institutions and universities. Historic city centers offer a unique shopping experience through its authenticity.

The company's strategy is aimed at generating stable and predictable long-term results, inter alia by improving the quality of the portfolio in terms of sustainability and energy performance.

Figure 1: Portfolio segmentation by city (market value)

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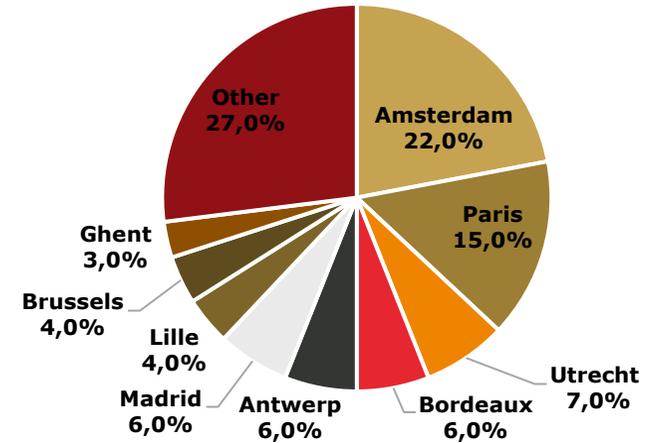
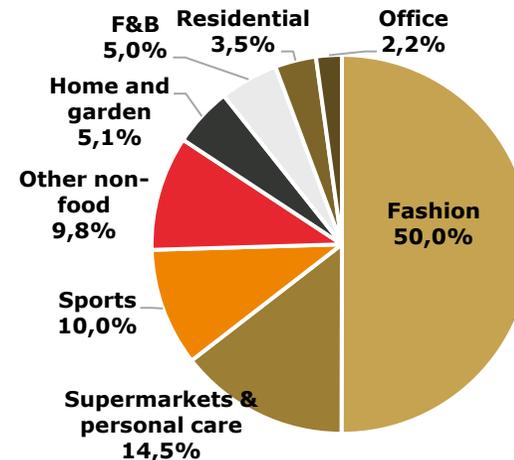


Figure 2: Tenant branch allocation (rent in percentage of total)

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1. Introduction

1.2 Vastned and Corporate Social Responsibility

As a leading player in the commercial real estate market in historical city centres, Vastned takes its responsibility to contribute to the quality of life and the preservation of cultural heritage of historic inner cities. With its strategy Vastned aims to create long-term value for its stakeholders, including its shareholders, tenants, financiers and staff, as well as to local communities and visitors of the historical city centers.

Minimizing footprint of property and creating residential space

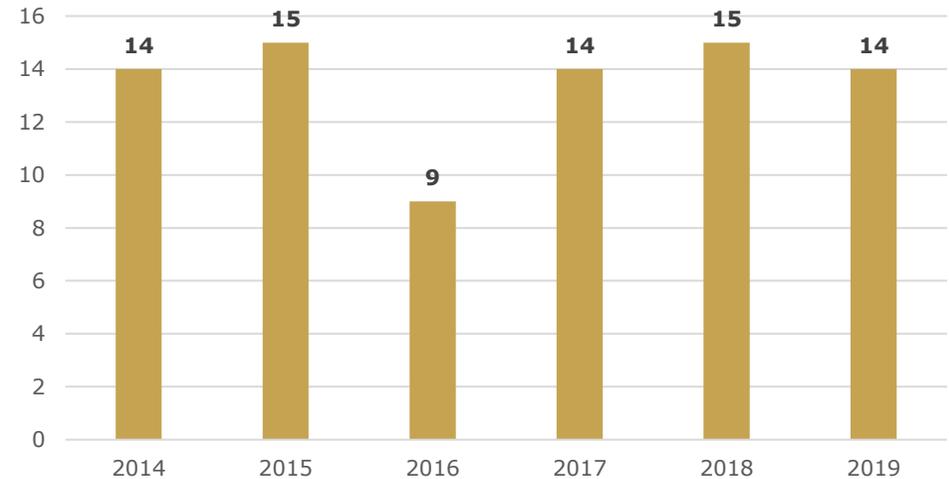
By continuing to invest in cultural heritage, Vastned extends the functional lifespan of the properties while contributing to the attractiveness of city centres. Part of the commercial real estate buildings in its portfolio are already energy efficient. Vastned is aware that improvement can still be made in its portfolio and, hence, aims to increase energy efficiency of its assets. Due to ongoing urbanization, it is important for society that the housing stock in historical inner cities is expanded. Through converting empty spaces above shops into residential units, city centers are livelier after closing time, which enhances social control and the feeling of safety. Figure 3 shows the apartments that were renovated and created by Vastned since 2014.

Walk the talk: transparency and carbon neutral operations

Vastned's annual report of 2019 was awarded the EPRA BPR Gold Award for the 10th time. For its sustainability reporting efforts, Vastned has won the EPRA sBPR Gold Award for the 4th time in a row.

Every year Vastned calculates the level of CO₂ its operations have emitted during the previous year. Through its collaboration with Climate Neutral Group, Vastned fully compensates its CO₂ emissions generated by the operational side of Vastned since 2012. Climate Neutral Group invests in emission reduction projects which combine energy, environment and developmental solutions into sustainable business opportunities in developing countries.

Figure 3: Creation and renovation of apartments



EPRA Gold Awards



1. Introduction

1.3 Sustainability Framework

Vastned considers sustainability in the broadest sense as an integral part of its mission, strategy and organization. The company has set itself the task of creating long-term value for its stakeholders, including its shareholders, tenants, employees, financiers and society. In doing so, Vastned means to act and report as transparently as possible. To achieve these goals Vastned has set up a Sustainability Framework that connects Vastned's financial and non-financial information.

The Sustainability Framework explains how Vastned's mission and values jointly contribute to the realization of both financial and non-financial goals. Vastned's mission as a company and its sustainability mission are complementary to each other and lead to stable and predictable long-term results, as the functional lifespan of properties in historic city centers is extended and livability and safety in the area are improved.

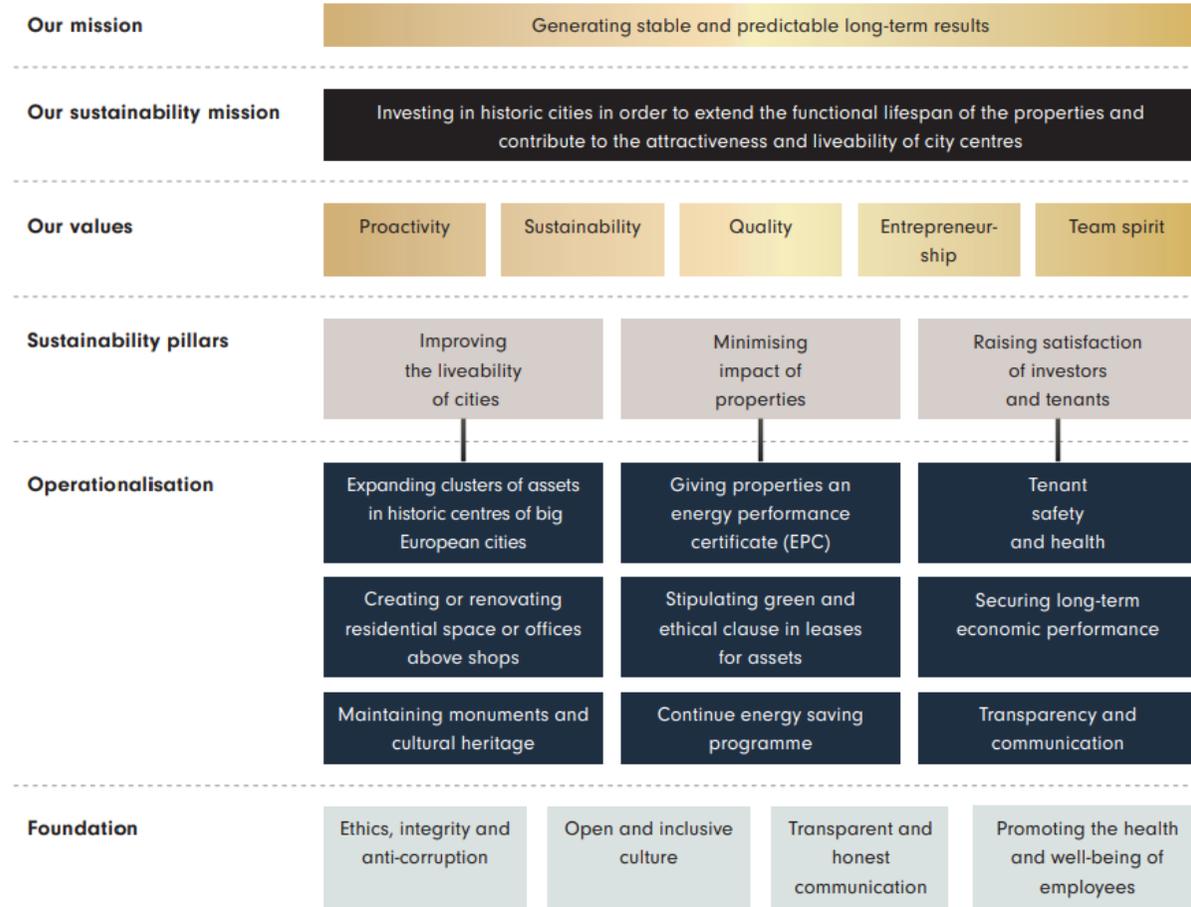
Through stakeholder dialogue Vastned has formulated 'material topics' that are of great importance to Vastned and its stakeholders.

The material topics are divided into three pillars:

- Improving the livability of cities;
- Minimising the impact of properties;
- Raising satisfaction of investors and tenants.

In this way, Vastned works in a sustainable way to maintain, expand and strengthen a high-quality portfolio.

Vastned's Sustainability Framework



1.4 Do No Significant Harm principles

Vastned aims to mitigate the impact of its real estate assets on the six EU Environmental Objectives. In its Code of Conduct¹⁾, the company states that Vastned and its staff members keep the “here and now” as well as the consequences “there and then” of their activities into account. The same is expected from business relations. The statement implies that staff members and business relations will strive to minimize the use of natural resources during their business activities.

Vastned operates in line with its Sustainability Framework²⁾, implying that sustainability is a structural part of its business operations and leading to activities that include - but are not limited to - monitoring the EPC labels of its assets and supporting energy saving programmes.

To extend the impact the company can make, Vastned also includes green and ethical clauses in new leases in order to make its tenants aware of their impact on the environment and on society. These clauses address subjects such as the use of natural resources, circular economy, the standards of the International Labour Organization, international codes and standards of conduct, human rights, child labour and animal welfare.

Furthermore, Vastned has endorsed a wide selection of sustainability guidelines and initiatives, which include ambitions and commitments such as:

- The Paris Climate Agreement;
- The 10 principles of the United Nations Global Compact for human rights, working standards, the environment and the fight against corruption;
- The OECD guidelines for corporate social responsibility.

1.5 Social Safeguards

It is of utmost importance to Vastned to create an environment in which staff members can perform their work honestly, ethically and transparently, in accordance with Vastned’s interests. For this reason, a high-quality organisation, a healthy work environment and the health and well-being of the employees are high on the company’s agenda.

The company’s Code of Conduct¹⁾ states that staff members and business relations are expected to consider the social challenges of our time and are expected to respect human rights (including those of children) and animal welfare.

Vastned endorses the ‘OECD guidelines for corporate social responsibility’, the ‘10 principles of the United Nations Global Compact for human rights, working standards, the environment and the fight against corruption’ and the ‘principles and rights set out in the eight fundamental conventions identified in the International Labour Organization’s declaration on Fundamental Rights and Principles at Work’.

Furthermore, the company also has a separate regulation on incidents, a whistle blower's code and a diversity policy.

1) <https://vastned.com/Upload/2017.12.01-Vastned-code-of-conduct.pdf>
2) <https://vastned.com/Upload/2017-Vastned-Annual-Report-material-subjects.pdf>

1. Introduction

1.6 Commitment to the United Nations SDG's

In 2015, the United Nations (UN) formulated seventeen key development goals for 2030. Vastned is inspired by the UN Sustainable Development Goals (SDGs) and acknowledges their importance. Vastned has identified six main goals that it can contribute to and has included these in the core values of the business strategy.



The following ten sub goals have been included in Vastned's financial and non-financial objectives:

SDG: 5.1 & 5.5

- End all forms of discrimination against women and girls.
- Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making.

Vastned has defined a diversity policy that aims to create equal opportunities for everyone in the organization. This aim finds its concrete implementation in the intention for the Executive Board, the Supervisory Board and the Management Team to comprise at least 30% women and at least 30% men.

SDG: 7.3 & 12.2 & 12.6

- Double global energy efficiency by 2030.
- By 2030, achieve the sustainable management and efficient use of natural resources.
- Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

It is vital that properties are managed sustainably and efficiently, making use of the original components of the properties as much as possible in view of their protected status as monuments. By being an example in the area of transparency, Vastned also encourages other companies in the property sector to report on non-financial information.

1.6 Commitment to the United Nations SDG's (continued)

SDG: 8.5

By 2030, achieve full and productive employment and decent work for women and men, young people and persons with disabilities. Equal pay for work of equal value.

Employees come first at Vastned. Vastned helps to create a pleasant work environment for all its employees in Europe. By focusing on long-term results Vastned employees can grow in a stable work environment in step with the organization.

SDG: 11.4

Strengthen efforts to protect and safeguard the world's cultural and natural heritage.

Most of the assets in Vastned's portfolio have been designated as listed monuments and/or are in urban conservation areas. Vastned feels a deep sense of responsibility for keeping this cultural heritage in a good condition. Regular maintenance is done on the properties, and the shops and houses are renovated.

SDG: 16.3 & 16.5 & 16.6

- Promote compliance with national and international laws and regulations.
- Substantially reduce corruption and bribery in all their forms.
- Develop effective, accountable and transparent institutions at all levels.

Corruption is countered by actively complying with laws and regulations and by making employees aware of them through training and using codes of conduct. By continuously working towards transparent, fair and ethical communication with its stakeholders about its activities, Vastned contributes to the development of transparent institutions in the property sector.

1.7 Background of the Vastned Green Finance Framework

- Vastned has developed its Green Finance Framework (the Framework) with the aim to attract funding to (re)finance energy efficient commercial and residential real estate assets which contribute to the preservation of historical city centres. Under this Framework, Vastned can issue a variety of green finance instruments, including green bonds, green private placements, green (syndicated) loan facilities and other green debt instruments.
- The Framework provides a clear and transparent set of criteria for green finance instruments issued by Vastned and is consistent with the guidelines of the Green Bond Principles (ICMA, 2018) and the Green Loan Principles (LMA/APLMA, 2020). These voluntary process guidelines are developed in multi-stakeholder processes involving issuers, investors, financial institutions and NGO's, with a view to promoting the development and integrity of the sustainable finance market.
- The Framework also outlines guiding principles for sustainability-linked finance instruments where the financial and/or structural characteristics of the finance instrument can vary depending on whether Vastned achieves predefined Sustainability / ESG objectives.
- Vastned may update or expand this Green Finance Framework to align with emerging market standards and best-practices, such as the EU Taxonomy of sustainable economic activities, the introduction of the EU Green Bond Standard (EU GBS) and other relevant standards and guidelines.



2. Vastned Green Finance Framework

The Vastned Green Finance Framework follows the core components of the voluntary process guidelines of the Green Bond Principles (GBP) and the Green Loan Principles (GLB) and includes the following sections:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting
5. External review

2.1 Use of proceeds

Vastned intends to use an amount equivalent to the net proceeds of the green finance instruments issued under this Framework to finance and/or refinance, in whole or in part, new and / or existing energy efficient commercial and residential real estate assets (Eligible Assets). The Eligible Assets will be located in the Netherlands, France, Belgium and / or Spain.

Eligible Assets are required to meet the eligibility criteria included in the table at the right. The Eligible Assets are also mapped to the UN Sustainable Development Goals (SDGs) and the EU Taxonomy draft Delegated Act for economic activities that contribute to Climate Change Mitigation.

Category & SDG mapping	Eligibility Criteria	EU Taxonomy environmental objective & economic activities
<p>Green Buildings</p>  	<p>Commercial and residential buildings which meet any of the following criteria:</p> <p>Newly constructed and existing buildings:</p> <ul style="list-style-type: none"> • EPC Label “A” or better in the Netherlands • EPC Label “A” or better, or E-peil level ≤ 60 in Belgium • EPC Label “A” or better in France • EPC Label “C” or better in Spain <p>Building renovation: The renovation will achieve, or has achieved, a saving of at least 30% in primary energy demand.</p>	<p>EU Environmental objective: Climate change mitigation.</p> <p>EU Taxonomy economic activities:</p> <ul style="list-style-type: none"> ▪ 7.1 Construction of new buildings. ▪ 7.2 Renovation of existing buildings. ▪ 7.7 Acquisition and ownership of buildings.

2. Vastned Green Finance Framework

2.2 Process for Project Evaluation and Selection

The use-of-proceeds defined in this Framework regard energy efficient real estate assets which contribute to the preservation of cultural heritage as well as (inter)national greenhouse gas emission reduction targets.

All potential Eligible Assets first and foremost comply with environmental and social laws and regulations as well as the policies and standards of Vastned which aim to manage and mitigate environmental, social and governance risks. These include, but are not limited to, Vastned's Sustainability Framework¹⁾ and the Code of Conduct²⁾.

On at least an annual basis, the Business Analyst of Vastned selects existing and potential new Eligible Assets. Subsequently, the Green Finance Committee of Vastned verifies whether the proposed assets comply with the criteria of Eligible Assets as included in paragraph 2.1 of this Framework and subsequently approves its portfolio of Eligible Assets.

The Green Finance Committee is composed of the Business Analyst, the Treasurer and CFO of Vastned.

2.3 Management of proceeds

The Treasurer of Vastned will manage the net proceeds of issued green finance instruments on a portfolio basis by using an internal tracking system. As long as the green finance instruments issued under this Framework are outstanding, Vastned aims to allocate an amount equivalent to the net proceeds of these instruments towards its portfolio of Eligible Assets. Vastned aims to prioritize allocation towards new financing for building construction and renovation, followed by allocation to refinancing of existing buildings.

In case a specific building is divested or does no longer meet the criteria of Eligible Assets as included in section 2.1, it will be removed from the portfolio of Eligible Assets. In such a scenario, Vastned will strive to replace the asset with other Eligible Assets as soon as reasonably practicable. Vastned aims to ensure that the total volume of issued green finance instruments will not exceed the value of portfolio of Eligible Assets.

Vastned intends to fully allocate the net proceeds of issued green finance instruments within a timeframe of maximum 2 years after issuance. Pending the allocation of the net proceeds to the portfolio of Eligible Assets, or in case insufficient Eligible Assets are available, Vastned will manage the unallocated proceeds in line with its treasury policy (i.e. held in cash or cash equivalents).

The allocation of the net proceeds of issued green finance instruments to the portfolio of Eligible Assets will be reviewed and approved by the Green Finance Committee of Vastned on at least an annual basis, until full allocation of the net proceeds of issued green finance instruments.

1) <https://vastned.com/Upload/2017-Vastned-Annual-Report-material-subjects.pdf>
2) <https://vastned.com/Upload/2017.12.01-Vastned-code-of-conduct.pdf>

2.4 Reporting

2.4.1. Allocation of proceeds reporting

On an annual basis, until full allocation, Vastned will report to lenders and investors on the allocation of the net proceeds of issued green finance instruments to its portfolio of Eligible Assets if it has green finance instruments outstanding. The report provides the following information:

- An overview of the green finance instruments issued under the Framework and the total amount outstanding (in EUR) of issued green finance instruments;
- The allocation of the net proceeds of issued green finance instruments to a portfolio of Eligible Assets, including information on:
 - The composition of the portfolio of Eligible Assets;
 - A breakdown by geographical area (country level);
 - A breakdown of new financing vs. refinancing; (i.e. share of allocation to projects constructed / refurbished in the past 12 months and share of allocation to existing projects);
- The amount of unallocated proceeds, if any.

2.4.2. Impact reporting

On an annual basis, Vastned intends to report on the environmental credentials of the portfolio of Eligible Assets to which the net proceeds of issued green finance instruments have been allocated. Where feasible and available, the impact reporting will include:

- An overview of Eligible Assets and their environmental classification (i.e. EPC label classification, achieved energy savings for refurbishments, split between commercial and residential real estate and total square meters);
- Energy savings and CO₂ emission reduction (in tonnes CO₂);
- Selected case studies of Eligible Projects.

The allocation- and impact reporting will be made publicly available as part of the annual report and will be available on the **Vastned website**.

2.5 External review

2.5.1. Second Party Opinion

Prior to the inaugural issuance under this Framework, Vastned has commissioned Sustainalytics – a provider of environmental, social and governance (ESG) research and analysis – to provide a Second Party Opinion for its Green Finance Framework.

Sustainalytics reviewed the Vastned Green Finance Framework and issued a Second Party Opinion which concluded that “the Vastned Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2020.”

The Second Party Opinion is publicly available on the **Vastned website**.

2.5.2. Independent verification

Vastned will appoint an independent verifier to provide a post-issuance review addressing the allocation of the net proceeds of issued green finance instruments on an annual basis until full allocation, or in case of significant changes in the allocation of proceeds.

The annual verification report will be publicly available on the Vastned website in the annual report.

3. Sustainability-Linked finance instruments

3.1 Approach to Sustainability-Linked finance instruments

Sustainability-Linked finance instruments issued by Vastned will be aligned with the core components of the Sustainability-Linked Bond Principles (ICMA, 2020) and/or the Sustainability-Linked Loan Principles (LMA, 2020).

The selection of Key Performance Indicators (KPIs), related targets as well as the impact on the structure of the bond or loan will be determined on a case-by-case basis subject to agreement between Vastned and the respective lender(s) and investor(s).

Keeping the following five principles in mind Vastned invites lenders and investors to reach out and develop KPIs and other related targets with Vastned.

1. Selection of Key Performance Indicators

KPIs selected for Sustainability-Linked debt instruments are material for the core business of Vastned and key to its Corporate Social Responsibility strategy (e.g. performance targets in line with growth of EPC labels).

2. Calibration of Sustainability Performance Targets

The KPIs and corresponding performance targets will demonstrate an advanced level of ambition which goes beyond 'business as usual'.

3. Debt instrument characteristics

The performance on KPIs included in Sustainability-Linked finance instruments will have a pre-defined impact on the structure of the financial instrument (e.g. the coupon / interest rate).

4. Reporting

Vastned is committed to publicly report on its performance on KPIs included in Sustainability-Linked finance instruments as part of its annual report.

5. Verification

The performance of Vastned on KPIs included in Sustainability-Linked finance instruments will be verified by an independent external party on an annual basis and will be included in the annual report.

The information and opinions contained in this Vastned Green Finance Framework (the Framework) are provided as at the date of this Framework and are subject to change without notice. None of Vastned Retail N.V. (Vastned) or any of its affiliates (jointly referred to as the Vastned Group) assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current Vastned Group policy and intent, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights or obligations.

This Framework is intended to provide non-exhaustive, general information. This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by the Vastned Group and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Vastned Group as to the fairness, accuracy, reasonableness or completeness of such information.

This Framework may contain or incorporate by reference statements about future events and expectations that are forward-looking statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. The Vastned Group will not update these forward-looking statements.

No representation is made as to the suitability of any green finance instruments to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of green finance instruments should determine for itself the relevance of the information contained or referred to in this Framework or the relevant green finance instruments documentation for such green finance instruments regarding the use of proceeds and its purchase of green finance instruments should be based upon such investigation as it deems necessary.

Vastned has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds, reporting and external review, in connection with the Vastned green finance instruments. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any such green finance instruments if Vastned fails to adhere to this Framework, whether by failing to fund Eligible Assets or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise.

In addition, it should be noted that all of the expected benefits of the Eligible Assets as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, the lack of available Eligible Assets, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding of Eligible Assets. Each environmentally focused potential investor should be aware that Eligible Assets may not deliver the environmental or sustainability benefits anticipated and may result in adverse impacts.

This Framework does not constitute a recommendation regarding any securities of the Vastned Group. This Framework is not, does not contain and may not be intended as an offer to sell or a solicitation of any offer to buy any securities issued by the Vastned Group. In particular, neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution. Any decision to purchase or otherwise to invest in any green finance instruments should be made solely on the basis of the information to be contained in any offering document provided in connection with the offering of such green financing instruments. Prospective investors are required to make their own independent investment decisions.