Vesteda Annual Report 2023

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At home with Vesteda

Our mission is to make sure that all our stakeholders feel at home with us, especially our tenants, our investors in the fund and our employees.

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Message from the Management Board

Dear stakeholders,

We are pleased to present you with our 2023 annual report, in which we describe the key developments and account for our financial and ESG performance.

Let's first start with the fire that broke out in the De Enter apartment complex in Amsterdam on June 3rd. Fortunately, all 95 households were able to leave the complex unharmed. However, all apartments were declared uninhabitable after the fire, due to the damage caused by soot and the water used by the firefighters. We helped our tenants in the best way we could and, with great support from fellow landlords, we managed to find alternative accommodation within several weeks. Investigators were not able to determine the cause of the fire. A contractor will soon start rebuilding the complex, which is expected to take at least until the end of 2024.

Vesteda's operational performance in 2023 has been strong and we met the majority of our KPIs. Also, our strategy of conservative debt financing paid off. Although we faced higher interest costs and negative revaluations, we comfortably met all our covenants and S&P affirmed our A- rating in July 2023.

We are proud that our continuous commitment on the ESG front was recognised, resulting in the global number one position in the 2023 Global Real Estate Sustainability Benchmark (GRESB). We now also have the largest BREEAM-certified real estate portfolio in the world, and we remain focused on further reducing the energy demand per housing unit and becoming Paris Proof by 2050 or earlier.

The outperformance of the tenant satisfaction score significantly increased. We believe this is the result of both our investments in sustainability and the ownership shown by our colleagues who are in direct contact with our tenants thanks to our in-house property management.

Our journey to become a High Performance Organisation continued and the latest survey score showed a further increase towards this goal. Furthermore, our employees consider working at Vesteda to be rewarding. Our first employee Net Promoter Score was exceptionally high. Vesteda employees are willing to recommend us as an employer, which has great value for us at a time when finding skilled and motivated people is challenging.

We once again outperformed the three-year MSCI benchmark and again received a high score in the participant satisfaction survey. All the above scores are important for us, especially as we are in the process of finding new investors to service redemption requests. We achieved some positive results on redemptions, closing three secondary transactions and the entire payout of the Redemption Available Cash.

Caretaker Minister for Housing, Hugo de Jonge, sent the Affordable Rent Act to Parliament, with the aim to extend the regulated rental segment. Vesteda and other IVBN members and NEPROM are critical and suggested several changes, which were only partly incorporated. De Jonge urged Parliament to pass the bill as soon as possible, with the aim of implementing it by 1 July 2024. It is unclear whether he will succeed, since some political parties have been critical towards additional regulations for the housing market.

Apart from announced governmental regulations adding uncertainty in the housing market, several courts across the Netherlands have ruled that certain rent increase clauses are deemed unreasonable and therefor null and void. These verdicts, when held up on appeal, could have a material financial impact, not just for Vesteda but for the entire Dutch real estate market. Appeals have been halted pending prejudicial questions that have been asked by the Amsterdam court to the Dutch Supreme Court. An "interested party" statement will be submitted to the Supreme Court on behalf of institutional investors. We are closely monitoring the outcome and the potential impact on Vesteda.

The current market challenges motivate us to qualify even more as a sustainable investor in homes for middle-income households. We will sell more assets to stay within our already conservative debt ratios and we will continue to be cost conscious. Subject to our leverage target of below 30%, we will stay in the market with low volume and high-quality acquisitions, at renewed and increased required return rates.

We do expect markets to recover, maybe not in 2024, but certainly in the medium term, due to the continued scarcity of rental homes. This is a strong fundamental for the medium and long term. In the meantime, we will continue to strive to be an outperformer on both financial and ESG aspects.

We would like to thank our stakeholders for their continued support and we wish our colleague Astrid Schlüter all the best in her anticipated new role as CEO as per 3 April.

Vesteda Management Board

Gertjan van der Baan (CEO) and Frits Vervoort (CFO)

Amsterdam, 15 March 2024

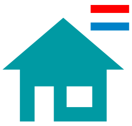
Vesteda at a glance

About Vesteda

Leading institutional residential investor

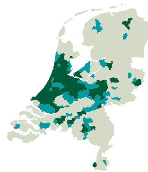
Vesteda is a residential investor and landlord that focuses on sustainable homes for middle-income households. Vesteda invests funds for institutional investors, such as pension funds and insurance companies. Our portfolio consists of 27,675 residential units and has a total value of approximately €9 billion. Our homes are mainly located in economically strong regions and core urban areas in the Netherlands. Vesteda is internally managed, is cost-efficient and has its own in-house property management.

Key characteristics



Dutch residential rental market

Middle income households



Primary regions

Fund

- Established in 1998 as a spin-off of the residential portfolio of Dutch pension fund ABP;
- Single fund manager;
- Internally managed: no management fee structures and no carried interest arrangements;
- Open-ended core residential real estate fund;
- Broad institutional investor base with a long-term horizon;
- Attractive risk profile;
- Limited use of leverage (target <30%); S&P credit rating A-;
- Active investor relations policy;
- In-house property management since 2003;
- Governance in accordance with best practice guidelines, including INREV, with the emphasis on transparency and alignment of interests;
- AIFMD (Alternative Investment Fund Managers Directive) licence obtained in 2014;
- Transparent for tax purposes: fund for the joint account of participants (Dutch FGR fund structure);
- GRESB five-star rating.

Assets

- Diversified portfolio consisting of nearly 500 residential complexes in economically strong regions;
- All in the Netherlands, all in residential and related properties;
- Focus on homes for middle-income households;
- Offer sustainable housing and operate in a socially responsible manner.

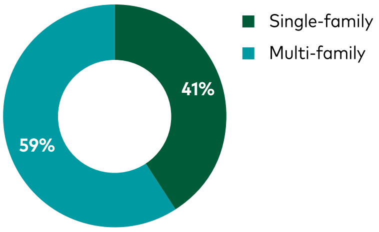
Targets

- Tenant satisfaction: Outperform the Customeyes benchmark;
- ESG performance: 99% green energy labels by year-end 2024 and become Paris Proof by 2050 or earlier;
- Financial performance: Outperform the three-year MSCI IPD Netherlands Residential Benchmark.

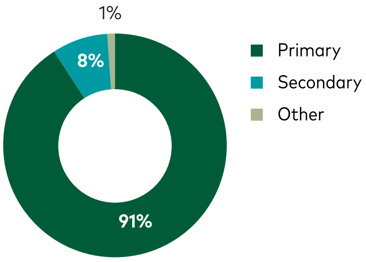
Portfolio overview

Number of residential units	Investment portfolio value	Occupancy rate	Gross rental income
27,675	€8.7 bln	99%	€378 mln

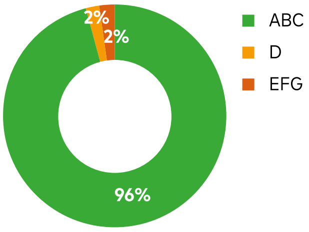
Portfolio by type of residential unit (weight in value)



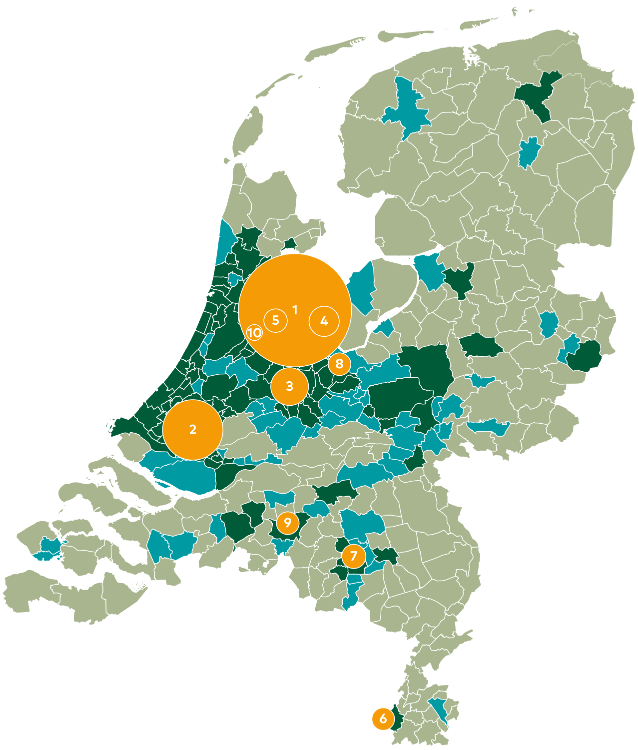
Portfolio by region (weight in value)



Portfolio by energy label (weight in units)



Portfolio distribution (value at year-end 2023)

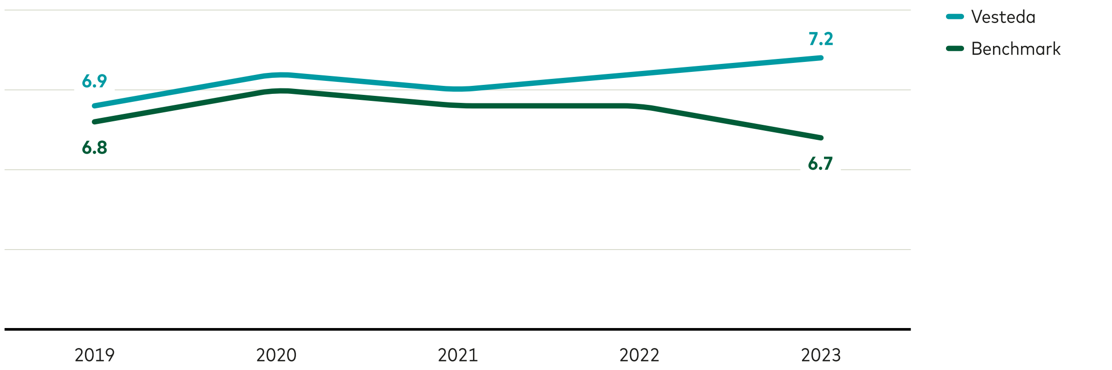


		€ million	% of total portfolio
1.	Amsterdam	1,770	21%
2.	Rotterdam	643	8%
3.	Utrecht	387	5%
4.	Almere	373	4%
5.	Diemen	293	3%
6.	Maastricht	275	3%
7.	Eindhoven	245	3%
8.	Amersfoort	210	2%
9.	Tilburg	207	2%
10.	Amstelveen	187	2%

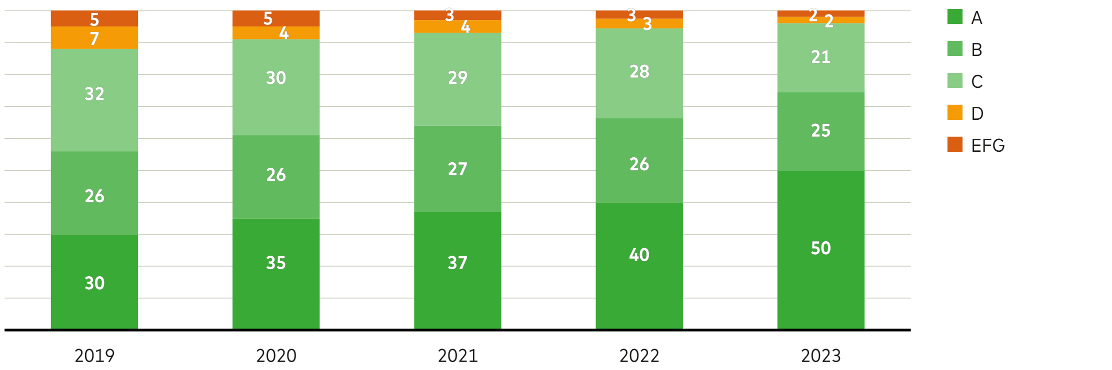
Vesteda focus regions
- Primary
- Secondary
- Other
- Top 10 region by portfolio value

Key figures

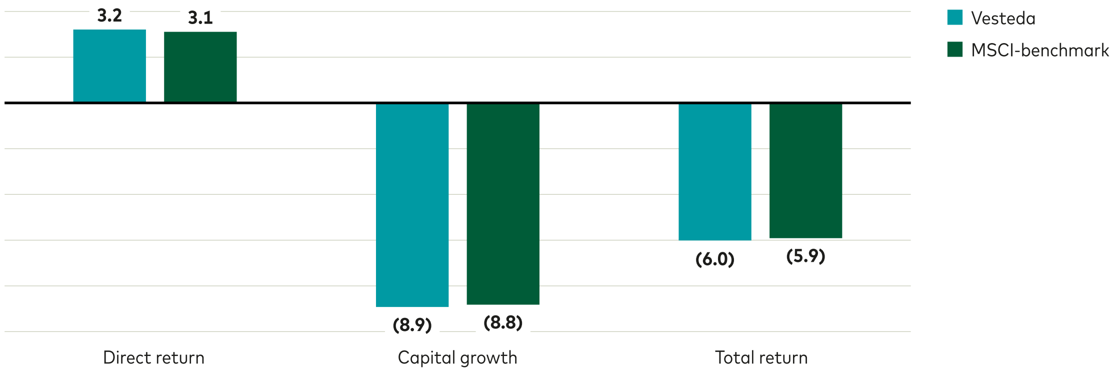
Tenant satisfaction (score out of 10)



Energy labels (%, weight in units)



Performance Vesteda vs MSCI benchmark (%, three-year average)



Note: Direct return and capital growth might not add up to total return as a result of time-weighted averages on a monthly basis.

Management report

Strategy

Our mission
At home with Vesteda. This applies to our tenants, the investors who invest in our fund and the employees who work at our company. Our mission is to make sure our key stakeholders feel at home with Vesteda. And we want to be the best landlord and residential fund in the Netherlands by outperforming on tenant satisfaction, sustainability and stable financial performance.

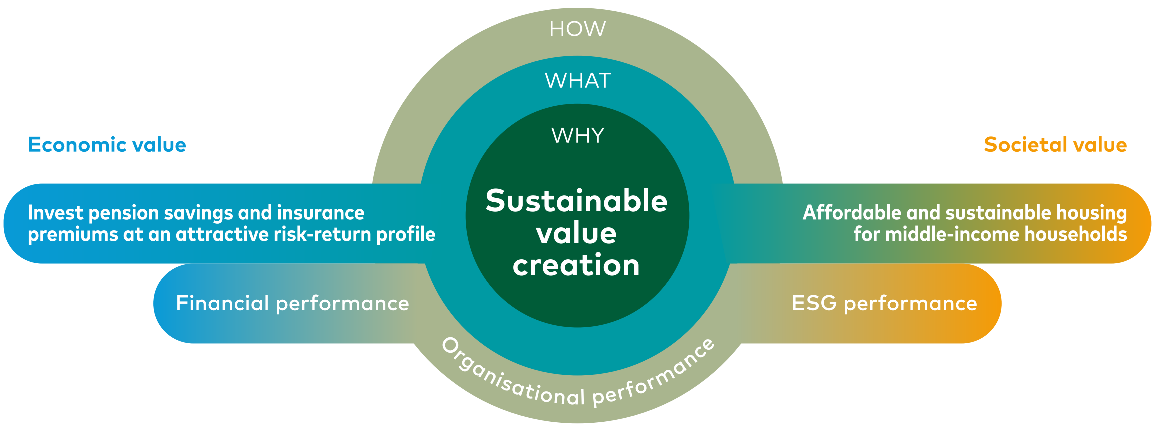
Our vision
Vesteda is the expert in residential living. We have direct contact with our tenants. This is why we know their current and future living requirements better than anyone. We use our knowledge to constantly improve our services and our existing residential portfolio. We also add residential complexes that are tailored to the living requirements of our tenants now and in the future and we do so in a sustainable and innovative manner. Together with our tenants, we create an environment in which they feel at home.

Our purpose
Vesteda invests the pension savings and insurance premiums entrusted to it by institutional investors, such as pension funds and insurance companies, in sustainable Dutch residential real estate for middle-income tenants. As such, we contribute to future income security for retirees, affordable living for Dutch middle-income households and to the continued improvement of the quality of urban communities. We focus on three areas:

- **Economic value:** we invest pension savings and insurance premiums at an attractive risk-return profile to provide income security for pensioners. Our aim is to deliver long-term outperformance on income and cost ratios;
- **Societal value:** we provide middle-income households with affordable and sustainable housing. We also want our tenants to feel at home with us, which means being able to live in a safe, attractive and healthy living environment;
- **Organisation:** economic and social value are linked through our 'High Performance Organisation'. Our engaged employees make our stakeholders feel at home at Vesteda through their way of working, whether they are making investment decisions, leasing and managing our properties, supporting tenants in the best way they can or supporting their colleagues in a professional way.

We measure our performance using a number of financial and ESG criteria. By outperforming on these criteria, we add maximum value and we can realise our goal of being the best residential investor and landlord in the Netherlands.

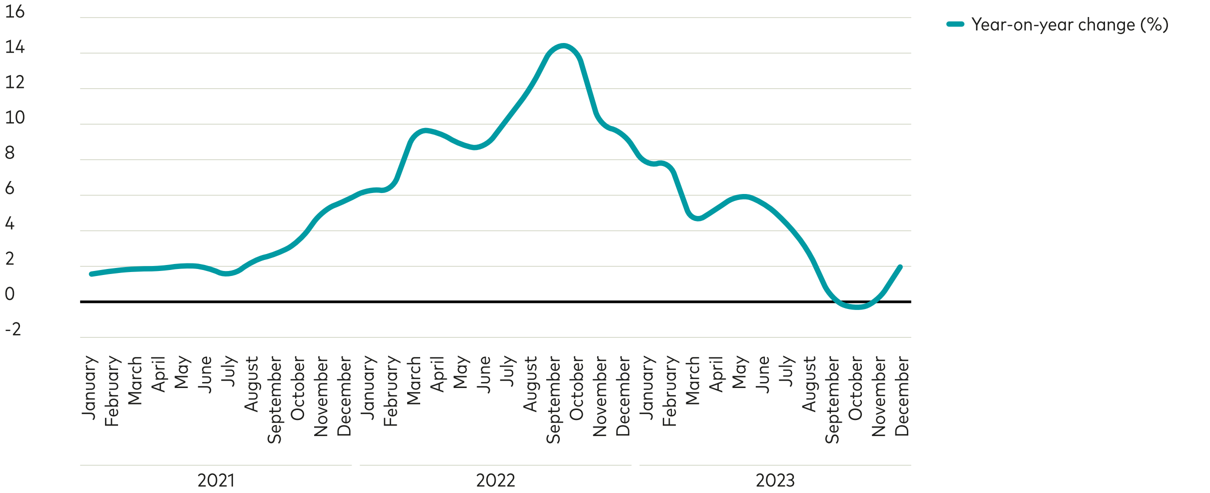
Vesteda vision framework



Market developments

The ongoing market dynamics in the Netherlands are primarily shaped by volatile inflation, high interest rates, the transition to sustainable energy, and increased government regulation. In 2023, inflation, a key macroeconomic factor relevant to the housing market, was 3.8% compared with 2022, following a notable inflation rate of 10.0% in the prior year. High energy prices contributed to the Consumer Price Index (CPI) in 2022, but were notably lower in 2023 (source: Statistics Netherlands).

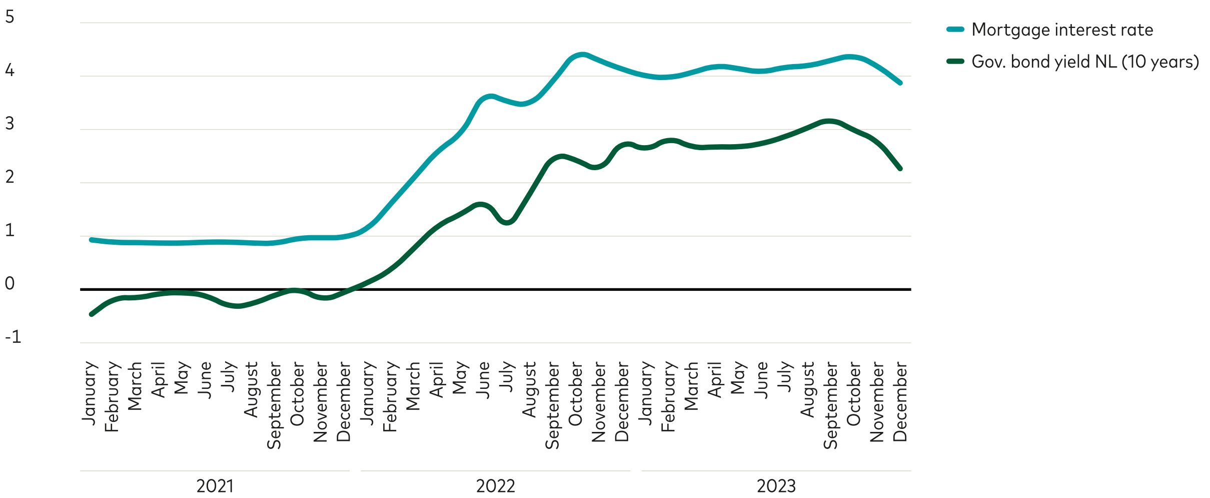
Inflation 2021-2023 (CPI)



Source: Statistics Netherlands

Central banks raised interest rates a number of times in 2023 as they battled burgeoning inflation. In turn, mortgage rates, rose in line with capital market rates, impacting the monthly expenses of homebuyers. Following a steep increase in interest rates in the Netherlands in 2022, the mortgage interest rates in 2023 showed more stability, fluctuating between 4% and 5%. At the end of 2023 Dutch mortgage providers like ABN AMRO, ING, and Rabobank lowered their mortgage interest rates, particularly for medium and longer fixed terms (source: Hypotheker).

Mortgage interest rate vs government bond yield NL (10 years)



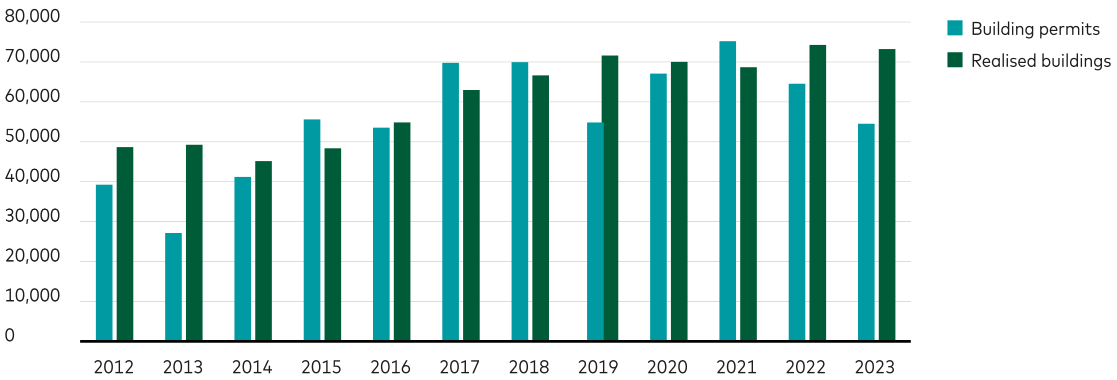
Source: IEX, BLG wonen

The impact of the high mortgage rates was also reflected in a drop in owner-occupied house prices. In 2023, existing homes were, on average, 2.8% less expensive than in the previous year, marking the first time in a decade that prices were lower than the preceding year (source: Statistics Netherlands). However, in recent months the housing market regained some momentum, partly due to the decline in mortgage rates. In the fourth quarter of 2023, more homes were sold at slightly higher prices, with the average selling price some 5.3% higher than in the same period of 2022 (source: NVM).

For the investment market, the combination of high interest rates and uncertainty regarding the regulation of the Dutch housing market led to a decline in investments in rental housing, particularly among international investors. In 2023, the transaction volume in the Dutch residential investment market plummeted by 51% compared to 2022 and came in at just, €3.8 billion. Of this total, €2.3 billion was invested in new-build rental housing, equivalent to around 9,000 homes, a significant drop from the annual average of 14,500 homes over the past five years (source: Capital Value). Furthermore, the proposed regulatory changes and the uncertainty about the regulation has resulted in an increase in the privatisations of existing rental homes. The introduction of rental price regulation pushes approximately 100,000 rental homes into the home-buying market (source: CBRE).

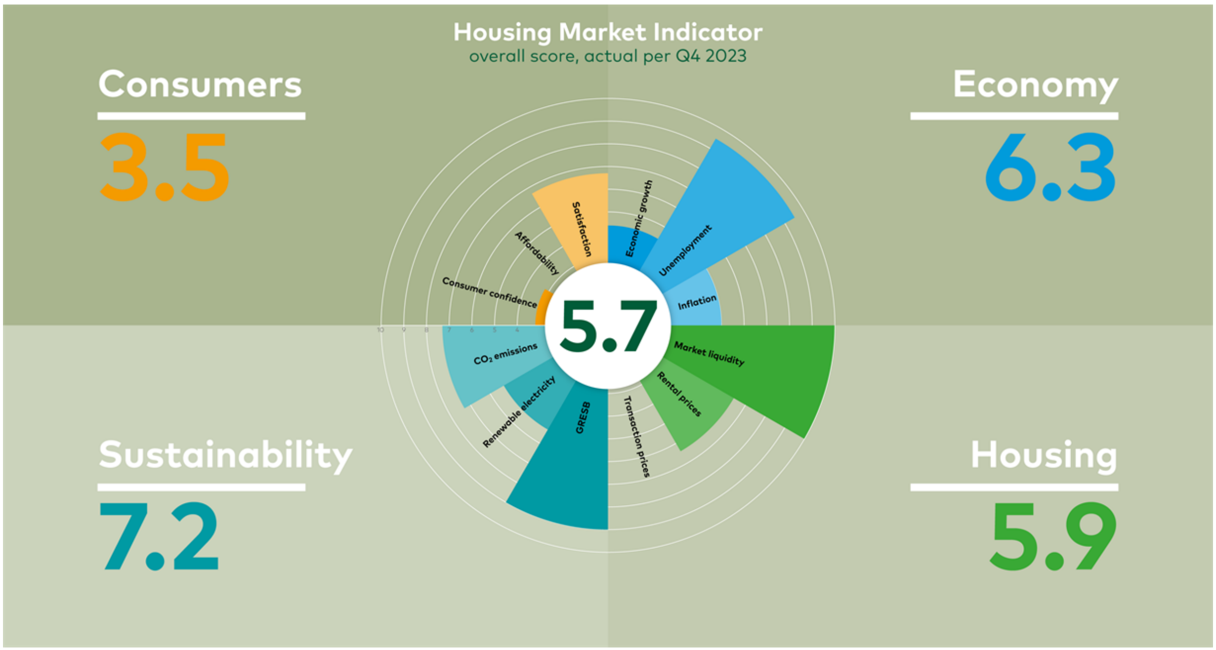
Given the sale of rental homes and limited addition of new build homes, the housing shortage is continuing to increase, particularly in the mid-rental segment. In 2023, housing construction remained reasonably steady at approximately 70,000 homes. However, the number of building permits issued for new-build homes in 2023 was less than 55,000, representing a decline of over 15% compared with 2022 and, this is only 55% of the government target. This shortfall will contribute to an increase in the housing shortage to more than 400,000 homes in 2025 (source: Statistics Netherlands, Capital Value).

Building permits vs realised buildings 2012-2023



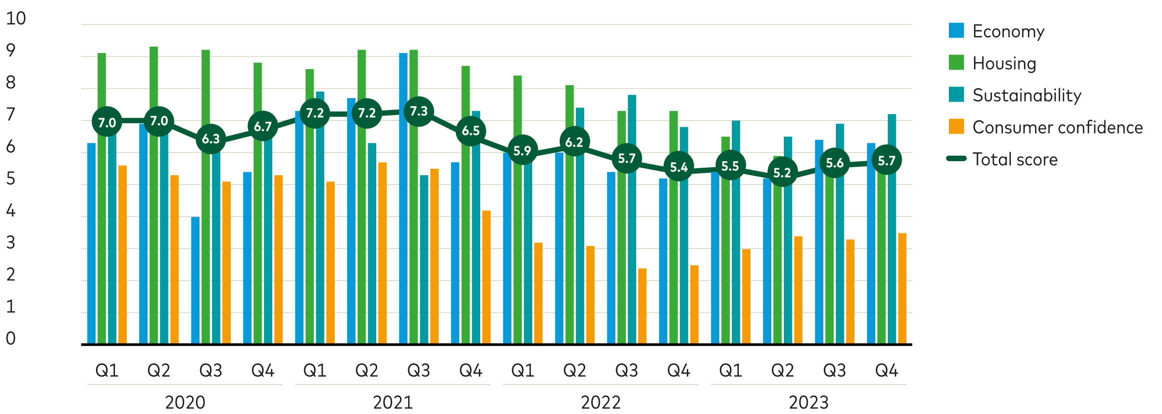
Source: Statistics Netherlands, Capital Value

Vesteda Housing Market Indicator, actual as per Q4 2023



Source: Vesteda

Vesteda Housing Market Indicator, Q4 2020 - Q4 2023



Source: Vesteda

The above described market dynamics over the past year are further substantiated by Vesteda's Housing Market Indicator (HMI). The HMI provides an overview of the most relevant drivers on the Dutch housing market from a residential investor's perspective. In 2023, the HMI remained fairly stable around a level of 5.5 with a modest improvement to 5.7 in the fourth quarter of 2023.

Drivers such as CO_2 emissions and consumer confidence saw significant score increases (+1.8 and +1.1, respectively). Furthermore, house prices are rising again, resulting in a higher score for this driver. However, in the overall score, the negative trends in renewable energy, economic growth, and affordability almost completely offset the above mentioned increases.

Despite the slight rise of the HMI, uncertainty in the housing market remains a matter of concern, partly due to the results of the national elections in late 2023.

Dutch elections & new housing regulation

The Dutch cabinet fell in 2023, resulting in new elections in November. The outcome of the elections resulted in a significant change in our political landscape. Geert Wilders, the leader of the Party for Freedom (PVV), captured 37 seats out of a total of 150, becoming the largest party in the Netherlands. Another winner was Pieter Omtzigt, who started a new party New Social Contract (NSC) and won 20 seats. The party of the current prime minister, the People's Party for Freedom and Democracy (VVD), lost 10 seats and is now the third largest party. At the time of writing this annual report, the formation of a new cabinet is in progress and it is uncertain whether it will be possible to form a (majority) coalition. Given the current political situation it is uncertain what the implications will be for the housing sector.

On 6 February 2024, the caretaker Minister for Housing, Hugo de Jonge, sent the Affordable Rent Act to Parliament, extending the rent regulation threshold to 187 WWS points, thereby increasing the regulation threshold from €880 to around €1,130 per month. Vesteda and other IVBN members and NEPROM are critical of the new housing regulation and suggested several changes. The Minister did not incorporate all our suggestions, but he did increase rents for newly built homes and increased the annual maximum rent increase in the mid-rental segment by 50 bps to collective labour agreement wage increases +1%. A few other adjustments are related to the cap on fiscal WOZ value and changes to the WWS points system. In his supporting letter, De Jonge urged Parliament to pass the bill as soon as possible, with the aim of implementing the new regulations by 1 July 2024. It is unclear whether the political parties involved in the cabinet negotiations (PVV, NSC, VVD and BBB) will support this new bill, since some have been critical of additional regulations for the housing market.

We monitor the developments closely. Our analyses of the Affordable Rent Act indicate that they will have a significant impact on the mid-rental housing market, especially in the case of small apartments in the most overstretched housing markets, if the regulated price is significantly lower than the market price. The new regulation will also impact Vesteda. Where possible, we will mitigate part of the impact, for example by investing in the quality and sustainability of our homes. We will continue with our strategy of investing in affordable and sustainable homes. At the same time, we will prepare our portfolio and asset strategies for upcoming changes.

De Grote Beer

Rotterdam

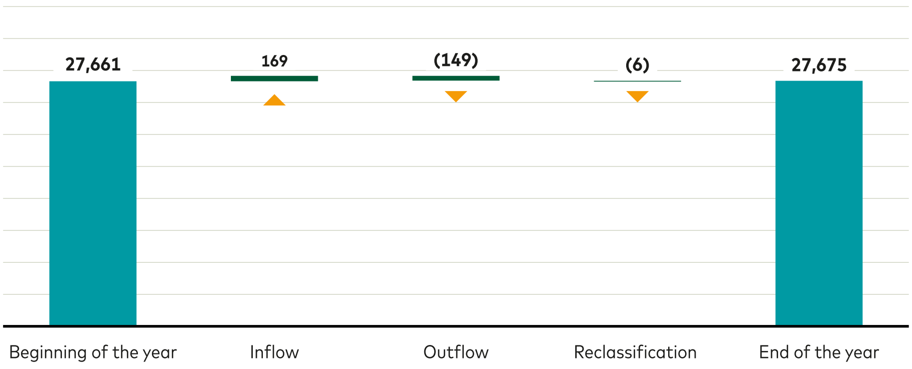
193 apartments where the majority is designated for middle income households.

Economic value

Portfolio

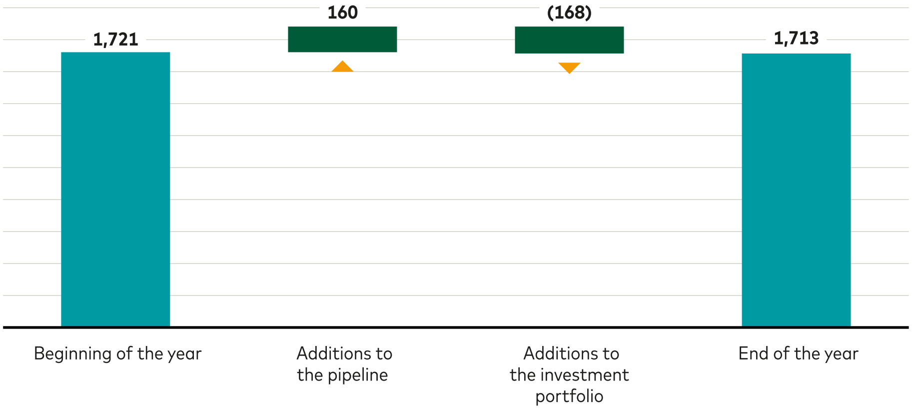
Units

Investment portfolio development in 2023 (number of units)



The total number of residential units stood at 27,675 at year-end 2023, an increase of 14 units compared with year-end 2022. In 2023, we added 168 new-build homes and one transformation unit, we sold 149 units and six units were reclassified to guestrooms.

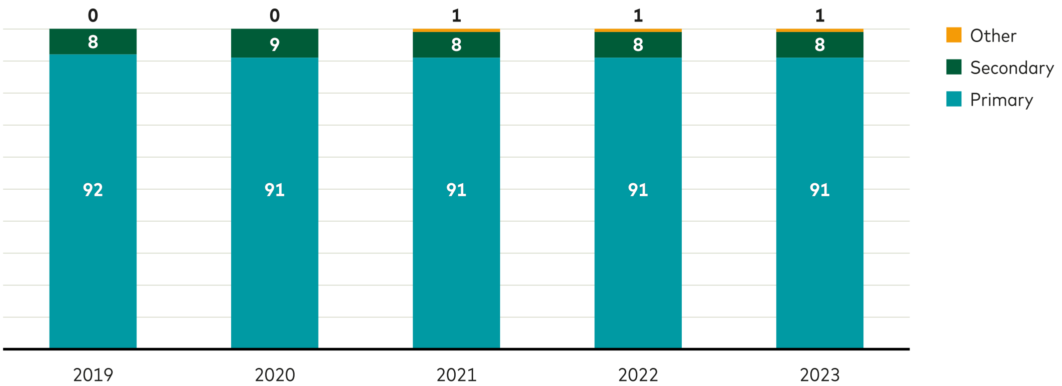
Acquisition pipeline development in 2023 (number of units)



The total committed pipeline stood at 1,713 units at year-end 2023. We signed for one new-build project, adding 160 units to the committed pipeline.

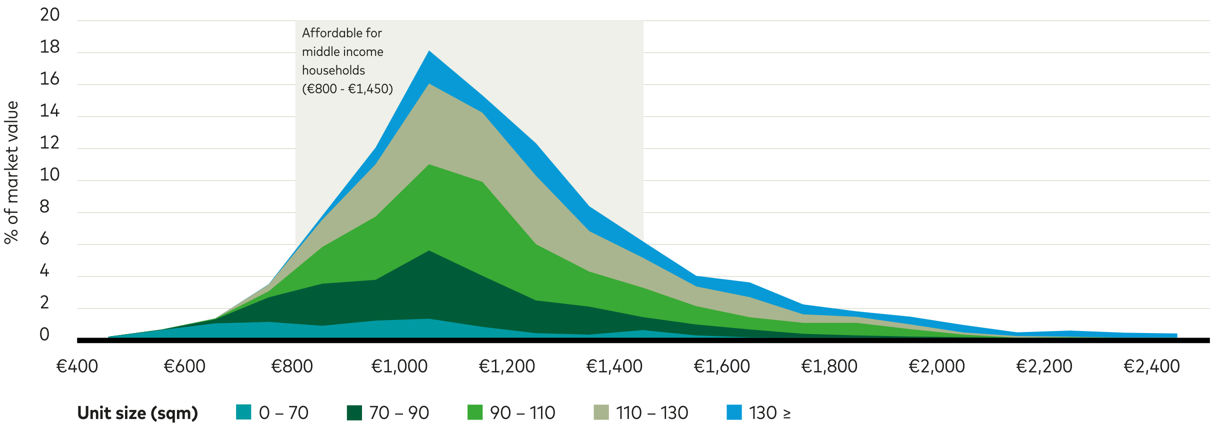
Segmentation

Investment portfolio by region (%, weight in value)



At year-end 2023, 91% of the investment portfolio was located in Vesteda's primary regions, in line with 2022.

Investment portfolio by monthly rent and size (year-end 2023)



We changed the reporting of the rental segmentation and report our portfolio distribution based on the middle-income ranges as published by the government. The chart above illustrates the distribution of our portfolio based on size, rent, and value. It shows that 81% of the portfolio's market value aligns with what the government reports as affordable for middle-income households.

Acquisitions and property sales

The macroeconomic conditions for the Dutch housing market did not improve significantly in 2023 and the developments described in the Market developments chapter resulted in an imbalance in the investment market. Higher perceived risks and uncertainties had an impact on the pricing of build-to-let assets and also on block sales. At the same time, the demand for affordable rental housing remains high and is growing, especially from middle-income households seeking affordable rental homes. Vesteda, therefore finds it important to remain active in the market, albeit at a lower volume. Vesteda wants to maintain ongoing long-term business partnerships, positioning itself to capitalise on potential future market opportunities when the market finds its new balance.

The following table provides an overview of the new-build additions to the investment portfolio in 2023.

New-build additions to the investment portfolio in 2023

Residential building	Location	Number of units	Type	Region	Quarter of completion
De Regent	The Hague	98	Multi-family	Primary	Q2
De Cavaliere	Helmond	70	Multi-family	Primary	Q2
Total		**168**			

In 2023, Vesteda sold 149 individual units. Vesteda did not execute any non-strategic complex sales in 2023.

Our acquisition strategy is focused on homes for middle income households. Given the current challenging macroeconomic developments, we limited our acquisitions to one new-build project that was added to our pipeline in Q4 2023. Vesteda acquired the Zuiderhof project in Rotterdam, which consists of 160 units. The rents range between €808 and €1,075 per month (price level 2023).

The total committed pipeline stood at 1,713 units at year-end 2023, with an estimated market value at completion of €583 million as per year-end 2023. All projects are in line with our portfolio strategy. The majority are located in the urban expansion sites of larger cities in the Netherlands, where Vesteda can benefit from the financially promising and ongoing development and improvement of the areas.

Committed acquisition pipeline at year-end 2023

Residential building	Location	Number of units	Type	Region	Expected completion
The Ox	Amsterdam	168	Multi-family	Primary	2024
Binck Poort	The Hague	205	Multi-family	Primary	2024
Imagine	Rotterdam	133	Multi-family	Primary	2024
Grote Beer	Rotterdam	193	Multi-family	Primary	2024
Typisch Tuinstad	Amsterdam	120	Multi-family	Primary	2024
De Kuil	Rotterdam	120	Multi-family	Primary	2024/2025
New Brooklyn	Almere	167	Single & Multi-family	Primary	2024
De Weverij	Enschede	116	Multi-family	Primary	2025
Singelblok	Amsterdam	185	Multi-family	Primary	2025
Podium	Amersfoort	68	Multi-family	Primary	2025
LOOS	The Hague	78	Multi-family	Primary	2025
Zuiderhof	Rotterdam	160	Multi-family	Primary	2026
Total		**1,713**			


1 The Ox, Amsterdam


2 Grote Beer, Rotterdam


3 Binck Poort, The Hague


4 Imagine, Rotterdam


5 Typisch Tuinstad, Amsterdam


6 New Brooklyn, Almere


7 De Weverij, Enschede


8 Podium, Amersfoort


9 De Kuil, Rotterdam


10 Singelblok, Amsterdam


11 LOOS, The Hague

12 Zuiderhof, Rotterdam

Investments in quality and sustainability

We continued to actively create value and add quality in our existing portfolio, via renovations and sustainability improvements of selected assets. This usually entails transforming outdated but promising assets in favourable locations into future-proof, sustainable, and cost-effective assets. This enables us to realise a higher reversionary potential, reduced future operating costs, a lower risk profile for our assets and a reduction in energy demand and increased quality and comfort for our tenants. In 2023, we successfully completed two renovation projects comprising a total of 124 residential units.

Completed renovations in 2023

Residential building	Location	Number of units	Type	Previous energy label	New energy label
Botter	Hoorn	64	Single-family	D	A
Kluizeweg	Arnhem	60	Multi-family	E	A
Total		**124**			

Moreover, we are currently renovating or preparing the renovation for three additional projects with a total of 287 residential units.

Committed renovation pipeline at year-end 2023

Residential building	Location	Number of units	Type	Current energy label	New energy label
Tuindorp	Utrecht	87	Single-family	D	A
Bors van Waveren	Amstelveen	95	Single-family	F	A
Schippersmeen	Harderwijk	105	Single-family	C	A
Total		**287**			

In addition to the committed renovation pipeline, another ten projects with approximately 1,000 residential units are currently in the initiative or design phase for renovation in the near future. These renovations contribute to a more sustainable portfolio, in line with our aim to outperform Paris Proof by 2050 or earlier.

Performance

Market rent and theoretical rent

(€ million, year-end)	**2023**	**%-growth**	2022	%-growth	2021	%-growth	2020	%-growth	2019	%-growth
Market rent	**438**	**9.3%**	401	4.1%	385	5.8%	364	8.0%	337	(3.7%)
Theoretical rent	**394**	**4.8%**	376	3.9%	362	3.1%	351	6.4%	330	(0.6%)

The total theoretical rent stood at €394 million at year-end 2023, an increase of €18 million compared with year-end 2022. This was mainly driven by the inflow of new-build homes into the portfolio, the annual rent increase in July, and rent increases due to investments in quality and sustainability in selected assets in the portfolio. The reversionary potential stood at 11.2% at year-end 2023, which is a significant increase compared with 6.6% at year-end 2022. This stems from the scarcity in the rental housing market and inflation.

Average monthly rent per unit

(€, year-end)	**2023**	2022	2021	2020	2019
Average monthly rent	**1,133**	1,081	1,042	1,016	986

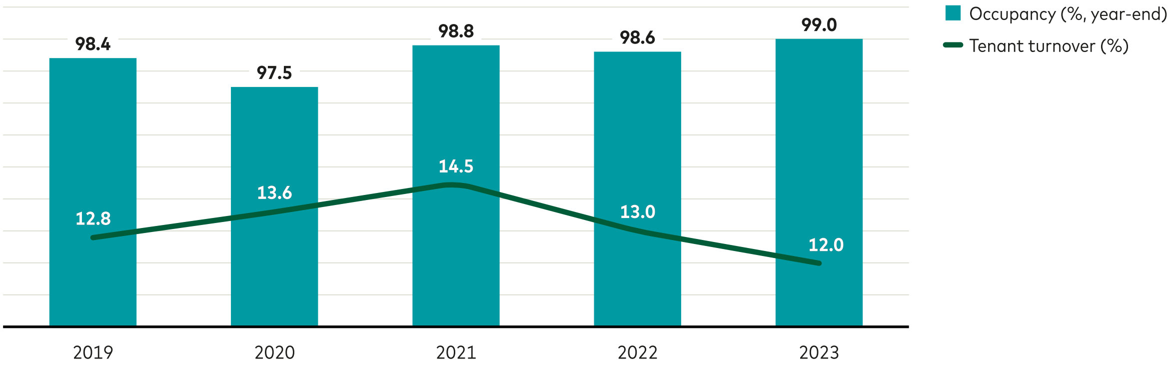
The average monthly rent (residential) increased by 4.7% in 2023, due to the like-for-like growth of our standing portfolio and changes in the composition of the portfolio due to new inflow and outflow.

Development of total theoretical rent of residential units

	2023	2022
Average rent increase for current tenants	**3.7%**	2.8%
Re-letting	**0.8%**	0.8%
Other	**0.2%**	0.2%
Total like-for-like rent increase	**4.7%**	3.8%

The previous table shows the impact of the rent increase, reletting and portfolio inflow/outflow on the like-for-like rental growth.[1]

Occupancy and tenant turnover



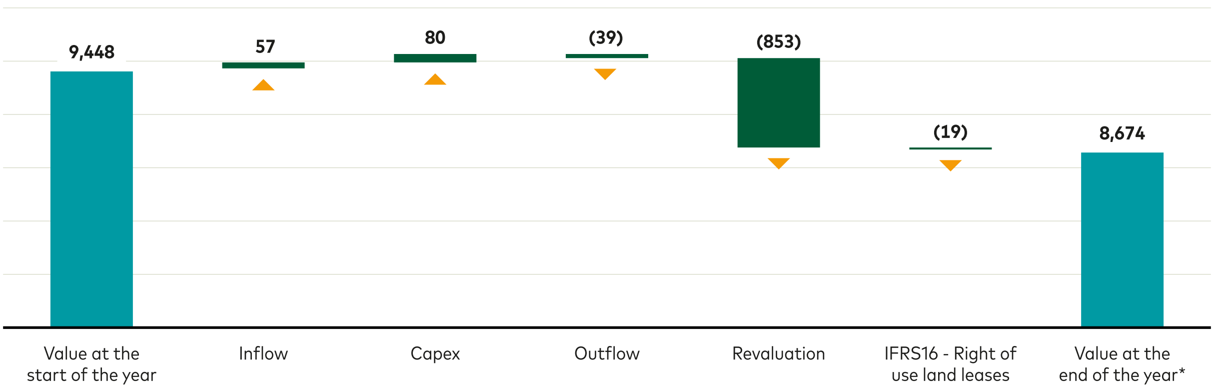
The occupancy rate (in units) increased to a solid 99%. The vacancy is mainly due to the duration of renovation projects. Tenant turnover in the residential portfolio was 12%.

Rental income

(€ million, unless otherwise stated)	**2023**	2022	2021	2020	2019
Gross rental income	378	363	347	335	329
Net rental income	284	270	260	251	252
Gross/net ratio	25.2%	26.1%	25.4%	24.9%	23.4%

The gross rental income and net rental income of the portfolio both increased last year, driven by the inflow of new-build homes, the annual rent increase and rent increases following large renovations. Our property operating expenses (including service charges) also increased, largely due to rising cost levels driven by inflation, higher property related taxes and higher non-recoverable service charges and minor maintenance. However, rental revenues increased more, which led to a reduction in the gross/net ratio to 25.2% in 2023, compared with 26.1% in 2022.

Changes in market value in 2023 (€ million)



* excluding head office of Vesteda in Amsterdam (De Boel)

1 Theoretical rent is measured at a single point in time (year-end) and therefore does not correspond with the increase in theoretical rent in 2023 compared with 2022, which you will find in Note 5 of the consolidated financial statements in this report.

The previous graph shows the market value development of the investment portfolio. The total value declined to €8.7 billion at year-end 2023 (including IFRS 16), which was 7.4% lower than at year-end 2022. This mainly reflects the current investment climate, mainly driven by the changed macro-economic climate and higher interest rates. Additionally, the local market uncertainty due to upcoming potential regulation also has increased the risk perception. Throughout the year, the increased risks were reflected in projected growth rates and discount rates. This trend was particularly evident during the first half of the year, after which the downward trend began to level off in the second half of the year as interest rates stabilised.

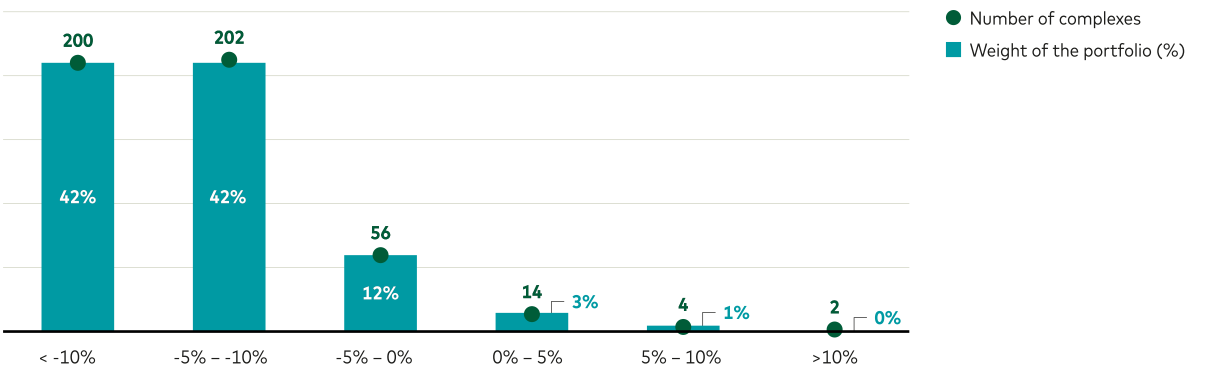
Average market value per unit

(€ thousand, year-end)	**2023**	2022	2021	2020	2019
Average value per residential unit	**308**	335	340	292	278

The average value per Vesteda residential unit had declined by 8.2% to €308 thousand at year-end 2023. This decline was largely driven by negative revaluations, which was partly offset by changes in portfolio composition (inflow/outflow). The vacant posession values declined with 1.4%, demonstrating a limited impact of the higher interest rates. Overall in the Netherlands, the average value per residential unit was €422 thousand at year-end 2023 (Source: Statistics Netherlands).

The graph below shows a breakdown of the 2023 revaluations throughout our portfolio.

Revaluation in 2023



Gross initial yield

(%, year-end)	**2023**	2022	2021	2020	2019
Gross initial yield	**4.6**	4.0	3.8	4.4	4.3

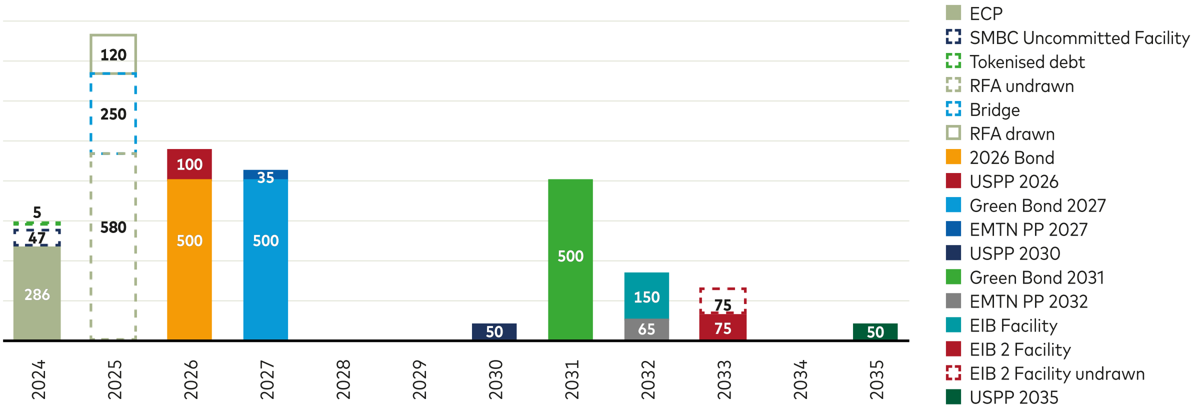
The gross initial yield of the portfolio, defined as the theoretical rent at year-end divided by the value of the portfolio at year-end (excl. IFRS 16), increased to 4.6% in 2023 from 4.0% in 2022. An increased risk perception and rising interest rates had a direct impact on buy-to-let bids and transactions. This was reflected in market values and therefore created a widening gap between market values and vacant possession values.

Funding

Vesteda has a well-diversified fully unsecured funding structure, consisting of a combination of bank debt, Euro Commercial Paper (ECP), private placements, public bonds, and financing from the European Investment Bank (EIB). This unsecured debt profile enables Vesteda to secure debt funding through various debt markets at any point in time. This is supported by a strong investment grade credit rating by Standard & Poor's.

Over the past few years, Vesteda has aligned its funding structure with its sustainable profile. Vesteda issued green bonds in 2019 and 2021, arranged a green private placement in 2020, and added EIB financing for affordable housing in 2020 and 2022. Vesteda has a sustainability-linked Revolving Facility Agreement (RFA) and recently arranged a green tokenised debt transaction. In 2023, Vesteda updated its Green Finance Framework and this is now fully aligned with EU Taxonomy regulation. These transactions underpin Vesteda's sustainable and social profile and help to diversify Vesteda's funding structure and to improve its cost of debt.

Debt maturity schedule



Vesteda has two financing agreements in place with the European Investment Bank (EIB), each with a size of €150 million. Vesteda uses the proceeds of these financing facilities to fund projects in (regulated) mid-rental housing and to improve the sustainability of its existing portfolio, which accounts for up to 50% of total investments. The agreements have tenors of 10 years and allow fixed-rate and floating-rate funding. The first EIB financing facility (2020) is fully drawn at a floating rate. Vesteda has drawn €75 million of the second EIB financing facility at a fixed rate, and we have another €75 million available.

In September 2023, Vesteda arranged a digital green bond on the public blockchain to gain experience with this technology. In this transaction, Vesteda raised a modest amount of €5 million from DekaBank, a German institutional investor. Vesteda used the proceeds of this transaction to (re)finance sustainable mid-rental housing. Vesteda is the first investor in the real estate sector in the Netherlands to raise institutional funds through a digital bond.

Vesteda closed a financing agreement for a committed standby facility of €250 million. It was provided by two of Vesteda's relationship banks. The standby facility provides extra liquidity headroom and gives more financial flexibility.

Our funding strategy is based on the following funding targets:

1. Leverage of ≤ 30%;
2. Total fixed-rate and hedged floating rate exposure of ≥ 70%;
3. Weighted average maturity of ≥ four years;
4. Diversified funding profile, with at least three funding sources;
5. Sufficient liquidity headroom: to refinance debt, finance committed pipeline, and to accommodate redemption requests (Redemption Available Cash);
6. Maturity calendar ≤ 35% maturing in a single year;
7. Asset encumbrance ≤ 15% long term.

At year-end 2023, we met all our funding targets.

Vesteda's average weighted maturity of debt was 4.7 years, above our long-term minimum target of four years. The average total debt interest rate was 2.2% in 2023, compared with 1.8% in 2022. The loan-to-value ratio was 27.8% at year-end 2023, compared with 22.9% at year-end 2022. The interest cover ratio stood at 5.3 at year-end 2023, compared with 7.1 at year-end 2022.

Vesteda's main financial covenants, as part of its financing agreements, are a maximum loan-to-value ratio of 50% and a minimum interest cover ratio of 2.0. We comfortably met all the financial covenants of our financing arrangements in 2023. Vesteda's funding targets contribute to its robust, well-diversified and flexible funding structure. Within this funding structure, Vesteda is always looking to further optimise its average cost of debt by making use of different funding instruments at different maturities, and through floating or fixed rate debt.

Debt portfolio at year-end 2023

Committed instrument	Interest rate	Size (€ million)	Drawn (€ million)	Weight	Maturity	Tenor
Bond	2.00%	500	500	20.14%	2026	2.5 yr
Green Bond	1.50%	500	500	20.14%	2027	3.4 yr
Green Bond	0.75%	500	500	20.14%	2031	7.8 yr
EMTN PP	1.93%	35	35	1.41%	2027	4.0 yr
EMTN PP	2.50%	65	65	2.62%	2032	9.0 yr
Pricoa USPP	1.80%	100	100	4.03%	2026	4.0 yr
AIG Private Placement	1.03%	50	50	2.01%	2030	7.0 yr
NYL Private Placement	1.38%	50	50	2.01%	2035	12.0 yr
Green Tokenized debt		5	5	0.20%	2024	0.7 yr
Syndicated RFA (including Ancillary)		700	120	4.83%	2025	1.4 yr
Bridge Facility		250	-	0.00%	2025	1.8 tr
EIB Facility		150	150	6.04%	2032	8.8 yr
EIB 2 Facility		150	75	3.02%	2033	9.5 yr
Total		**3,055**	**2,150**	**86.59%**		

Uncommitted instrument	Size (€ million)	Drawn (€ million)	Weight
SMBC Uncommitted Facility	200	47	1.89%
Euro Commercial Paper programme	1,000	286	11.52%
Total	**1,200**	**333**	**13.41%**

Participants

Participant satisfaction

Our goal is to provide our participants with an attractive risk-return, transparency and a high level of service. Participant satisfaction is one of our key performance indicators and has been stable at a high level over the past few years. The score is measured externally and anonymously, according to objective criteria, including financial performance, transparency and our strategy. We seek to continuously improve the dialogue with all our participants and maintain our participant satisfaction score by addressing the feedback from our annual satisfaction survey. Due to the current demand for liquidity, our score remained at 4.2, in line with previous year. This is still well above our target of 4.0.

Participant satisfaction (score out of 5)

4.2

List of participants
Vesteda has a strong and supportive investor base with a long-term horizon, largely consisting of pension funds and insurance companies. At year-end 2023, Vesteda's participant base consisted of the following institutional investors:

- Allianz Benelux
- APG Strategic Real Estate Pool
- AZ Jupiter 10
- Deutsche Annington Acquisition Holding GmbH
- Euler Hermes
- Het Nederlandse Pensioenfonds (formerly Stichting Pensioenfonds Xerox)
- Nationale-Nederlanden Levensverzekering Maatschappij
- Non-disclosed Asian institutional investor
- PGGM Private Real Estate Fund
- REI Diaphane Fund
- Stichting Algemeen Pensioenfonds STAP Pensioenkring E
- Stichting Bedrijfstakpensioenfonds voor de Media PNO
- Stichting Pensioenfonds ABP
- Stichting Pensioenfonds Delta Lloyd
- Stichting Pensioenfonds ING
- Stichting Pensioenfonds PGB
- Stichting Pensioenfonds Rail & Openbaar Vervoer
- Stichting Pensioenfonds voor Fysiotherapeuten
- Stichting TKPI European Real Estate Fund
- VCRF Holding

Number of issued participations
The total number of issued participation rights had declined by 250,882 to stand at 35,430,366 at year-end 2023, following an equity redemption of €50 million on 31 March 2023.

Redemption requests
Vesteda has taken several actions to fulfil the redemption requests we received and generate the required liquidity. Participants indicated they would like to redeem part of their investment in Vesteda for a number of reasons, including the rebalancing of their total investment portfolios.

In 2023, Vesteda paid €167 million in redemptions, consisting of the payout of the Redemption Available Cash of €50 million and three secondary transactions for in total €117 million. Two transactions were with existing participants who have expanded their holding, and one with a new entrant.

Together with an advisor, we continue to take the lead in the search for new investors to provide additional liquidity.

Profit distribution to participants
Policy: Vesteda distributes its realised results, excluding results on property sales, to its participants. Of this, 80% of the budgeted distribution is paid out in four quarterly instalments, within two weeks after quarter end. The final distribution payment is made after the adoption of the distribution proposal in April, based on audited results.

In 2023, Vesteda distributed a total amount of €199 million to participants, including €83 million that consisted of the Q4 2022 interim distribution paid out in January 2023 and the 2022 final distribution paid out in April 2023. Vesteda paid out a total of €116 million in three instalments as interim distributions for 2023.

In 2024, the Q4 2023 interim distribution of €39 million was paid out in January. Vesteda will propose to the General Meeting of Participants on 3 April 2024 a final distribution payment of €44 million for 2023.

Profit distributions (2023-2014)

(€ million, unless otherwise stated)	**2023**	2022	2021	2020	2019	2018	2017	2016	2015	2014
Income distribution	**199**	195	186	195	182	151	206	121	107	100
Capital repayment related to portfolio sale	**-**	-	-	-	162	264	-	-	-	-
Total distribution	**199**	195	186	195	344	415	206	121	107	100
Income distribution as % of time weighted average equity	***3.0***	*2.5*	*2.8*	*3.2*	*3.2*	*3.4*	*6.1*	*4.4*	*4.4*	*4.4*
Total distribution as % of time weighted average equity	***3.0***	*2.5*	*2.8*	*3.2*	*6.0*	*9.3*	*6.1*	*4.4*	*4.4*	*4.4*

Notes to the results

Income statement

(€ million)	**2023**	2022
Theoretical rent	**385**	369
Loss of rent	**(7)**	(6)
Gross rental income	**378**	363
Service charges income	**12**	11
Other income	**2**	1
Revenues	**392**	375
Property operating expenses (excluding service charges)	**(89)**	(89)
Service charges	**(19)**	(16)
Net rental income	**284**	270
Result on property sales	**10**	6
Management expenses	**(30)**	(27)
Financial results (incl. amortisation of financing costs and IFRS 16)	**(56)**	(42)
Realised result before tax	**208**	207
Unrealised result	**(863)**	(218)
Result before tax	**(655)**	(11)
Tax	**(1)**	(1)
Result after tax	**(656)**	(12)
Settlement pre-hedge contracts	**1**	1
Revaluation of Property Plant and Equipment (PPE)	**(2)**	1
Total comprehensive income	**(657)**	(10)

Gross rental income

The total theoretical rent increased by €16 million to €385 million in 2023. The average monthly rent (residential) increased to €1,133 at year-end 2023, from €1,081 at year-end 2022. The like-for-like rent increase was 4.7% in 2023 (2022: 3.8%), while the loss of rent fell to 1.7% in 2023, from 1.8% in 2022. Overall, this resulted in an increase in gross rental income of €15 million to €378 million in 2023.

Net rental income

Property operating expenses, including non-recoverable charges, amounted to €96 million in 2023, €2 million higher than in 2022, mainly due to higher non-recoverable charges. Operating expenses, including non-recoverable charges, amounted to 25.2% of gross rental income in 2023 (2022: 26.1%). This resulted in a net rental income of €284 million in 2023, compared with €270 million in 2022.

Result on property sales

In 2023, Vesteda sold a total of 149 homes from its investment portfolio, all of which were individual unit sales. The net result on property sales amounted to €10 million (2022: €6 million).

Management expenses

Management expenses amounted to €30 million in 2023, €3 million higher than in 2022. This was mainly due to higher personnel costs, higher IT costs and higher external FTE costs. The Total Expense Ratio (TER) increased to 34 basis points over Gross Asset Value (GAV) in 2023, from 28 basis points over GAV in 2022.

Financial results

Financial results came in at -€56 million in 2023, compared with -€42 million in the prior year, mainly due to higher interest expenses as a result of higher debt and higher interest rates. The average cost of debt increased to 2.2% in 2023, from 1.8% in the prior year.

Financial results and EBITDA

(€ million, unless otherwise stated)	2023	2022
Financial results (incl. amortisation of financing costs and IFRS 16)	**56**	42
Interest expenses	**48**	35
EBITDA including result on property sales	**265**	252
EBITDA excluding result on property sales	**255**	245
Interest cover ratio	**5.3**	7.1

Realised result

The realised result was €208 million in 2023, compared with €207 million in 2022. Rental growth and higher results on property sales were almost completely offset by higher management expenses and higher interest expenses. Realised return as a percentage of time weighted average equity increased to 3.1% in 2023 from 2.6% in 2022. Excluding the result on property sales, the realised result declined to €198 million in 2023 from €201 million in 2022.

Unrealised result

Negative revaluations in four quarters led to a negative unrealised result of €863 million in 2023, compared with a negative unrealised result of €218 million in 2022.

Total comprehensive income

Vesteda's total comprehensive income declined to a negative result of €657 million in 2023 from a negative result of €10 million in 2022, mainly due to significantly higher negative revaluations in 2023. The total return on time-weighted average equity (ROE) came in at -9.8% in 2023 (2022: -0.1%), consisting of a realised return of 3.1% (2022: 2.6%) which was more than offset by an unrealised return of -12.9% (2022: -2.8%).

Statement of financial position

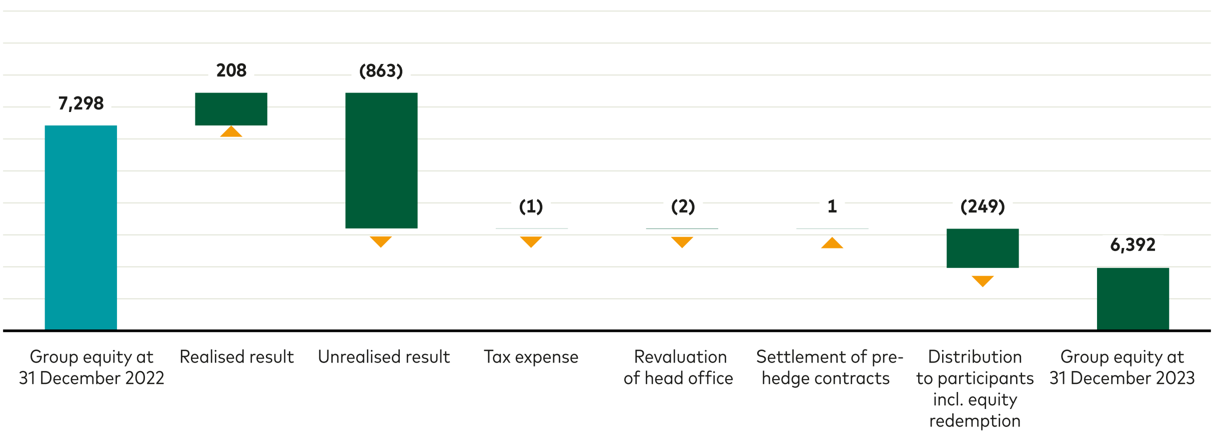
(€ million, unless otherwise stated)	31 December 2023	31 December 2022
Total assets (excl. IFRS 16)	**8,956**	9,567
Equity	**6,392**	7,298
Net debt	**2,479**	2,180
Leverage ratio (%, excl. IFRS 16)	**27.7**	22.8

At year-end 2023, the leverage ratio excluding IFRS 16 stood at 27.7% (year-end 2022: 22.8%). Including IFRS 16, the leverage ratio stood at 28.7% at year-end 2023 (year-end 2022: 24.0%).

Changes in equity

At year-end 2023, group equity amounted to €6,392 million, compared with €7,298 million at year-end 2022. The €906 million decline in equity was the balance of a realised result of €208 million, a negative unrealised result of €863 million, a €1 million income tax expense, a €1 million settlement gain on pre-hedge contracts, a negative €2 million revaluation of the head office, an equity redemption of €50 million and profit distributions to participants totalling €199 million.

Changes in equity (€ million)



Return on equity

(% of time weighted average equity)	**2023**	**2022**
Realised return	**3.1**	2.6
- return from letting	**3.0**	2.6
- return from property sales	**0.1**	0.1
Unrealised return	**(12.9)**	(2.8)
Total return	**(9.8)**	(0.1)
Return from other comprehensive income	**-**	-
Total comprehensive return	**(9.8)**	(0.1)
Total comprehensive income in € per participation right (based on number of participations at year-end)	**(18.5)**	(0.3)
Proposed distribution over the financial year	**3.1**	2.6

For more information, please see the Consolidated financial statements and Company financial statements sections of this report.

Performance compared with MSCI benchmark

In 2023, Vesteda underperformed the MSCI IPD Netherlands Residential Benchmark by 0.1%. The underperformance on capital growth was 0.2%, while the annual capital growth for the Benchmark came in at (8.8%). Vesteda outperformed on direct return with 0.1%. On the three-year average return Vesteda outperformed by 0.5%, driven by a higher capital growth in 2021. Our focus for the coming years remains on long-term outperformance, the three-year average total return. [2]

Vesteda Residential Fund versus MSCI residential benchmark

(%)	**2023**	2022	2021	2020	**3 yr average**	**5 yr average**
Direct return						
Vesteda	**3.2**	2.8	3.1	3.1	**3.0**	**3.1**
MSCI-benchmark	**3.1**	2.6	2.9	2.9	**2.9**	**2.9**
Outperformance	***0.1***	*0.1*	*0.2*	*0.2*	***0.1***	***0.2***
Capital growth						
Vesteda	**(8.9)**	(2.1)	14.9	3.5	**0.8**	**3.0**
MSCI-benchmark	**(8.8)**	(1.0)	12.2	5.3	**0.5**	**3.3**
Outperformance	***(0.2)***	*(1.1)*	*2.4*	*(1.7)*	***0.4***	***(0.3)***
Total return						
Vesteda	**(6.0)**	0.6	18.4	6.8	**3.9**	**6.2**
MSCI-benchmark	**(5.9)**	1.6	15.4	8.3	**3.3**	**6.3**
Outperformance	***(0.1)***	*(1.0)*	*2.6*	*(1.4)*	***0.5***	***(0.1)***

2 Direct return and capital growth might not add up to total return as a result of time-weighted averages on a monthly basis.

Egelantier-straat

Badhoevedorp

Improving sustainability of 71 single-family homes through renovation.

Societal value

Environmental

Vesteda constantly aims to improve our sustainability performance, which helps us safeguard the attractiveness of the fund and optimise our long-term risk/return ratio. Our objective is to reduce the consumption of energy and water, and cut CO_2 emissions. We also aim to stimulate a circular approach in the use of materials, increase biodiversity around our complexes and improve the climate adaptivity of our portfolio. Finally, we encourage our business partners to have the same high sustainability standards.

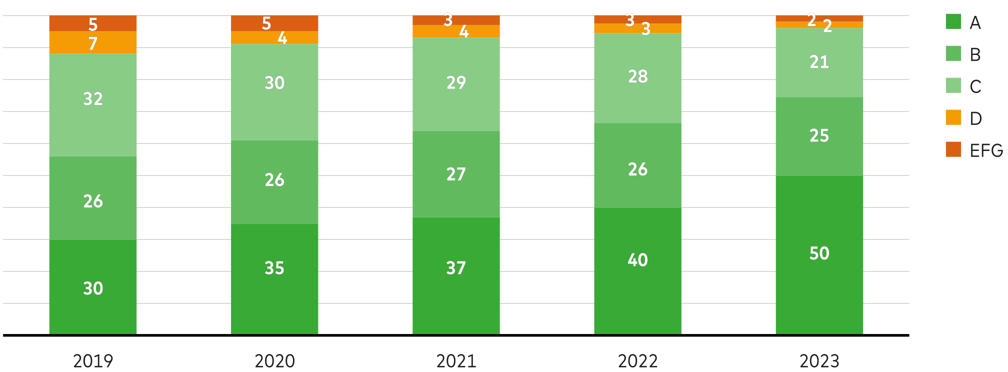
Portfolio sustainability improvements

In 2015, Vesteda's participants approved a plan to improve the energy performance of Vesteda's buildings. Our ambition is to have green energy labels (A, B or C) for 99% of our portfolio by year-end 2024. It is nearly impossible to achieve 100% green labels, considering the state of city centre buildings and historical buildings, as well as local government regulations.

In 2023, we invested €22 million and improved the energy performance of 3,699 residential units. The measures included the installation of high-efficiency boilers, DC ventilators, LED lightning in common areas, insulated glass, insulation of roofs, cavity walls and under floors, and the installation of solar panels. Vesteda installed a total of 11,247 solar panels last year. At year-end 2023, Vesteda had a total of 35,953 solar panels in its portfolio, generating approximately 8.9 million kWh annually.

The percentage of homes in our portfolio with a green energy label (A, B, or C) increased to 96% in 2023, from 94% the previous year. The percentage of A labels increased from 40% in 2022 to 50% in 2023, due to the renewal of energy labels of existing homes.

Energy labels (%, weight in units)



Healthy and safe homes

We want to provide our tenants with healthy and safe homes. This means that central heating boilers are checked regularly, lifts are checked frequently and combined heat and power installations are provided with new filters if necessary. We also strive to have homes without high-risk asbestos. The quality of drinking water is also essential. Although these measures are of a more technical nature, they can have a positive impact on the lives and well-being of our tenants. To ensure the health and safety of our homes as effectively as possible, we took the following precautionary measures that were monitored or executed by our Operations department:

- **Legionella:** Up until 2023, approximately 80% of our multi-family complexes were inspected for legionella risks in the central part of these buildings. If Vesteda is not the sole owner of a building, we ask the owners' association to initiate the inspection.
- **Asbestos:** An external partner inspects our homes if the presence of asbestos is suspected, for example based on the year of construction or other information. If asbestos was found, Vesteda took appropriate action, including clean-ups and providing information for tenants and third parties.
- **Central heating installations:** Over the course of two years, nearly 76% of all our central heating systems were inspected.
- **Combined heat and power installations:** In 2023, we inspected more than half of the combined heat and power installations. The remaining installations will be inspected before the end of 2024.
- **Lifts:** Nearly all lifts were inspected in 2023, and 92% were approved. We will inspect the remaining lifts in 2024. In addition, we conducted separate inspection and tests on the emergency audio connections of all lifts.
- **Fire safety:** We inspected almost all our multi-family complexes in accordance with the Dutch building decree. In addition, in 2023 we inspected the fire extinguishing equipment, water pipes and emergency lighting at a total of 126 complexes.

Sustainable supply chain

Since 2016, we have asked our largest suppliers to sign the IVBN sustainability declaration. Although signing is voluntary, it does give Vesteda the opportunity to start a constructive dialogue and it enables us to promote our core values and influence our suppliers. The next step will be to improve our impact, by rolling out a sustainability scan with questions on policies, targets and results. In collaboration with other IVBN members, we conduct an annual survey that addresses a number of issues related to ESG aspects. The outcome of this survey gives us a good understanding of sustainability in the supply chain. In 2023, 90% of respondents signed the sustainability declaration.

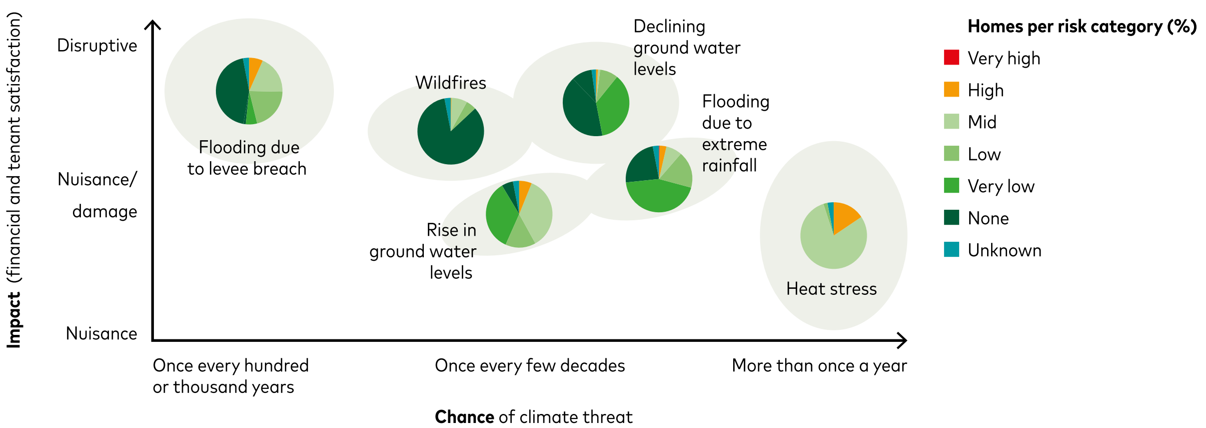
Circular portfolio investments

We encourage and apply the use of circular materials in our new-build construction projects, as well as in renovation and maintenance projects. From our position as an investor, we can make a significant contribution to circularity in partnership with our stakeholders.

Physical climate risks

Due to the changing climate, the real estate sector and its residents are faced with physical climate risks such as heat stress and flooding. In 2021, in collaboration with Climate Adaptation Services and Sweco, Vesteda created an internal risk monitoring tool to gain insights into the physical climate risks within our portfolio. The uniqueness of the tool lies in the integration of both environmental risks and building-specific characteristics. We use this tool to monitor the physical climate risks for Vesteda's residential portfolio, and this provides valuable information and potential measures to reduce the risks.

Climate risks and impact on Vesteda's portfolio 2023



The previous graph shows that the risks to our total portfolio are low, and we will address and mitigate the impact on the few high-risk properties. Currently, we are focusing on two types of risks: heat stress and flooding due to extreme rainfall, given that we can mitigate these risks through implementing measures at the building level. We have started assessing and adopting measures for assets with a very high risk of these two risk types, with the aim of mitigating the risks by 2025. We aim to have a mitigation plan for high-risk assets by 2025. We address all other elevated climate risks in a mitigation plan per asset.

Climate risk: heat stress

Risk	Number of units	Policy
Unknown	973	To be determined
Low	517	Acceptable risk, take action if issues occur
Average	22,243	Acceptable risk, take action if issues occur
High	3,877	Prepare plan by 2025
Very high	65	Mitigate risk by 2024

Climate risk: flooding due to heavy rainfall

Risk	Number of units	Policy
Unknown	1,007	To be determined
None/not applicable	6,455	Acceptable risk, take action if issues occur
Very low	12,146	Acceptable risk, take action if issues occur
Low	4,946	Acceptable risk, take action if issues occur
Average	2,181	Acceptable risk, take action if issues occur
High	873	Prepare plan by 2025
Very high	67	Mitigate risk by 2024

Measuring and managing resource consumption

Our goal is to manage and reduce the usage of resources (energy, water) to reduce the production of greenhouse gases in our investment portfolio. We measure the energy consumption in our common areas as well as from our tenants, in collaboration with energy suppliers and grid operators. Please refer to Annex 7 for all energy consumption data according to INREV guidelines.

The reporting, on managing and reducing resource consumption, is according to the INREV GRI reporting standard. The overview showcases an overall reduction of 11.3% (measured in kWh). The overall reduction is attributable to both common areas and tenant space of the portfolio.

Common areas

In 2023, with regards to the common areas, our electricity consumption decreased with -3.1%, and gas consumption with -3.3%. The reduction results from our efforts and investments in improving the sustainability of the portfolio. Since not all utility providers have finalised their annual statements yet, the coverage in 2023 is lower than in 2022.

In a like-for-like comparison, consumption is evaluated for areas where data is available for twelve months in both 2022 and 2023. The square meters of common areas are calculated based on a representative sample, indicating that the actual common area square meters, on average, represent approximately 14% of a complex.

Tenants

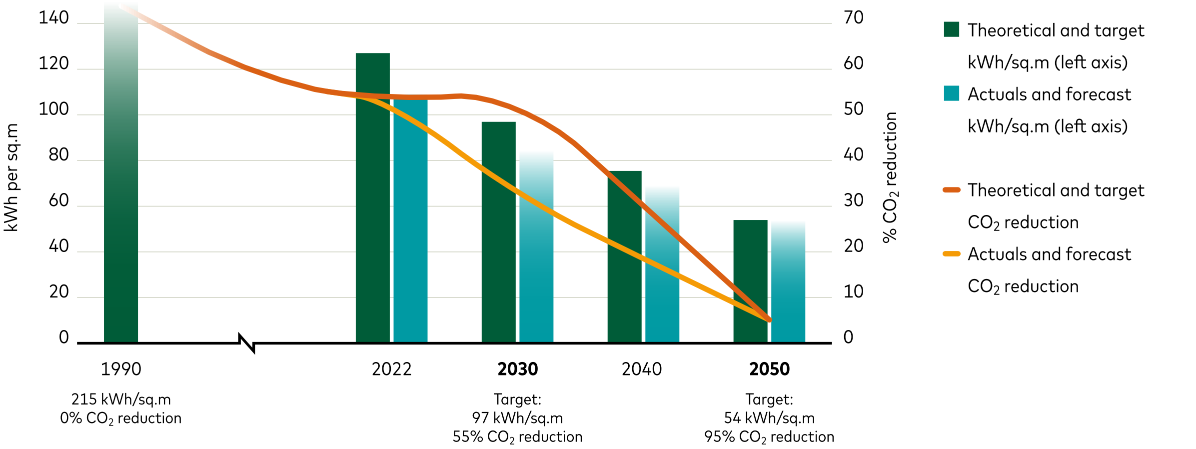
In 2023, tenant electricity consumption decreased by -6.3%, gas consumption by -14%, and district heating by -13.5%. The like-for-like comparison is conducted for areas where data is available for twelve months in both 2022 and 2023. A delayed effect of the energy crisis, coupled with our ongoing sustainability efforts, contributed to the reduction in energy consumption among our tenants.

Besides the decrease in energy consumption, there is also an increase in the generation of solar energy. Overall, our portfolio reflects a reduction in total energy consumption, resulting in lower greenhouse gas emissions and decreased expenses for our tenants which improved affordability.

Paris Agreement

As part of our focus on climate change mitigation, we have a CO_2 roadmap, in which we commit to the Paris Agreement by reducing our carbon footprint. In the CO_2 roadmap, we focus on two main KPIs, which are the kWh/sqm consumption and CO_2/sqm emissions of our portfolio. Using the 'Trias Energetica principle', we will first focus on reducing the energy demand of our homes.

CO_2 Roadmap



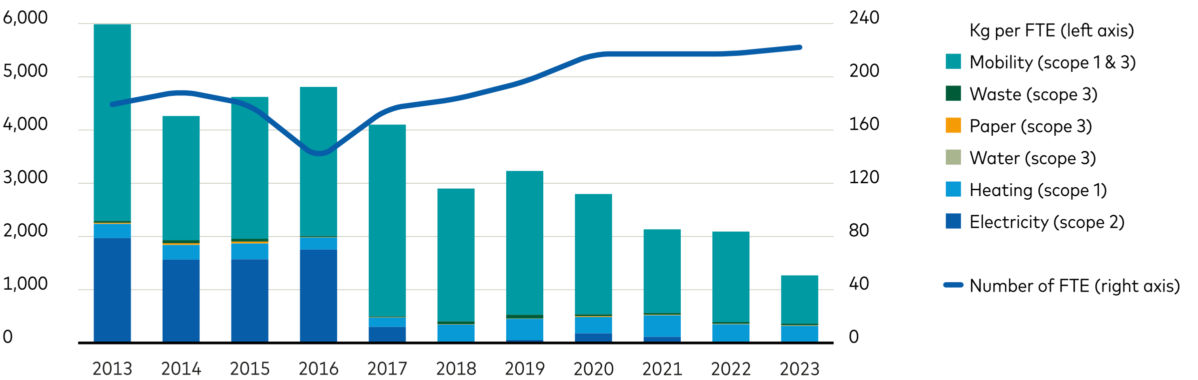
Our target is to reduce our energy consumption by 55% in 2030, compared with 1990. To achieve this goal, we accelerated our sustainability investments, including investments in climate adaptivity. The roadmap is dynamic, since policies and targets are subject to change. We are well on our way to reach our 2030 target, having reduced our CO_2 emissions by over 50% compared with 1990.

After 2030, we will continue to focus on further reducing energy consumption and on switching to sustainable 'green' energy sources to realise a 95% reduction in CO_2 emissions by 2050. Our goal is to ensure that the remaining energy consumption consists of CO_2 emission-free energy.

CO_2 footprint of our organisation

Vesteda aims to reduce the CO_2 emissions of our organisation. In 2023, the total CO_2 footprint of our organisation was 379 tonnes of CO_2, or 1.707 kg per FTE. This includes ten regional offices. Our 2023 carbon footprint decreased with 18% per FTE compared with the previous year. Based on the GHG protocol, scope 1 accounts for the majority (71%) of our total emissions, compared with 0.4% for scope 2 and 29% for scope 3.

CO_2 emission per FTE

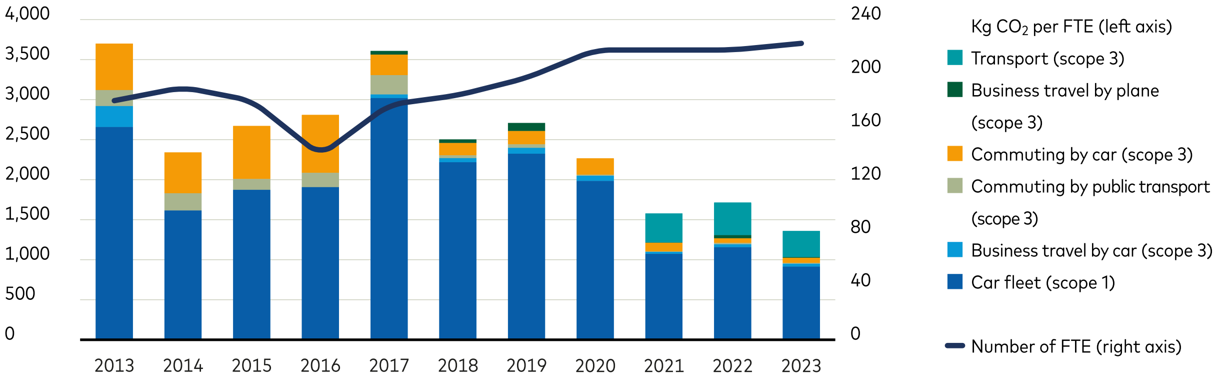


Note: 2022 figure (scope 2) is restated in the graph following an adjustment in the calculation.

The reduction in our CO_2 footprint is a result of our efforts to reduce the energy consumption in our offices and the electrification of our car fleet.

The CO_2 generated by mobility still accounts for the majority of our total CO_2 footprint. In 2023, we continued to reduce these emissions by making our car fleet more sustainable. As a result, 66% of our car fleet was fully electric at the end of 2023 compared to 38% in 2022. The total CO_2 emissions of our mobility was 19% lower than in 2022.

Transport-related CO_2 emissions per FTE



Circularity within our organisation

In 2022, Vesteda drew up a roadmap to improve circularity within our organisation and this was actively implemented in 2023. We have also drawn up a sustainable purchasing policy together with a third party, so that we can purchase products more responsibly. To increase awareness of the relevance of circularity, we informed Vesteda employees about this. We have increased the number of waste streams at Vesteda's head office. Together with our suppliers, we have created a sustainable range of waste streams for sanitary, office and catering supplies, preferring FSC-certified products and keeping packaging waste to a minimum.

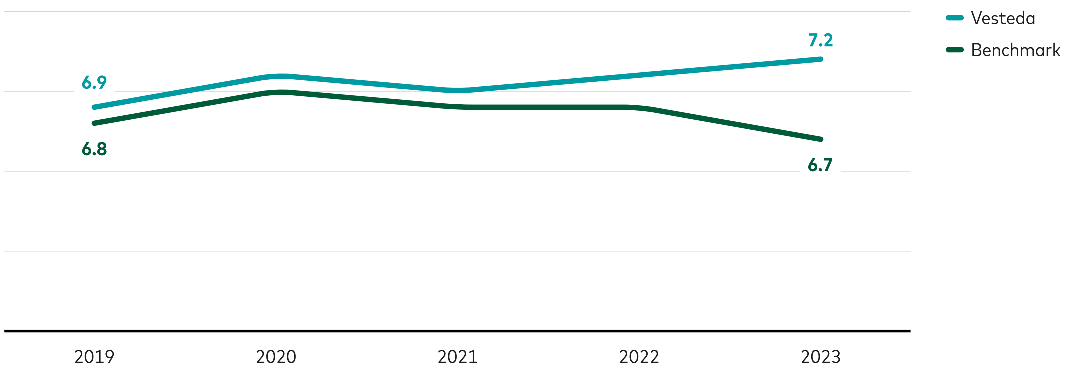
Social

Tenant satisfaction

Our goal is to be the best residential landlord in the Netherlands. Therefore we gather tenant feedback and have made it our goal to make sure our tenants feel at home with Vesteda. A pleasant home, a smooth customer journey and clear and transparent communications all contribute to this. We believe that satisfied tenants are less likely to move and contribute to the well-being of other tenants, which in turn enhances social cohesion. Measuring tenant satisfaction is a valuable indicator for us, as it lets us know whether we are on the right track and how we can improve our homes and services.

We measure tenant satisfaction once a year through a benchmark survey conducted by Customeyes. The score for overall tenant satisfaction is comparable to the Net Promoter Score, which is a method used to measure client loyalty. In 2023, in total 13 residential investors in the Netherlands participated in this survey. The Customeyes data consists of a representative sample drawn from all Vesteda's tenants. The survey provides us with detailed information on how our tenants experience our homes, the living environment and our service level. We share the results of this survey with our tenants and employees and evaluate the results to identify potential improvements.

Tenant satisfaction (Customeyes benchmark)



Vesteda is proud that we outperformed the benchmark in the annual Customeyes survey, with a score of 7.2 (benchmark 6.7). This score was an all-time high for Vesteda. We believe that the sixth consecutive outperformance of the benchmark reflects the importance of our in-house property management and the value of gathering direct feedback from our tenants. We have identified our strengths, which are crucial to maintaining our performance in these areas. Furthermore, we have identified areas in which we can enhance our performance. One area of improvement is service costs, and we have already started making a number of improvements on this front. In 2023, we continued the project to improve the process for repair requests.

Affordability

Annual rent increase

In 2023, the annual rent increase, determined by the government, was capped at a maximum of 3.1% for regulated contracts and a maximum of 4.1% for liberalised contracts. The maximum rent increase was thus well below the inflation rate of the previous year (10% in 2022).

Renovations and energy use

Given today's energy prices, the affordability of a home is impacted by its sustainability and the energy usage of the tenant. We therefore invest in large-scale renovations, including solar panels, in order to reduce energy consumption. In response to increased service costs, at the end of 2022 Vesteda decided to raise the monthly prepayments for service charges. However, as prices began to stabilise in 2023, we adjusted this advance payment to reflect current market rates, ensuring that our homes remained affordably priced.

Tenant communication

We sent several newsletters to our tenants containing information about energy usage and ways to reduce it. Our goal is to inspire our tenants to adopt a more sustainable lifestyle, while also reducing their total cost of living. Furthermore, all tenants were informed about essential insurance requirements. In consultation with multiple insurance providers, we distributed information on household insurance, along with an option to take out this insurance, to all our tenants.

Home sharing and other initiatives

Home sharing policy: We maintained our existing home sharing policy in certain residences throughout 2023. After an initial covenant with social organisation De Regenboog Groep in Amsterdam, in 2023 Vesteda worked with the homelessness initiative Onder de Pannen to create a nationwide network, giving tenants the opportunity to sublet a room to economically homeless people.

Warm Thuis (warm home): Stichting De Herberg and Vesteda signed an initial lease agreement as part of the Warm Thuis initiative. The aim of this initiative is to give up to three (potentially) homeless young people between the ages of 18 and 27 the chance to live as independently as possible. We have so far let one home. As soon as a suitable residence becomes available, we will add a second home.

Key workers: Vesteda believes it is important for people with social professions, such as nurses, teachers, police officers and firefighters to remain in their own city. Key workers were given priority in completed new-build complexes in The Hague and Helmond. Three other complexes are currently under construction where key workers will be given priority: The Ox in Amsterdam and De Kuil and Zuiderhof in Rotterdam.

Engaged stakeholders and a socially engaged organisation

We believe it is important to engage in sustainable relationships with our tenants, our participants and our other stakeholders. Transparent communication builds mutual trust. This is why we communicate openly about our activities and our plans. In 2023, we supported various initiatives with and for our stakeholders:

- JINC: Help young adults to prepare for and start their working life by giving job application training;
- BeterBuren: Partnership with the BeterBuren (better neighbours) organisation, a neutral party and mediator for neighbours involved in disputes;
- Actieplan Woonveiligheid: action plan to improve the safety of residential homes.

In addition, we want to contribute to society and to the neighbourhoods where our properties are located:

- Nationaal Comité 4 en 5 mei: committed to being a social partner to the National Committee 4 and 5 May, alongside various other companies and funds, to sustain and amplify societal support for National Remembrance Day on 4 May and National Liberation Day celebrations on 5 May. Over a three-year period, Vesteda aims to proactively contribute to the events and values promoted across the Netherlands on these days. This will include sponsoring Freedom Meals in various Vesteda locations. Additionally, Vesteda is focusing on combatting discrimination in the housing market and enhancing social cohesion within residential communities and neighbourhoods;
- Vogelbescherming: Together with the Dutch Society of the Protection of Birds, Vesteda is researching how we can improve the biodiversity in our portfolio by installing bird and insect houses. New tenants receive a welcome package that includes a voucher for a garden centre, provided by Vogelbescherming;
- Struikroven partnership: extended partnership with the Struikroven Foundation through a new cooperation agreement that now includes construction firms and developers Heijmans, BAM Wonen, ERA Contour, Dura Vermeer, and sustainability organisation Urgenda. This strategic alliance forms a united front committed to establishing the conservation and recycling of existing greenery as a standard practice in construction sites. The foundation is currently broadening the scope of its operations and organisational structure.

Fire in Joan Muyskenweg apartments in Amsterdam

In June 2023, a fire broke out in the De Enter apartment complex in Amsterdam. All 95 households were able to leave the complex unharmed. In the weeks after the fire, the fire service investigated the cause of the fire. The conclusion of this investigation is that it is not possible to determine the cause of the fire. According to the investigation, the fire started on the 6th floor and spread through the walls to the roof. The fire service report also stated that the building met a higher level of fire safety requirements than required by law. There were some impairments to fire safety devices, but these did not play a crucial role in the cause and/or rapid spread of the fire. With support from fellow landlords, Vesteda has done everything possible to find alternative accommodation for our tenants. All residents received an offer for new accommodation within three weeks. The contractor will soon start rebuilding, which is expected to take at least until the end of 2024.

Governance

Applying good governance benefits all stakeholders, helps to mitigate risks and safeguards Vesteda's reputation. Governance encompasses multiple aspects, such as: the protection of participants' rights, board independence and decision-making processes, the regulatory and legal environment, business ethics, executive/equal pay, diversity & inclusion, (personal) data integrity, tax strategy, etc.

Governance has become an ever greater focal point in recent years, as European legislation related to ESG reporting has amped up. For example, the Sustainable Finance Disclosure Regulation requires financial institutions like Vesteda to be transparent about the integration of ESG factors in their business models and to report the extent to which their portfolios are EU Taxonomy-aligned. These institutions also have to meet certain minimum safeguards, such as compliance with the OECD guidelines for multinational enterprises and the UN Guiding Principles on Business and Human Rights which include the principles and rights set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights. Governance aspects also play an important role in our GRESB assessment and INREV self-assessment.

Vesteda Residential Fund

The Vesteda Residential Fund is a contractual investment fund as defined in section 1:1 of the Dutch Financial Supervision Act (FSA). It is an unlisted fund for the joint account of the participants. As such, the economic title to the fund assets is held by the participants pro rata to their participation rights. The purpose of the fund is to make investments, and in particular (but not limited to) to invest capital, indirectly or directly, in real estate mainly designated for residential purposes located in the Netherlands, for the account and at the risk of the participants. The strategy of the fund is set out in more detail in the investment guidelines, which is part of the fund's Terms and Conditions.

The Vesteda Residential Fund's Terms and Conditions govern the fund and they can only be amended by a resolution of the participants. They have entrusted the Manager, Vesteda Investment Management B.V., with the management and operation of the fund. The Manager carries out its task solely in the interests of the participants and within the boundaries described in the fund's Terms and Conditions. The Manager, in its capacity as Manager and operator of the fund, is subject to the supervision of the Dutch Financial Markets Authority (AFM) and the Dutch Central Bank (DNB). The Manager obtained a licence to act as a manager of an alternative investment fund in accordance with article 2:67 of the FSA on 17 February 2014. Participation rights can only be acquired by professional investors as defined in section 1:1 of the FSA.

Participants

The participants do not take part in the operation of the fund or the management or control of its affairs and have no right or authority to bind the fund's assets, or to vote on matters relating to the fund other than as set forth in or pursuant to the Terms and Conditions.

The Manager convenes at least two participants' meetings each year. If a participant, or two or more participants jointly holding at least 10% of the total participation rights, deem(s) any additional meeting of participants necessary, the Manager is required to convene such a meeting. Participants are entitled to cast a number of votes pro rata to their respective participation rights.

A participant may request that its participation rights be redeemed by the Manager in accordance with the Terms and Conditions.

Subject to the retention of reserves as reasonably deemed necessary by the Manager to meet the current and anticipated expenses of the fund, the realised result, excluding the result on property sales, shall be allocated for distribution to the participants pro rata to their respective participation rights.

Role

The participants are the beneficiaries of the fund and, as such, have a final say in material matters regarding the fund, as specified in the fund's Terms and Conditions.

Supervisory Committee

The Supervisory Committee supervises how the Manager executes its task, as well as the general course of the fund, on behalf of the participants in the fund. The Supervisory Committee has established rules regarding the processes and governance in its by-laws.

The Supervisory Committee shall have at least five members, with the exact number to be determined by the participants. At present, the Supervisory Committee comprises five members, who are listed in Annex 4 of this report.

The Supervisory Committee has an Audit Committee and a Nomination and Remuneration Committee, both of which are governed by by-laws. The Supervisory Committee shall meet as often as it deems necessary, but at least four times a year, to discuss the results of the fund, the quarterly unaudited financial statements and the valuation of the fund's portfolio.

The members of the Supervisory Committee are appointed, suspended and dismissed by the participants with due observance of any nominations made and a profile as set forth in the Terms and Conditions. They are appointed for a period of four years, which term may be extended once by four years. Each participant that individually holds and each group of two or more participants that jointly holds at least 25% of the participation rights is entitled to nominate one member of the Supervisory Committee. The fund strives to achieve the best possible balance among its members in terms of gender, expertise and experience in the fields of management, compliance, risk management, financial reporting, funding, real estate and real estate funds.

All resolutions of the Supervisory Committee are adopted by a simple majority. Each member of the Supervisory Committee is entitled to one vote. In the event of a tied vote, the resolution at issue will be rejected. The Supervisory Committee may also pass resolutions in writing. A member of the Supervisory Committee will not participate in deliberations or decision-making within the Supervisory Committee if they have a direct or indirect personal interest in the matter in question that conflicts with the interests of the joint participants.

Role

The Supervisory Committee supervises the policies and functioning of the Manager and the general affairs of the fund. The Manager is responsible for involving and informing the Supervisory Committee, ensuring that the fund is supervised in an optimal manner. The Manager holds regular consultations, both formally and informally, with the Supervisory Committee and its sub-committees on the strategy and policies of Vesteda as a whole. By attending these meetings, the members of the Supervisory Committee have ample opportunities to interact with Vesteda's executives. In addition, the members of the Supervisory Committee have individual meetings with Vesteda executives on an ad-hoc basis.

Remuneration of Supervisory Committee members

For the remuneration of the Supervisory Committee, please see the Remuneration report or Note 30 to the consolidated financial statements.

The Manager and its Management Board

Composition and governance

The Terms and Conditions entrust the Manager with the management and operation of the fund. The Manager is a private company with limited liability, incorporated and existing under the laws of the Netherlands. As such, the Manager has a Management Board, which in 2023 comprised two managing directors, the CEO and the CFO. The managing directors have the responsibilities and liabilities that derive from the Dutch Civil Code, other related legislation and the company's articles of association. The two directors acting jointly may represent the Manager.

Managing directors will be appointed, dismissed or suspended in accordance with the Manager's articles of association and its Terms and Conditions.

The Management Board is supported by a Management Team, comprising the COO and the HR Director.

Role

The Manager has been appointed as Manager of the fund and is responsible for ensuring that the fund is always managed and operated, and that the fund assets are always managed, on a discretionary basis, in accordance with the Terms and Conditions and with due observance of the Investment Guidelines, the Business Plan and, on a best effort basis, the INREV Guidelines and the Dutch Corporate Governance Code (the latter to the extent applicable and practical in respect of the fund).

The Manager shall, subject where relevant to the Terms and Conditions, the Business Plan, any finance documentation and the prior approval of the Supervisory Committee or participants, carry out the following tasks, including:

a. Establish and implement the Investment Guidelines and the Business Plan;
b. Identify, evaluate and negotiate investment opportunities to (or to agree to) purchase or otherwise acquire, alone or together with others (in a syndicate), investments within the scope of the Investment Guidelines and the Business Plan;
c. Sell, exchange or otherwise dispose of and refinance investments within the scope of the Investment Guidelines and the Business Plan.

In light of the above, the Manager may enter into such legally binding agreements or other arrangements as the Manager may, at its sole discretion, determine in respect of any investments and divestments by the fund, to the extent permitted under the Investment Guidelines, the Business Plan and the Terms and Conditions. The Manager confirms that it adhered to the Terms and Conditions in 2023.

A Management Board member shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which they have a conflict of interest. All costs incurred by the Manager in its capacity as Manager of the fund, all normal operating expenses incidental to the day-to-day management of the Manager in its capacity as Manager of the fund, including its own overheads, any costs relating to outsourcing and the Supervisory Committee, fees payable to its members and the reimbursement of any reasonable costs incurred by members of the Supervisory Committee are reimbursed out of the fund assets.

The Manager and the Supervisory Committee have established rules - the Manager Rules - regarding decision-making processes and the working methods of the Manager.

Remuneration

The employment contracts of members of the Management Board include provisions related to severance pay. The amount of the severance pay as laid down in these contracts has been maximised at one year's fixed salary, in line with the Dutch Corporate Governance Code. The total remuneration of the Management Board comprises the base salary, the variable bonus, pension expenses and other employer charges. For a detailed overview of the remuneration of the Management Board, please see the Remuneration report or Note 29 to the consolidated financial statements.

Custodian

The duty of Custodian Vesteda Fund I B.V. is to act as the legal owner of fund assets and acquire legal title to such fund assets for safekeeping for the account and at the risk of the participants. The custodian will always acquire assets for the purpose of management and custody *(ten titel van beheer)* on behalf of the participants and will only act in the interests of the participants and shall not acquire assets or assume any obligations for its own account and risk or for the account and risk of third parties (other than the participants) and shall not carry out any business and will not be involved in any other activity that may cause it to incur liabilities that are not directly related to the fund. The custodian shall act in accordance with all instructions regarding the fund assets given by the Manager, and shall only be entitled to acquire, dispose of, transfer or otherwise deal with any fund assets on the instructions of the Manager. To safeguard this, the Management Board of the custodian is comprised solely of the Manager.

Depositary

The Manager has appointed Intertrust Depositary Services B.V. to act as depositary for the fund and has concluded a depositary services agreement with the depositary for the benefit of the fund and the participants in accordance with article 4:37f of the FSA. 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.

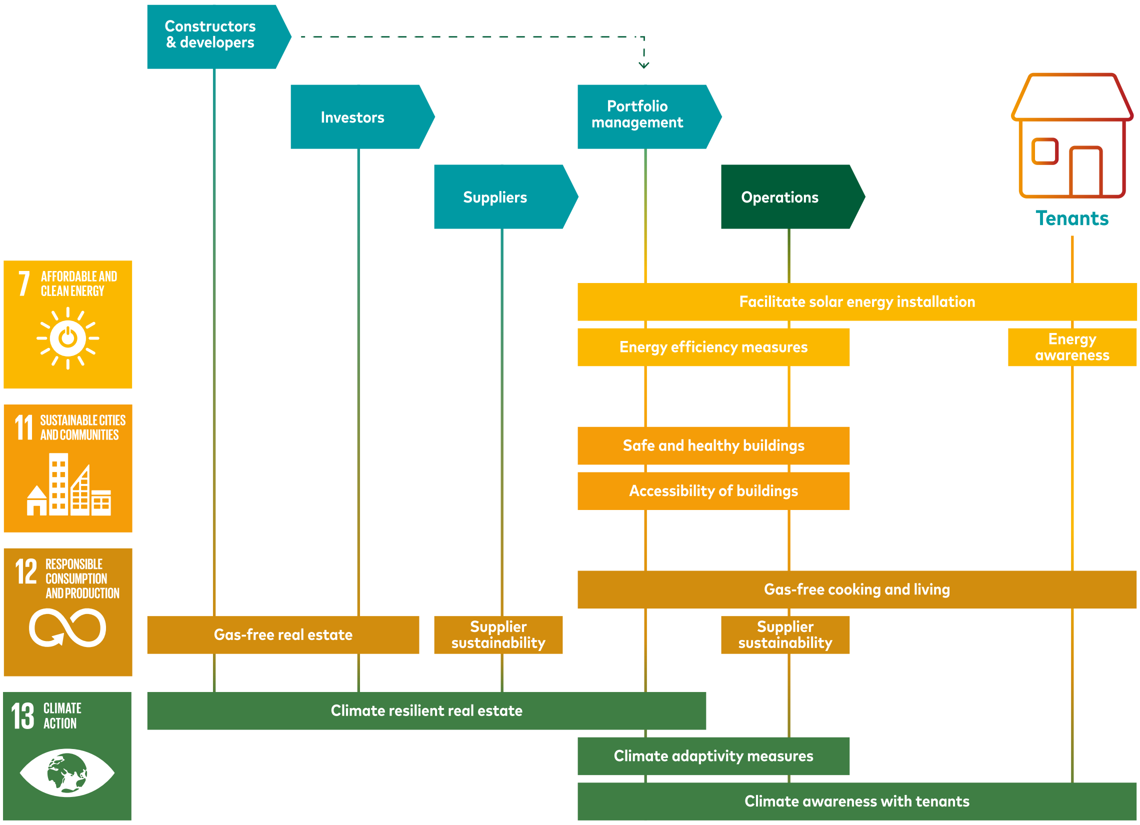
Dutch Corporate Governance Code

All listed companies with a statutory seat in the Netherlands are legally obliged to comply with the Dutch Corporate Governance Code (the Code), in accordance with the apply or explain principle. As neither the Vesteda Residential Fund nor the Manager is a listed company, it is not mandatory for the fund or the Manager to apply the Code. Nevertheless, the Management Board and the Supervisory Committee endorse the Code in all material aspects, to the extent applicable and practical in respect of the fund.

Sustainable Development Goals (SDGs)

Vesteda embraces the UN's Sustainable Development Goals, which define global sustainable development priorities and aspirations for 2030. This common set of 17 goals and 169 sub-targets calls for worldwide action from governments, business and civil society to end poverty, ensure prosperity for all, and protect the planet. We consider the SDGs: Affordable and clean energy (7), Sustainable cities (11), Responsible consumption and production (12) and Climate action (13) the most relevant to our activities, based on what we do and our ambitions. The following figure shows our SDG actions mapped along our value chain.

Our value chain and SDG actions



Global Reporting Initiative (GRI)

Vesteda reports on the basis of GRI Universal Standards. For more information, please see the About this report section and Annex 5 of this report.

GRESB

The Global Real Estate Sustainability Benchmark (GRESB) provides a tool to compare the sustainability of real estate investment funds. The GRESB survey is designed to identify the sustainability performance of the real estate sector and is now a widely recognised and well-respected initiative. The environmental benchmark rates environmental management practices and their implementation, making it possible to compare different real estate investments on a national and international level. Vesteda believes that GRESB is aiding in increasing transparency in terms of the sustainability of real estate funds. To contribute to the continued evolution of the benchmark, Vesteda joined GRESB as a member in 2013.

In 2023, Vesteda was again awarded five out of five stars and climbed to the top position in the reference group in the Netherlands and the world, which resulted in Vesteda being named the GRESB Global Sector Leader Residential. The five-star rating is the highest attainable rating in the annual GRESB benchmark survey, representing the 20% best scoring participating funds worldwide. Vesteda is committed to remaining a top player in the field of sustainability at a national and international level.

GRESB REAL ESTATE sector leader 2023

1st

ESG breakdown GRESB 2023

	Vesteda	Peer group	GRESB average	Max score
Environment	58	53	41	62
Social	18	18	16	18
Governance	20	19	18	20
Total	**96**	**90**	**75**	**100**

GRESB score 2023

UN PRI

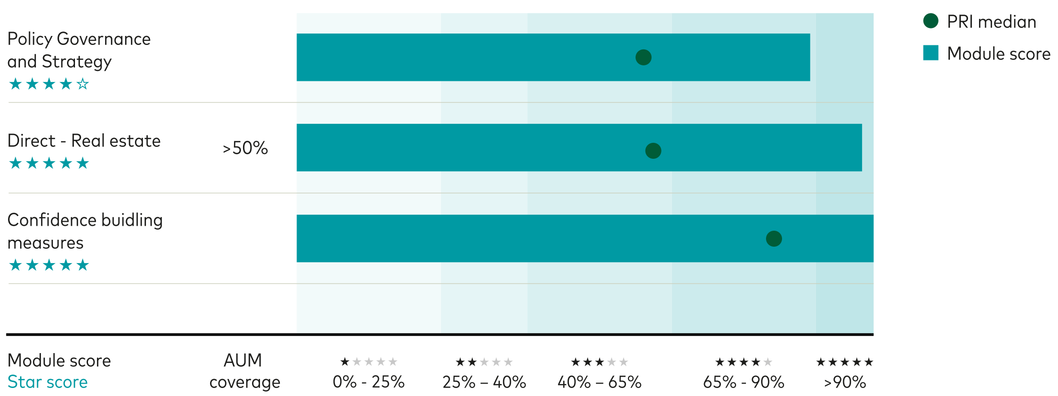
Principles for Responsible Investment (UNPRI or PRI) is a United Nations-supported international network of financial institutions. Its goal is to understand the implications of sustainability for investors and support signatories to facilitate incorporating these issues into their investment decision-making and ownership practices.

Vesteda scored either 5 or 4 stars across the three applicable modules.

Vesteda received 4 stars with a score of 89% in the Policy Governance and Strategy module. We received 5 stars with a score of 98% in the Direct – Real Estate module. For the Confidence building measures Vesteda scored 5 stars with a notable 100% score.

We strive to maintain this score and to improve where possible.

UN PRI summary score card



Regulation and disclosures

Vesteda is required to provide disclosures under Regulation (EU) 2019/2088 (the EU Sustainable Finance Disclosure Regulation, or SFDR). The Vesteda Residential Fund qualifies as an 'article 8' product under the SFDR and, as such, promotes Environmental/Social (E/S) characteristics and while it did not have sustainable investment as its objective, it had a proportion of 80.9% sustainable investments (at year-end 2023) with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy or with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy. Please find a more detailed explanation in Annex 6: SFDR disclosure.

Vesteda publishes its progress on sustainability policies and performance on its website and in its annual report. The reporting on sustainability in the annual report was in line with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. In 2021, we became an official supporter of the TCFD. Please see Annex 8 for an overview with references for the alignment with the TCFD recommendations.

Compliance and integrity

The role of compliance in the organisation

Compliance and integrity are closely related. Both acting with integrity and complying with applicable rules and regulations safeguard Vesteda's reputation and the reputation of the industry we operate in. For Vesteda, it is not enough to simply abide by laws and regulations; integrity should be embedded in day-to-day business and decision-making processes.

To ensure that compliance and integrity are and remain top of mind in Vesteda's business activities, Vesteda has a dedicated Compliance Officer. The role of the Compliance Officer is formally defined and documented in Vesteda's compliance charter. The Compliance Officer reports periodically to the Management Board and the Supervisory Committee, while reporting functionally to the General Counsel. Additionally, the Compliance Officer has a direct line to the CFO and the Supervisory Committee.

The compliance function fits into Vesteda's 'three lines model'. This model helps to identify structures and processes that best help Vesteda to achieve its objectives and facilitate strong governance and risk management within Vesteda. The first line is formed by the business. The compliance function is part of the second line and operates independently from the business. The third line is formed by the Internal Audit function, which periodically assesses the effectiveness of Vesteda's internal control framework, including compliance.

The Compliance Officer's tasks include the identification, evaluation, monitoring and reporting of and advising on compliance risks within the organisation, as well as advising on, drafting and monitoring policies and procedures. The Compliance Officer is part of the Risk Committee and discusses incidents, trends and (regulatory) developments that (could) have an impact on Vesteda's corporate integrity and is the first point of contact for integrity notifications within the organisation. The Compliance Officer operates at both a strategic level, advising the Management Board and senior management, and at operational level, advising the business on day-to-day compliance matters.

Focal points in scope of compliance function

Subject	Brief description
Market	This covers risks related to the non-compliance with laws and regulations, such as the Dutch Financial Supervision Act, including the Alternative Investment Fund Managers Directive, the Anti-Money Laundering and Anti-Terrorist Financing Act, Sanctions Act and the General Data Protection Regulation.
Employees	This covers risks related to the non-compliance with the internal code of conduct and related policies.
Business conduct	This covers risks related to non-compliance with rules related to: - Outsourcing. - Competition. - Anti-bribery.
Clients	This covers counterparty risks and the screening and monitoring of transactions of tenants and business partners in accordance with Anti-Money Laundering and Anti-Terrorist Financing Act, and Sanctions Act.

Vesteda's view on compliance and integrity

Integrity starts with the tone at the top. Employees sign a code of conduct and Vesteda has an internal reporting scheme, including anonymous reporting via a SpeakUp line, to report (suspected) compliance and integrity incidents. The Compliance Officer reminds employees of this code and the reporting scheme on an annual basis and employees are asked to confirm that they are aware of the code and the scheme and that they have complied and will continue to comply with both the code and the scheme. When communicating about compliance-related matters to the organisation, the Compliance Officer will, to the extent relevant, always refer to the code of conduct as the guiding principle within the organisation.

The Compliance Officer keeps a register of all reported incidents. When an incident is reported, the Compliance Officer evaluates whether the reported incident should be classified as material or not. This would be the case when a) there is a considerable risk of a regulatory fine or sanction, or b) the relationship with key stakeholders could be adversely affected in a serious manner or c) it could result in substantial reputational damage.

Key performance indicators with respect to integrity are:

- Number of incidents reported to the Compliance Officer: Vesteda explicitly does not strive to have zero incidents reported. Employees are encouraged to speak up to colleagues and management before formally reporting an incident to the Compliance Officer. Vesteda is of the opinion that the reporting of incidents can contribute to risk awareness and is a sign of a company culture in which employees do not fear repercussions for reporting an incident. Incident reporting can help to identify trends or risks. In 2023, the number of reported incidents was 18, including one material incident. A material incident could be: criminal acts, corruption, a violation of applicable laws and regulations, a breach of our internal Code of Conduct, a threat to the environment, health or safety, misleading supervisory authorities, intimidation, withholding or manipulation of data or any other act that damages Vesteda directly or indirectly. It is noted that 10 of the 18 incidents reported were related to subversive criminal activities. Other incidents were related to minor data breaches and (alleged) conflicts of interest. The incidents were addressed by the Compliance Officer and, depending on the severity of the case, discussed with the Management Board and reported to the Supervisory Committee;
- Percentage of employees that confirm adherence to Vesteda's code of conduct: In 2023, 95.4% of all employees, including the Management Team, confirmed their compliance with Vesteda's code of conduct. The percentage of non-compliance was mainly due to long term absence due to illness or absence prior to termination of employment. The Compliance Officer contacted employees and their managers who did not confirm in a timely manner, to gain an understanding of any underlying reasons.

Vesteda's compliance with applicable rules and regulations is the foundation of its license to operate. Two of our main objectives are to incur no (monetary) sanctions and to retain our AFM license. Vesteda met both objectives in 2023.

Compliance focal points 2023

Management conducted the annual Systematic Compliance Risk Analysis (SCRA) in Q4 2023, under the guidance of the Compliance Officer. The SCRA is an instrument management uses to identify and analyse compliance and integrity risks in a structured manner. The analysis included an assessment of whether existing control measures were (still) sufficient to prevent or mitigate the risks identified or whether new measures were required. The outcome of the SCRA serves as input for the Compliance year plan for 2024.

Integrity:

- The Compliance Officer recorded compliance and integrity incidents and reported on a quarterly basis to the Management Board and a subcommittee of the Supervisory Committee about these incidents and any measures taken. The number of recorded incidents was 18 in 2023;
- The Compliance Officer and Internal Audit Manager conducted an internal investigation regarding potential fraud by employees. Following this investigation, Vesteda took disciplinary measures and amended certain internal procedures. While Vesteda strives for the highest ethical standards, incidents may occur. When they do occur, management strives, to the extent (legally) possible, to use them as examples and discussion topics throughout the company;
- The Compliance Officer provided training on integrity and the Code of Conduct during the onboarding day for new employees;
- Vesteda updated its Code of Conduct, to reflect new insights and developments;
- Vesteda updated its policy for ethical business operations;
- Vesteda updated its employment screening to include new integrity-sensitive positions that require screening;
- The Compliance Officer organised a mandatory meeting for all employees, together with internal audit, the Management Board and the Management Team on integrity, the code of conduct and fraud risks. Vesteda sent out the annual confirmation reminder of Vesteda's Code of Conduct in Q4 2023. Vesteda's goal is to have 100% of its employees confirm the Code on an annual basis. By late 2023, 95% of employees had confirmed their compliance with the Code of Conduct. The Compliance Officer has looked into the reasons why employees failed to provide this confirmation (a number were related to absence due to long-term illness) and contacted employees who did not confirm their adherence to the Code where required.

Regulatory:

- In December 2022, Vesteda signed a covenant ("Convenant Horizontaal Toezicht") with the Tax Authorities for a period of three years. As part of the covenant Vesteda performed a tax risk analysis and implemented a process to monitor, audit and review the operating effectiveness of the system of internal controls to cover the tax risks and to ensure correct tax returns. The findings of this process in 2023 confirmed that the design and operation of these controls provide a sufficient basis to ensure correct tax returns. In 2024 Vesteda will set up a Tax Committee to oversee the compliance with the covenant and to monitor the continuing quality and effectiveness of the tax controls;
- Vesteda notified the Financial Intelligence Unit – the Netherlands of several 'suspicious transactions' in relation to rent payments;
- Vesteda provided input on several market information requests by the Dutch Financial Markets Authority;
- The Compliance Officer updated policies that Vesteda is required to have in place in accordance with the Alternative Investment Fund Managers Directive;
- The Compliance Officer advised on the amendment of internal policies related to granting priority to certain individuals in the letting process.

Client integrity:

- The Compliance Officer actively advises the business on the review of (high-risk) customer due diligence (CDD) files and acts as a sparring partner for the business regarding client due diligence procedures. A dedicated CDD analyst has been employed to advise the business on and/or carry out certain client due diligence investigations;
- The Compliance Officer gave presentations to employees on anti-money laundering (AML) principles and the recognition of potential fraud;
- The Compliance Officer provided in-house training on anti-money laundering (AML) principles and indicators, and the recognition of potential fraud to employees responsible for client due diligence assessments.

Privacy:

In the past year, Vesteda focused on further enhancing privacy awareness and data protection within the organisation. This included the execution of the following actions:

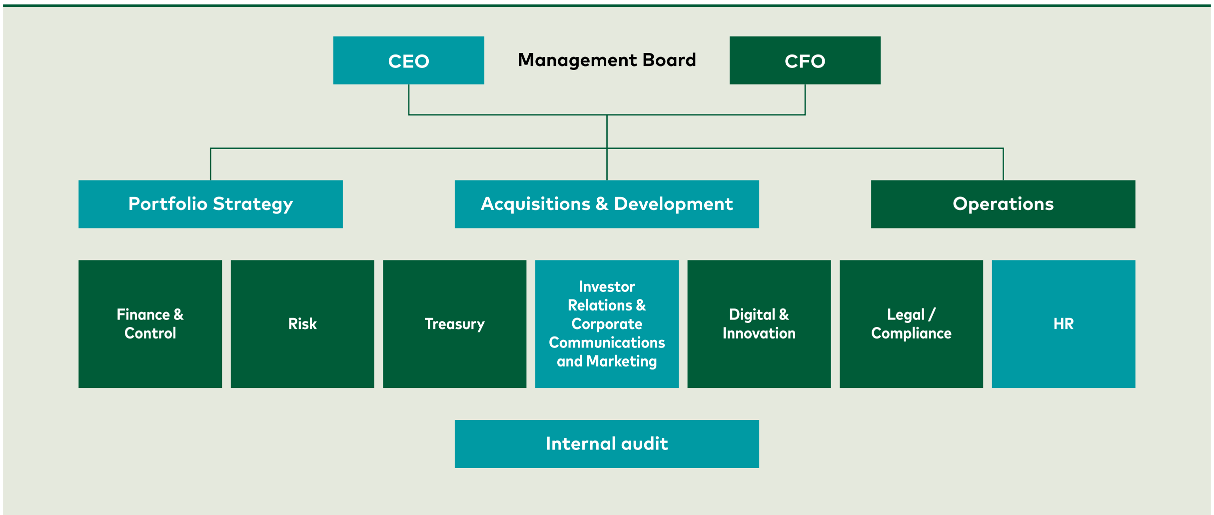
- Vesteda updated the privacy statements for website visitors, (prospective) tenants and third parties, employees and job candidates;
- Vesteda revised the model agreements for the processing and exchange of personal data with third parties;
- Vesteda updated its data breach policy;
- Vesteda improved the reporting of data breaches for internal and external reporters;
- Vesteda identified three data breaches (mentioned as incidents). The data breaches were reviewed and were deemed not to have led to risks for clients and/or Vesteda.

De Boel
Amsterdam

154 apartments with a roof garden that is designed as a polder roof, which buffers the water and relieves the pressure on the sewer system.

Organisation

Structure



Vesteda is an internally managed fund with in-house property management. The organisational structure consists of the Portfolio Strategy, Acquisitions & Development and Operations departments, as well as several staff departments and functions. The Operations department is led by Astrid Schlüter (COO) and the Human Resources department is led by Renée Verhulst. The aforementioned are both part of the Management Team. The Portfolio Strategy department is led by Una Buning (Head of Portfolio Strategy), and the Acquisitions & Development department is led by René Tim (Head of Acquisitions & Development), who both report to the CEO. Vesteda's Management Board remained unchanged and consists of Gertjan van der Baan (CEO) and Frits Vervoort (CFO). Gertjan van der Baan will step down as Chief Executive Officer of Vesteda on 3 April 2024. On 3 April 2024, the Supervisory Committee will nominate Astrid Schlüter for appointment as Chief Executive Officer of Vesteda.

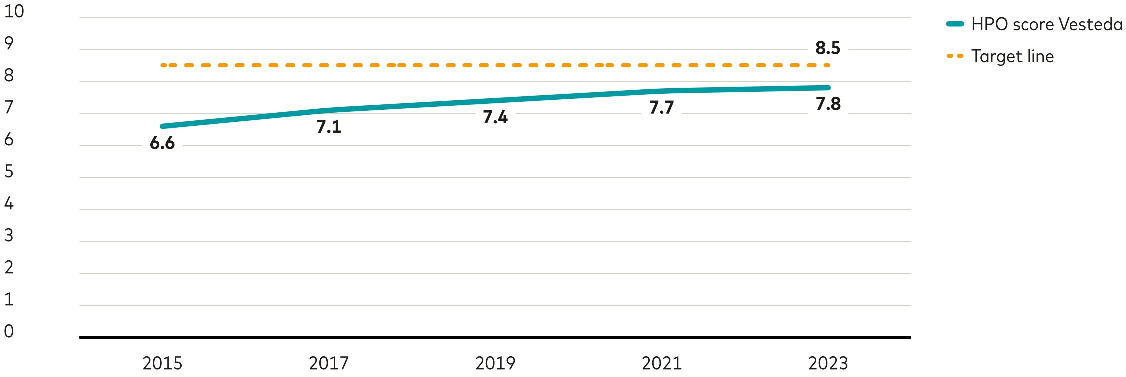
Our Portfolio Strategy department is responsible for the portfolio development, monitoring and continuous optimisation of the quality and value growth of our portfolio. Our Acquisitions & Development department is responsible for the execution of the portfolio strategy through the purchase and sale of residential complexes and portfolios and is also responsible for the improvement and redevelopment of existing complexes. Our Operations department is responsible for the quality of our services, the maintenance of our portfolio, individual unit sales and technical and operational asset management.

Workforce

Organisational developments

Our journey to become a High Performance Organisation (HPO) continued in 2023. The following chart shows the scores from our bi-yearly surveys and the target of 8.5.

HPO survey scores



Vesteda conducted the latest High Performance Organisation (HPO) survey in December 2023. The total score improved to 7.8 in 2023, from 7.7 in 2021.

With this, Vesteda has once again demonstrated a structural improvement as a HPO on nearly all success factors. Increasingly, employees are awarding high scores, irrespective of the length of service. There is a strong emphasis on quality, continuous improvement, sustainability, transparency, and a positive work culture.

The survey in 2021 identified a number of attention points. In 2023, we continued working on these topics. We focused on collaboration and connection, becoming the best landlord, working in projects, employee of the future and the continuous improvement of our organisation and processes.

We continued to support good and healthy workspaces at home. Employees have the freedom and the responsibility to choose their workplace, either at the office or elsewhere. We have a policy in place with regard to working at the office or elsewhere. However, we do stimulate bonding within and between teams.

Vesteda believes that the health of our employees is essential, so we strive to provide a healthy work-life balance. To achieve this, Vesteda joined forces with well-being organisation De Atleetfabriek. Together with the sports committee and ambassadors, we have been working on mental, physical and nutritional themes. The programme included masterclasses, sports challenges and supporting communication.

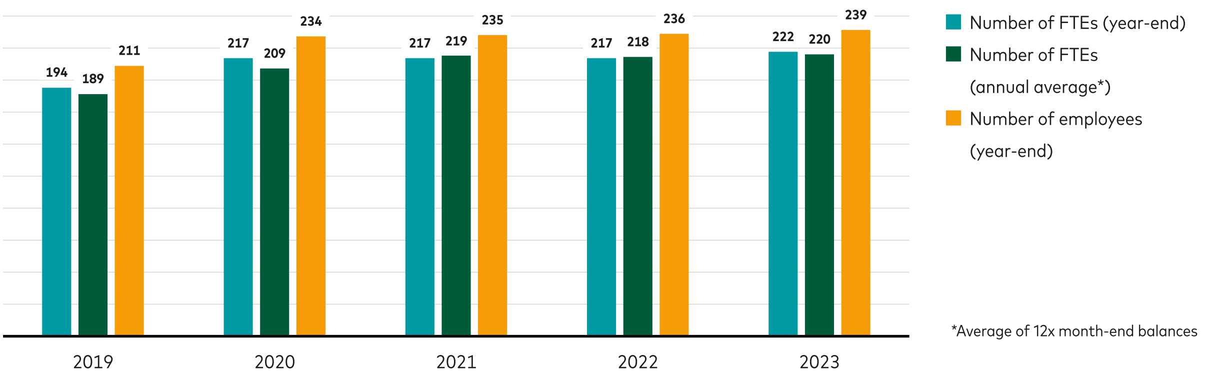
We also work with OpenUp, a platform that allows employees to work on their mental well-being. Via OpenUp, employees have unlimited one-on-one access to on-demand coaching, consultations with psychologists and other mental resources. This initiative aims to tackle mental health issues during their early stages.

To encourage our people to work together and collaborate, we continued with the roll-out of RealDrives. Several teams conducted team sessions to enhance mutual understanding and streamline collaboration within each team.

Lean management forms a key component of our ongoing effort towards continuous improvement. In 2023, 56 employees followed the Lean methodology training. Equipped with this expertise, they are now capable of systematically developing and implementing improvement strategies within their own departments and across broader areas.

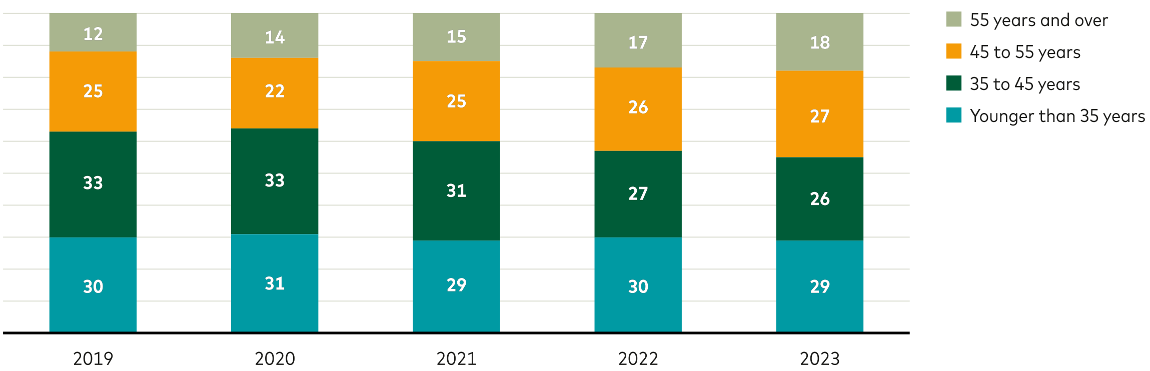
Our work increasingly requires a project-based approach. We therefore set up a project board to strengthen cross-departmental teamwork.

Employees in numbers



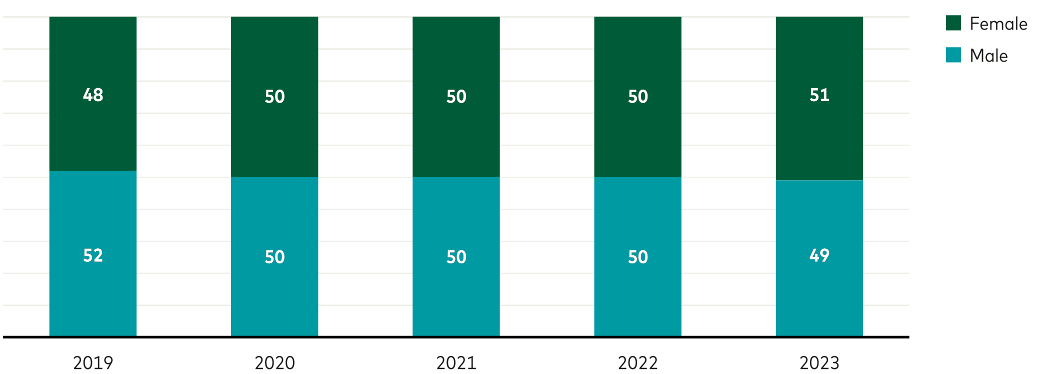
At year-end 2023, Vesteda employed 222 FTEs, an increase of five FTEs since year-end 2022. The number of employees increased by three persons to 239. In 2023, our average population of flex workers increased to 17.3 FTEs from 15.4 FTEs. Vesteda hires flex workers primarily to fill vacancies, or in the event of absenteeism due to illness and maternity leave.

Workforce by age (%)



The average age of Vesteda employees increased to 42.9 years in 2023, from 42.3 years the previous year. 55% of the workforce is younger than 45 years of age (2022: 57%). The representation of the groups older than 45 years of age increased to 45% compared with 43% in 2022.

Workforce by gender (%)



The male/female ratio slightly changed compared to year-end 2022. At year-end 2023, 49% of the workforce were male and 51% were female.

In 2023, 26 new employees joined Vesteda (46% female/54% male) and 23 employees left the company (43% female/57% male). The employee turnover rate was 10% in 2023 (2022: 14%).

The male/female ratio was 100/0 within the Management Board and 50/50 within the Management Team, including the Management Board. The ratio for the Supervisory Committee was 60/40. Vesteda recognises the importance of an equal distribution of male and female members of its Management Board and Supervisory Committee, taking into account that the candidate's qualifications and suitability for the function are always the leading principle.

At year-end 2023, the ratio of indefinite versus fixed-term contracts remained 86%/14%. A total of 102 males and 103 females were employed under indefinite contracts, while 16 males and 18 females had fixed-term contracts.

At year-end 2023, 35% of Vesteda's employees worked part time (70 females versus 14 males). Most full-time Vesteda employees are male (104 males versus 51 females). The average FTE is 0.93. The average FTE is 0.98 for males and 0.88 for females.

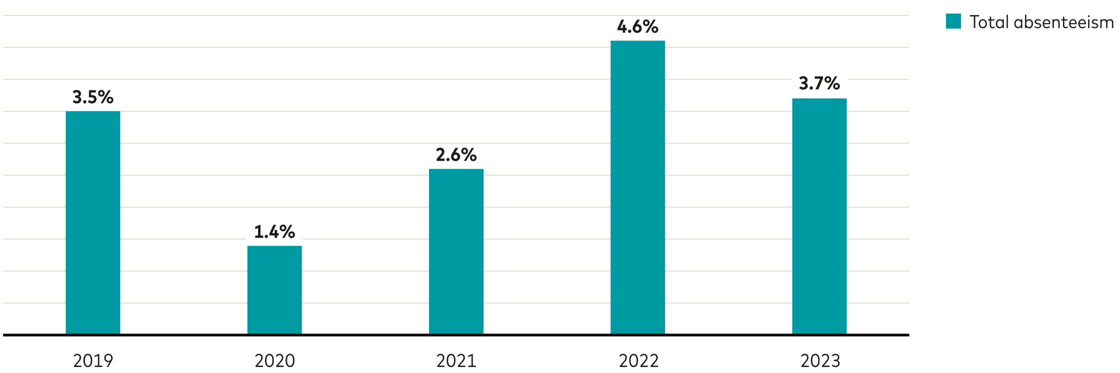
In total, 19 employees took paid or unpaid parental leave in 2023 (2022: 21 employees).

The percentage of total employees covered by collective bargaining agreements remained 93% at year-end 2023. Employees that are not covered mostly consist of the Management Team and other Identified Staff.

Training and development
In 2023, Vesteda invested €437 thousand (or 2.3% of the gross payroll) in the education and development of individual employees and teams. This was lower than in 2022 (3.3% of the gross payroll). Vesteda organised several courses, including Lean training courses, RealDrives team sessions, a compliance dilemma training course, training for rental agents on screening the rental applications of self-employed people or small companies, a training course in the home valuation points system for rent setting (Woningwaarderingsstelsel, WWS), an IT security training course, a Microsoft Teams training and an inspirational session about artificial intelligence.

Absenteeism
Absenteeism declined to 3.7% in 2023, from 4.6% in 2022. This was largely due to a decline in (long-term) absenteeism caused by mental health issues. To manage absenteeism, managers were offered a course in health management, in which absenteeism behaviour was a central theme.

Sick leave



Remuneration
Please see the Remuneration report for information on the remuneration of the Management Board, other Identified Staff and the Supervisory Committee.

Works Council
During the year, the Works Council and the Management Board met on a regular scheduled basis. These meetings were constructive and subjects included changes in the organisational structure, remuneration policy, HPO, health policy, employer branding including eNPS, working conditions and compliance policy.

Outlook and management agenda

Outlook for 2024

Market developments

The Dutch residential investment market is expected to bottom out in 2024, with a slight increase in transaction volumes and a moderate increase in prices (source: CBRE). However, the ongoing market dynamics, international turbulence, inflation, higher interest rates, the transition to sustainable energy, and increasing government regulation, will continue to pose challenges to the market.

The Dutch economy is expected to grow by 1.1% in 2024, which is a significant improvement from the mild recession experienced in 2023. The Netherlands Bureau for Economic Policy Analysis (CPB) and many leading institutions (Bloomberg, ING, Rabobank, etc.) believe it is possible the ECB will lower its interest rate policy in 2024, in line with the lower inflation. The CPB also suggests that the inflation rate is expected to remain high in the Netherlands, but a tight labour market, higher wages, and government support will limit the impact on purchasing power. Investors expect inflation to be back close to the ECB's target by the end of 2024 (source: CPB).

The housing shortage in the Netherlands is expected to rise to 415,000 homes in 2024, which will further impact the residential investment market. Dutch residential investments remain an attractive asset class, generating stable direct returns. While possible regulation, high construction costs and interest rates are creating short-term uncertainty, the long-term outlook remains positive. Demand for mid-rental segment homes remains high, leading to high occupancy rates. In addition, investments in sustainable homes and homes for middle-income households have a positive impact on society. Investments in sustainability increase affordability for existing tenants, by lowering their energy costs. Investments in new-build projects for middle-income households will also provide affordable housing for future tenants.

Furthermore, investments in sustainability will accelerate in the coming years. The European Union wants to encourage this by changing the legal and regulatory requirements and improving transparency and reporting on ESG-related matters.

In short, the main market developments we expect in 2024 are:

- Moderate economic growth;
- Volatile inflation, declining slowly towards (but just above) the target level of 2%;
- Moderate increase in the prices of owner-occupied houses;
- Declining interest rates due to monetary policy;
- Further bottoming out of negative market value developments;
- Stabilising initial yields;
- Improved market conditions for asset transactions (block sales);
- Limited level of new housing projects, mainly due to current high construction costs and regulation;
- Continued housing shortage, especially in the affordable segment;
- Clarity on legislation related to new regulations in the mid-rental segment;
- Acceleration of the energy transition.

Impact on our portfolio

The ongoing challenging market conditions have an impact on our portfolio and on the affordability of housing. The current proposal for mid-rental regulation is an attempt to improve the affordability of housing, although we believe the only way to resolve this issue is to build more homes and reduce shortages. However, there is a great deal of public and political pressure to implement regulatory measures. At the same time, the economic developments with respect to interest rates and inflation are also expected to have an impact on 2024 results.

Given the quality of our portfolio, Vesteda is well positioned to respond to these market developments. We expect our operational performance to remain solid, driven by high demand for our mid-rental homes. Inflation will have an impact on the cost of housing for our tenants, and also on the operating expenses of the portfolio. We expect a slight increase in our gross/net ratio for the medium term, as the cost increase will not be fully reflected in annual rent adjustments. The rise of interest rates has an impact on our cost of debt, and this puts pressure on our results.

As a result, we will closely monitor our financial targets and remain committed to our long-term strategy, plus we will continue to invest in the quality and sustainability of our portfolio. The investments will increase the quality of our assets and result in a future-proof portfolio, which will in turn reduce our overall risk levels. By complying with higher ESG standards and scoring better on affordability and sustainability, we will be able to attract more green and social funding at favourable terms. These improvements also help to largely mitigate part of the impact of the proposed mid-rental regulation.

Furthermore, we are planning to increase divestment volumes of assets that do not meet (or cannot meet) long term portfolio criteria, and we have reduced our target for new inflow to reduce our future financing needs.

Management agenda for 2024

Economic value

Portfolio performance

We will continue with our strategy of investing in affordable mid-rental and sustainable homes in core regions in the Netherlands, offering a low-risk and high-quality portfolio with an above-average value growth potential. We will continue our active management strategy by investing in selected assets in our portfolio where we can simultaneously improve the financial performance, quality, sustainability and mitigate possible regulatory risks. By adopting this approach, we can enhance quality without raising the overall living costs for our tenants, thanks to the sustainability initiatives we have implemented and plan to continue. Furthermore, we will balance our inflow and outflow to limit our funding requirements and strengthen our long-term performance. We will be highly selective with acquisitions and sell non-strategic assets, while keeping an eye out for potential market opportunities. At the same time, we are preparing our portfolio and asset strategies for potential new regulations in the mid-rental segment.

Cost of management

We expect a moderate increase in the cost of management, mainly driven by general personnel and organisation cost increases, due to the indexation of salaries and inflation. We recognise recurring higher cost levels for compliance, due to the continuous increase in legislation and external requirements, and for our IT costs due to advanced digitalisation and data-related projects. In recent years, we were able to improve our processes in such a way that we can more or less keep the number of our FTEs stable.

Funding

Negative property valuations combined with higher cost of debt due to portfolio investments, inflow from our committed pipeline and higher interest rates is putting pressure on our leverage and other funding targets and rating ratios. To mitigate this we will actively strive to not exceed a leverage of 30%, by significantly reducing our soft pipeline, accelerating disposals, and additional block sales in 2024. In addition, we aim to refinance the revolving credit facility and refinance the bridge facility through the issuance of a new green bond.

Participants

Our goal is to provide our participants with an attractive risk-return, transparency and a high level of service. We want to maintain our participant satisfaction score by addressing the feedback from our participants. One key point of attention is the need of some participants to obtain liquidity. We will continue to take the lead in the search for new investors. In the meantime, the Redemption Available Cash (RAC) of €50 million per year will be paid out upon request. We will also continue to improve our periodic reports and other financial and ESG disclosures to improve our services to our participants.

Social value

Environmental

We are continuing to implement our CO_2 Roadmap, in line with government targets, to become Paris Proof by 2050. Our goal for 2030 is to realise a 55% energy reduction in kWh/m^2 compared with 1990. In addition to our CO_2 roadmap, we use the BREEAM in-use certifications to identify improvements at asset level. We will continue with large-scale renovations to reduce energy demand and total cost of living and our target is to have 99% green energy labels by year-end 2024. Furthermore, we are actively increasing awareness and motivation among our tenants to reduce energy use. We are investing in new climate-proof buildings and we are taking measures to lower the physical climate risks of (very) high-risk assets. Finally, we are optimising the sustainability impact score of our new acquisitions and standing assets.

Social

One of our goals is to enhance tenant satisfaction by improving our service levels and providing high-quality homes in our portfolio. We plan to implement a social strategy and social score, improve the maintenance process by focusing on first-time fixes, and explore new ways to provide maintenance services. We aim to reduce the total cost of living by investing in sustainability measures and encouraging our tenants to reduce their energy consumption. We also plan to improve tenant communication and identify the most critical areas for improvement to enhance tenant satisfaction.

Governance

While we are comfortable with the quality of our governance framework, we are improving our governance on a continuous basis to ensure sound decision-making processes and business operations. Our objectives include obtaining an unqualified opinion on the audit of the annual financial statements included in the annual reports, an unqualified opinion on the annual ISAE 3402 audit, to resolve findings from internal audit reviews and receive no warnings or fines from regulators.

In the coming years, we will focus on establishing human resources policies on diversity, equality and integrity in our workforce. Furthermore, we will roll out our newly developed code of conduct for our suppliers.

Organisation

We will continue our journey to become a High Performance Organisation (HPO). We also want to create a clear and attractive employer proposition, translated into labour market communications to make us an employer of choice. To strengthen our external reputation and positioning as the best residential investor and landlord, we will improve our communications on our social role, innovation and sustainability via our corporate website.

Furthermore, we will use data science and digitalisation to improve core processes, focusing on organisation-wide steering information and making the re-letting process more data driven and automated. This will enable us to work more efficiently, reduce costs and increase tenant satisfaction.

Gertjan van der Baan will step down as Chief Executive Officer of Vesteda on 3 April 2024. The Supervisory Committee has nominated Astrid Schlüter for appointment as Vesteda's new CEO. Vesteda has started the recruitment and selection process to find a new COO to succeed Astrid Schlüter.

Remuneration report

General

Total remuneration amounted to €18.7 million (87% fixed and 13% variable) in 2023, an increase when compared with the previous year (€15.8 million). In 2023, we implemented a 6% salary indexation. In addition, we made a one-off payment of €1,000 per employee in December 2023, preceding the wage indexation in 2024. Until May 2023, the variable bonus was part of the remuneration policy for all staff members, which changed after that month. We introduced a new job evaluation system and at the same time abolished the bonus scheme for all staff members, excluding the Management Team.

The ratio of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excl. the highest-compensated individual) was 8.5 in March 2023 (March 2022: 8.9).

Remuneration of Management Board and other Identified Staff

Vesteda adheres to the Alternative Investment Fund Managers Directive (AIFMD) and the Dutch Financial Supervision Act, pursuant to which Vesteda has implemented a balanced remuneration policy in relation to the remuneration of Identified Staff. The Management Board together with the Management Team members are considered Identified Staff, as well as the Compliance Officer and the Internal Audit Manager.

Vesteda's remuneration policy is clear and transparent and aims to be closely aligned with its strategy, business targets and the overall interests of Vesteda. It is also aligned with and a contributing factor to adequate and effective risk management. It aims to prevent management from taking risks that are not compatible with Vesteda's risk profile. In addition, the remuneration policy is constructed in such a way that it avoids financial incentives that may encourage irresponsible risk taking in Vesteda's operational and financial policies.

The remuneration policy aims to contribute to the integrity and solidity of the company and to the long-term objectives of the company and the interests of Vesteda's stakeholders. In this light, it is deemed essential that Management is focused on achieving concrete and ambitious targets and that it takes into account sustainability risks in the company's day-to-day operations. The remuneration of the Identified Staff is aimed at preventing the taking of irresponsible risks for personal gain.

The total remuneration for the Management Board and the Management Team members comprises a fixed and a variable component. The variable component consists of 60% direct and unconditional and 40% indirect and conditional remuneration. The variable component is paid 50% in cash and 50% in phantom shares. The phantom shares are subject to a lock-up period of one year after the unconditional granting. Vesteda does not grant guaranteed variable remuneration.

The indirect component can be subject to a correction by the Supervisory Committee for three years. After this period, the indirect component is converted into an unconditional granting. The purpose of this lock-up period is to ensure that the focus of Management is directed towards Vesteda's business continuity and long-term objectives, which include sustainability objectives. If the Supervisory Committee believes that Vesteda faces undesirable results due to, for example, irresponsible risk taking on the part of the grantee, it could decide to apply a significant downwards adjustment of the indirect component.

The aforementioned variable remuneration entitles:

- The CEO to 26.6% of base salary for 'on-target' performance, with a maximum of 40%;
- The CFO to 20% of base salary for 'on-target' performance, with a maximum of 30%;
- The COO to 20% of base salary for 'on-target' performance, with a maximum of 30%;
- The HR Director to 8% of base salary for 'on-target' performance, with a maximum of 12%.

The overall remuneration of Identified Staff is not disproportionately dependent on achieving certain individual targets, which mitigates the risk that unsound business decisions are taken to the detriment of (sustainability) targets in the interest of personal gain.

The variable part of the remuneration depends on whether set targets are met.

The following principles are applied:

- The targets should reflect a fair balance between:
  - Long-term and short-term goals;
  - Company goals and individual goals;
  - The interests of the various Vesteda stakeholders;
  - Financial and non-financial criteria;
  - Qualitative and quantitative criteria.

- Individual targets should have limited impact on the total remuneration;
- A material qualitative part of the variable component is at the discretion of the Supervisory Committee;
- Part of the variable remuneration will be invested in Vesteda and has a lock-up period of three years.

The targets that are related to the overall performance of the company should represent 70% of the target setting. The targets should be ambitious and promote outperformance. Underperformance on a specific target means that variable remuneration component will not be awarded. In the event of a loss (negative result after tax, so including revaluation, excluding any derivative results), no variable remuneration will be paid.

The targets are closely linked to the goals that are set in Vesteda's current Business Plan and are reviewed on a quarterly basis by the Nomination and Remuneration Committee. The Supervisory Committee shall make the final assessment on whether the targets set have been achieved or not. Qualitative target achievements are based on 360-degree interviews, self-assessments and observations of all Supervisory Committee members. Quantitative targets are calculated and verified by Vesteda's business control department.

Remuneration of Management Board and other Identified Staff in 2023

The remuneration of the Management Board and other Identified Staff is divided into the following components: base salary, variable bonus, social security charges & pension contributions. The Compliance Officer and the Internal Audit Manager do not receive any variable remuneration.

Variable remuneration charges

As determined by the Supervisory Committee, the Management Board and the Management Team members achieved on average a score of 66% of the 'maximum' targets in 2023 (2022: 67%). However, in accordance with Vesteda's remuneration policy, the Management Board and the Management Team members are not entitled to receive any variable remuneration in the event that Vesteda's net result is negative. As Vesteda's result after tax was negative in 2023 (-€656 million), the Management Board and the Management Team members received no variable remuneration.

Remuneration of the Management Board and other Identified Staff

	2023		2022	
	Management Board	**Other Identified Staff**	Management Board	Other Identified Staff
Base salary	786	721	746	698
Variable remuneration charges (for future cash or shares)	-	-	-	-
Social security charges & pension contributions	75	156	84	153
Compensation income tax capital repayments 2018 and 2019	-	-	73	14
Total	**861**	**877**	903	865

Please see Note 29 to the consolidated financial statements for more information about the remuneration of the Management Board and other Identified Staff.

Remuneration of the Supervisory Committee

The total remuneration for the five Supervisory Committee members was €202 thousand in 2023 (2022: €181 thousand). The compensation for the chairman was €44 thousand and for the other members €31 thousand. The additional compensation for the chairmen of the Audit Committee and Nomination & Remuneration Committee was €7 thousand, while the additional compensation for the members of both Committees was €5 thousand. In addition, each member received an expense allowance of €2.5 thousand.

Report of the Supervisory Committee

Chairman's Statement

Despite continuous market headwinds throughout 2023, Vesteda continued to invest in affordable, sustainable and climate-proof rental homes for a broad and diverse group of tenants. This is illustrated by, among other things, the installation of more than 11,000 solar panels in 2023, and the continuous effort to renovate buildings in a sustainable manner, with the aim of further reducing the energy demand per home and outperform the Paris Agreement, using a previously approved budget of €200 million to fund sustainability efforts over a period of ten years.

The Supervisory Committee is very pleased to see that Vesteda is recognised for its dedication, leadership and commitment to ESG principles and sustainability and was declared Global Sector Leader Residential in the 2023 Global Real Estate Sustainability Benchmark (GRESB). In addition to outperforming the Dutch and European benchmark, this was the first time Vesteda had achieved this global GRESB top position.

Preserving stable cash returns in the face of rapidly changing real estate valuations was a top priority in 2023. The Supervisory Committee has overseen management navigating challenging market conditions, as referred to in more detail in the Limited investments section. The occupancy rate remained high at 99%, while net rental income increased by 5%, and loss of rent remained below 2%. Vesteda outperformed the MSCI residential benchmark on the three-year average return.

Changing market conditions, including the rise in interest rates, prompted discussion about the required rate of return for new projects. The Supervisory Committee and the management discussed the adaptation of Vesteda's investment strategy. New investments were limited, as the uncertain market requires a highly selective approach. An increased required rate of return reflecting market risks was discussed and approved by the Fund's participants.

Vesteda's steady focus on offering a solid value proposition for all its stakeholders continues to pay off. Stakeholders are seen to be involved and satisfied with the company's achievements. The tenant satisfaction score of 7.2 (out of 10) in 2023 outperformed both the benchmark and its own strong precedent of 7.1 in 2022. The participant satisfaction score remained at the same level as in 2022 (4.2 out of 5). In addition, Vesteda's employees continuously strive for business improvements and proudly recommend this High Performance Organisation. This is shown by the very high employee Net Promotor Score of 67.

Some of Vesteda's participants needed to re-balance their investment portfolios last year, resulting in several redemptions of participation rights in the Fund. And for the second consecutive year the Fund distributed the entire Redemption Available Cash. On the other hand, two investors increased their stake in the Fund and Stichting Algemeen Pensioenfonds STAP joined the Fund. The Supervisory Committee believes this is proof that Vesteda continues to offer a solid long-term investment for institutional investors due to its overall solid value proposition.

Given the Fund's conservative investment approach, the Supervisory Committee approved only one substantial acquisition last year, the Zuiderhof project in Rotterdam. By increasing its stake, Stichting Pensioenfonds ABP made it possible for Vesteda to purchase this project. The homes in this complex will be rented on a priority basis to candidates in key professions, including teachers, police officers and healthcare workers.

The tight rental housing market and further increase in the total cost of living prompted continued discussions of the housing affordability in 2023. The Supervisory Committee monitored Vesteda's active participation in the social debate on the Dutch housing market, for example via its collaboration with the Association of Institutional Property Investors in the Netherlands (IVBN).

Apart from announced governmental regulations adding to the uncertainties in the housing market, several courts across the Netherlands have ruled that certain rent increase clauses are deemed unreasonable and therefor null and void. These verdicts, when held up on appeal, could have a material financial impact, not just for Vesteda but many other real estate investors and therefore the Dutch real estate market. The Supervisory Committee is monitoring these developments closely.

In June, Vesteda was shocked by a large fire in its De Enter complex which rendered all 95 homes uninhabitable for a prolonged period of time. While no tenants or their beloved pets were harmed, the fire had a major impact on the residents. The Supervisory Committee was impressed to see that management and Vesteda's employees went above and beyond to arrange the quickest possible rehoming for all tenants, while managing financial damages and public relations.

Vesteda also saw several organisational changes in the past year, as the CIO stepped down and the CEO announced his departure as per April 2024. Since joining Vesteda as CEO in 2014, Mr Van der Baan has strengthened Vesteda's market leadership position and accomplished a cultural change, the bolstering of its financial position and a significant improvement in sustainability. As Chairman of the IVBN, he has also reinforced the role of institutional real estate investors in the market. The Supervisory Committee concluded that Vesteda's current COO Astrid Schlüter ultimately had the best credentials to be nominated for appointment as Vesteda's new CEO.

In addition, the Supervisory Committee followed an extensive selection process to fill two vacancies due to the expiration of the tenures of Ms Van den Herik (as per December 2023) and Mr Copier (as per February 2024). New Committee members Ms Zandstra and Mr Meulenberg were appointed unanimously by the participants.

The members of the Supervisory Committee were at all times able to operate independently and critically, towards each other, as well as towards the Management Board and the Management Team. I would like to thank my fellow Supervisory Committee members for their dedication. On behalf of all of us, I conclude by thanking the company's Management Board, Management Team and all other Vesteda employees.

Jaap Blokhuis, Chairman of the Supervisory Committee

Supervisory Committee

Focal points

The main task of the Supervisory Committee is to supervise the management carried out by the Manager and the general course of the Fund's business, as described in more detail in the Governance section of this report. Last year, the Supervisory Committee and its separate committees discussed a range of topics. The separate committees regularly convened and reported back on their activities to the full Supervisory Committee. The following topics will be set out in more detail below:

- Organisational matters;
- Limited investments;
- Financial reporting.

Meetings and attendance record

Until 9 December 2023, the Supervisory Committee comprised Mr Jaap Blokhuis (Chairman), Mr Hans Copier, Ms Seada van den Herik, Mr Theo Eysink and Ms Eva Klein Schiphorst, all of whom are deemed independent in the sense described in the Supervisory Committee's by-laws. As per 9 December 2023, the position of Ms Van den Herik was taken over by Ms Zandstra (see the Organisational matters section of this report).

In 2023, the Supervisory Committee met eight times, either in person or via Microsoft Teams meetings. The Management Board, (members of) the Management Team and the Company Secretary attended most of these meetings. Four of these meetings were dedicated to specific topics, these being the approval of two investment proposals (including the Zuiderhof project), the approval of a bridge financing facility and the Business plan. The Supervisory Committee always met in the absence of the Management Board ahead of regular scheduled meetings. Additionally, the Committee attended Vesteda's permanent education day.

Below you will find an overview of the attendance record per member of the Supervisory Committee.

Overview of attendance record Supervisory Committee

Name	Supervisory Committee	Audit Committee	Nomination & Remuneration Committee
Jaap Blokhuis	8 of 8	n.a.	n.a.
Hans Copier	8 of 8	6 of 6	n.a.
Seada van den Herik	8 of 8	n.a.	4 of 4
Theo Eysink	8 of 8	6 of 6	n.a.
Eva Klein Schiphorst	8 of 8	n.a.	4 of 4
Ditri Zandstra	No meetings took place in 2023 since her appointment.		

Attendance is expressed as the number of meetings (including Microsoft Teams meetings) attended out of the number of meetings the members were eligible to attend. In the event of absence, the members discussed the topics in advance and provided powers of attorney.

The activities of the Supervisory Committee and its separate committees in 2023 are summarised in the following schedule:

Supervisory Committee activities in 2023 (including separate committees)

Q1	Q2	Q3	Q4
• Q4 2022 report • Investment Property Report 2022 • Compliance and risk updates • Internal Audit updates and reports • Internal Audit report 2022 • Internal Audit plan 2023 & Risk analysis • Interim status report external auditor • External auditor report 2022 (Deloitte) • ISAE report 2022 • Quality assessment Internal Audit department • Financial statements, annual report & accounts 2022 • Treasury update • Functional costs • Required rate of return • Acquisitions & developments pipeline • Fund liquidity • Participants' satisfaction survey • Cyber security • HPO • Remuneration report 2022 • Annual employee performance review • Targets and bonus Management Board and Management Team 2022 • Revision remuneration policy • Employee remuneration 2023 • Targets Management Board and Management Team 2023 • Review variable remuneration Management Board and Management Team • Supervisory Committee members search and profiles • Policy on ESG & remuneration • Works' Council update	• Q1 2023 report • Compliance and risk updates • Internal Audit updates and reports • Fraud risks • Internal Audit report variable remuneration • Governance year planning 2023 • Strategic risks • Cyber security • Functional costs • MSCI index performance • Acquisitions & developments pipeline • Investment proposal (Zuiderhof) • Fund liquidity • HPO • Update employee remuneration 2023 • Update targets Management Board and Management Team 2023 • Phantom Share Plan • Review variable remuneration Management Board and Management Team • Supervisory Committee members search • Permanent education • Works' Council update	• Q2 2023 report • Compliance and risk updates • Internal Audit updates and reports • Fraud risks • Internal Audit Pre ISAE • Evaluation external auditor (Deloitte) • Audit plan external auditor (Deloitte) • Corporate Sustainability Reporting Directive • Business Plan 2024-2028 • Annulment of rent increases • Fire complex De Enter • Functional costs • Tax update • Fund liquidity • Treasury update • Bridge facility • Participants day • HPO • Update targets Management Board and Management Team 2023 • Management Board and Management Team structure • Review variable remuneration Management Board and Management Team • Supervisory Committee members search • Nomination and Remuneration Charter • Succession planning key personnel • Works' Council update	•Q3 2023 report • Compliance and risk updates • Internal Audit updates and reports • Report of depositary (Intertrust) • Corporate Sustainability Reporting Directive • Business Plan 2024-2028 • Annulment of rent increases • Asset disposition • Annual General Meeting of Participants • Functional costs • Tax update • Fund liquidity • Treasury guidelines • HPO • Update targets Management Board and Management Team 2023 • Phantom Share Plan • Management Board and Management Team structure • Review variable remuneration Management Board and Management Team • Supervisory Committee members search • Good leavers (CIO and CEO) • Succession Chief Executive Officer

See additional information on the role and functioning of the Supervisory Committee and its committees in the Governance section of this report.

Organisational matters

In May 2023, the Fund's participants were informed of the expiration of the second tenure of two members of the Supervisory Committee, Ms Van den Herik and Mr Copier, as per 9 December 2023 and 12 February 2024 respectively, opening up two vacancies. None of the participants made use of their nomination right in respect of the vacancies.

The Supervisory Committee engaged Partners at Work/ Escalier (PaW) based on their knowledge of the Dutch real estate market and the use of the Talent Motivation Analysis tool. This tool was used to map the remaining Supervisory Committee members and the gaps left by the departing members. The candidate profiles were drafted on the basis of this analysis. The longlist of candidates, including those with real-estate and non-real estate backgrounds, showed a balanced representation of male and female candidates and was discussed with all members of the Supervisory Committee. Several candidates were shortlisted and subsequently interviewed by PaW. The Supervisory Committee resolved to unanimously nominate Ms Zandstra and Mr Meulenberg to the participants for appointment as member of the Supervisory Committee due to their experience, professional background and personal fit with the other members of the Committee. The participants unanimously approved their respective appointments for a period of four years.

Moreover, Mr Van der Baan announced in October 2023 that he would step down as CEO and member of the Vesteda Management Board as per April 2024, after being in office for ten years. In the Supervisory Committee's view, the arrival of Mr Van der Baan marked the start of a cultural change within Vesteda. Under his leadership, Vesteda strengthened its position as a market leader, bolstered its financial position and expanded its portfolio and made it more sustainable, resulting in a leading position in the GRESB benchmark. On top of this, Vesteda's strategy has enjoyed unanimous support from the Fund's participants for the past ten years. In his role as the Chairman of IVBN, Mr van der Baan also helped institutional investors gain recognition for their role in the housing market. Mr van der Baan demonstrated his social commitment from the perspective of both investors and tenants. The Supervisory Committee was responsible for selecting a suitable successor (m/f). After a thorough selection process, including multiple external candidates, the Supervisory Committee nominated Astrid Schlüter for appointment as Vesteda's new CEO. Vesteda has started the recruitment and selection process to find a new COO to succeed Astrid Schlüter.

Prior to that, Vesteda's long-time CIO and member of the Management Team Mr Knauff, stepped down from his position as per August 2023. Since 2015, Mr Knauff played an important role in the growth and sustainability of Vesteda's portfolio and in the further professionalisation of the organisation. The Supervisory Committee has found the cooperation with both Mr van der Baan and Mr Knauff to be transparent, pleasant and professional. Both are considered good leavers under Vesteda's variable remuneration scheme.

One of the Supervisory Committee's recurring tasks is determining the bonuses of the Management Board and setting targets for the year ahead. The Committee determined the individual variable bonus of the Management Board for 2022, which was not paid out due to the negative overall 2022 result. In early 2023, the Committee approved Vesteda's updated policy on ESG and management remuneration consistent with the integration of sustainability risks and factors. The Supervisory Committee subsequently reviewed and discussed adjustments to the variable remuneration of the Management Board, aligning with (peers in) the market and the overall company remuneration. This resulted in approval of several minor adjustments to the key variable management remuneration principles and KPIs at the end of the year. See the NR Committee section of this report for more information on the (subsequent) steps that were taken regarding management remuneration.

Vesteda is committed to being a High Performance Organisation (HPO) and increasing its bi-annual HPO score over time. The latest outcome of the survey that took place in December 2023 was 7.8. The Supervisory Committee will continue to monitor management's actions aimed at becoming a High Performance Organisation.

In light of its permanent education, the Supervisory Committee members individually attended events on topics such as ESG, AI, the energy transition and leadership. Jointly, the Supervisory Committee members attended Vesteda's permanent education day. Subjects included corporate governance and valuation and the upgrading of real estate assets.

Limited investments

All market players faced further increases in interest rates, housing shortages, costs of energy, maintenance and construction, as well as uncertainty regarding government regulations and court cases on rental increases. The Supervisory Committee discussed the market dynamics regularly with management, as well as the (potential) impact on Vesteda's funding, rating and projects.

In the course of the year, Vesteda adapted its investment strategy to the uncertain market, reassessing the required rate of return and limiting new investments. The Supervisory Committee approved Vesteda's main acquisition proposal, as this was in line with its highly selective acquisition strategy: the Zuiderhof project in Rotterdam. In collaboration with Vesteda participant Stichting Pensioenfonds ABP, 160 high quality apartments in the mid-rental segment will be built, facilitating key workers in social professions, and a broader and diverse target group.

Vesteda continues to strive for a greener portfolio every day and made significant investments in sustainable renovations in 2023. After receiving the BREEAM certification for almost all its portfolio in 2022, giving Vesteda the largest BREEAM-certified real estate portfolio in the world, the GRESB global sector leader position is further evidence that Vesteda's focus on investing in sustainability is paying off.

The Supervisory Committee fully supports management's focus on the continuous improvement of the sustainability of the portfolio, while significantly reducing the soft pipeline, accelerating disposals, and additional block sales in the year to come.

Financial reporting

In early 2023, the Supervisory Committee discussed the preliminary results for 2022 and audit matters with the external auditor (Deloitte). The committee discussed the 2022 financial statements and the 2022 annual report in the presence of Deloitte's lead partner. The Committee also discussed the audit process for the valuation of Vesteda's portfolio extensively with Deloitte. The Supervisory Committee discussed the Fund's performance versus budget on a quarterly basis.

The valuation of Vesteda's portfolio declined significantly in 2023 due to market circumstances. This had an impact on Vesteda's direct and indirect results. As a result, the total expense ratio (TER) increased, as well as the loan to value ratio (LTV), while net rental income was above budget and vacancy rates remained low. The Supervisory Committee discussed the need to increase insight into functional costs, and subsequently, the future impact of the functional cost trend. The Committee also took note of Vesteda's MSCI score over 2022, which outperformed the benchmark. The Supervisory Committee and management discussed the breakdown of the results and lessons learned with respect to outperforming and underperforming assets.

Management provided the Supervisory Committee with quarterly updates on liquidity provision. In May 2023, Standard & Poor's (S&P) affirmed Vesteda's credit rating at A- with a stable outlook. In July 2023, S&P reconfirmed the rating and adjusted its view on Vesteda's liquidity position. In September 2023, Vesteda closed a financing agreement for a committed standby facility of €250 million provided by two of Vesteda's relationship banks. The standby facility provides extra liquidity headroom and gives the organisation more financial flexibility.

Miscellaneous

In the course of the year, the Supervisory Committee addressed various other topics, including the Corporate Sustainability Reporting Directive (CSRD) obligations, project management, the fire in the De Enter complex in Amsterdam and the impact of court cases on rent increase. The Committee also discussed the regular updates on the search for new investors to provide liquidity for redeeming participants.

Moreover, the Supervisory Committee was informed about Vesteda's ongoing work in response to cyber security threats and disruptions, in addition to compliance with the Digital Operational Resilience Directive (DORA).

Vesteda updated the Committee on the new law (from 1 January 2025) prohibiting fiscal investment institutions (FBI; the Dutch equivalent of the REIT) from investing in directly held real estate in the Netherlands, and the fact that this had no direct impact on the Fund.

The members of the Supervisory Committee held meetings in the absence of management, including meetings with the Internal Audit Manager and the external auditor. On various occasions, individual members of the Supervisory Committee met with senior Vesteda officers to gain information on ongoing matters. The Management Board engaged the Supervisory Committee early on in setting out the strategy in the 2024-2028 Business Plan. Vesteda held a separate Business Plan meeting that involved the Management Board, the Supervisory Committee and others. Among other things, the Supervisory Committee focused on, Vesteda's long-term contribution to society, its sustainability programme and IRR targets. This resulted in the Supervisory Committee recommending the participants to approve the Business Plan.

Audit Committee

In the year under review, the Audit Committee consisted of Mr Eysink (Chairman) and Mr Copier. The Committee met six times in 2023. Generally, the CFO, the CEO, the Internal Audit Manager, the Company Secretary and the external auditor also attended these meetings.

In line with its tasks, the Audit Committee discussed in detail the periodic financial statements and the 2022 annual financial statements and annual report. The Audit Committee discussed the audit process, key audit matters, preliminary and key audit findings and principal assumptions, judgments and valuations, and the external auditor reported its preliminary and final audit findings. As part of the yearly audit process, the external auditor presented the Audit Committee with its findings related to ISAE 3402. The Audit Committee was pleased to learn that the external auditor had once again issued an unqualified opinion in respect of 2022.

The external auditor and the Audit Committee discussed the scope and materiality of the external audit plan. The Audit Committee reviewed and discussed the Fund's financial reports on a quarterly basis. As part of its general duties, the Audit Committee approved the external auditor's audit plan.

Each quarter, the Internal Audit Manager reported to the Audit Committee on their deliberations and findings regarding internal risk management and controls. In addition, the Internal Audit Manager presented various material internal audit investigations that took place in 2023, such as the review of supply chain management, asset strategy setting, upgrades and planning and execution of asset maintenance. Furthermore, the Audit Committee approved the Internal Audit year plan.

The Chairman of the Audit Committee met and spoke with the external auditor on several occasions in the absence of the Management Board, to remain directly informed. The Chairman also met and spoke with the Internal Audit Manager. The Chairman updated the Audit Committee on the outcome of all such meetings.

During the year, the Audit Committee also monitored and discussed Vesteda's debt funding strategy, as well as the sustainability KPIs for relevant green financing agreements. In addition, the Audit Committee discussed and provided the Supervisory Committee with a positive recommendation on the bridge facility as discussed in the financial reporting section of this report. Moreover, the possibilities of issuing digital green bonds by means of public blockchain technology were presented to and discussed with the Audit Committee. Subsequently, the Supervisory Committee approved the issuance of a tokenised debt. Vesteda became the first real estate investor to use this technology in financing solutions and gain knowledge of its benefits.

The Audit Committee was updated on the new law prohibiting fiscal investment institutions (FBI) from investing in directly held real estate in the Netherlands, and the potential impact on some of the Fund's participants. It also discussed the announced amendment of tax qualification rules for mutual funds.

Also, the Committee discussed cyber security measures that were taken as part of Vesteda's cyber roadmap and follow-up actions. The Audit Committee also discussed other topics within its purview, including risk management and the report of the Fund's depositary Intertrust.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NR Committee) consisted of Chairwoman Ms Van den Herik (until 9 December 2023) and Ms Klein Schiphorst. The NR Committee met four times in the year under review. Generally, the CEO, the CFO, the HR Director and the Company Secretary also attended these meetings.

On behalf of the Supervisory Committee and the NR Committee, Ms Klein Schiphorst took the lead in the search for the two new Supervisory Committee members, collaborating with PaW, as described in the Organisational matters section of this report. Also, the NR Committee started the process of finding a suitable successor for the CEO.

The NR Committee discussed an Internal Audit assessment of the 2022 variable employee remuneration against the legal framework. Recommendations regarding Vesteda's identified and non-identified staff were followed up.

The HR director informed the NR Committee of a revised employee renumeration system, approved by the Works' Council (OR).

The NR Committee discussed the outcome of the management targets for 2022. The management's progress towards meeting variable renumeration targets for 2023 was monitored throughout the year on a quarterly basis, based on the existing target structure. The year under review was considered a bridge year regarding the Management Board target and remuneration system, while a new system was discussed with management throughout the year. Existing key principles, such as long-term orientation and stakeholder interest were to meet those of the (new) renumeration system set for (other) Vesteda employees. Participants' satisfaction, tenant satisfaction and MSCI-score remain important KPIs, together with ESG targets. The NR Committee issued positive advise on the Supervisory Committee's proposed approval of future variable management renumeration.

The NR Committee also discussed the outcome of the overall annual review of all employees. In addition, it discussed Vesteda's talent pool and succession planning. The NR Committee continued to discuss attention points, further actions and projects following the outcome of the last bi-annual internal survey on HPO. Moreover, the HR director presented the organisation's progress on internal employer branding research to the NR Committee.

Each quarter, the NR Committee received reports on compliance, focusing on integrity incidents, their potential impact on Vesteda's business and follow-up, compliance with regulatory requirements and other activities such as internal training and awareness. The NR Committee strongly supports an open company culture in which people discuss and learn from incidents.

In September, the Nomination and Remuneration Committee Charter 2023 was adopted. This sets out, the tasks, function, responsibilities, powers, composition and working method of the Committee. There were no substantial changes to the current way of working.

Meeting of Participants

Vesteda convened three formal Participants' Meetings in the year under review. These included the annual meeting in April, in which the financial statements and the annual report were discussed and adopted, and the execution of the Business Plan was evaluated.

In September, the standby facility as discussed in the financial reporting section of this report, was unanimously approved in an Extraordinary Meeting of Participants. Participants and Supervisory Committee members also attended the annual informal Participants' Day in September, during which they visited projects in the Utrecht area and were updated on the annulment of rent increases and Dutch residential real estate returns.

In the annual meeting in December, participants discussed and unanimously approved the 2024-2028 Business Plan and the appointment of two new members to the Supervisory Committee.

Amsterdam, 15 March 2024

Supervisory Committee

Jaap Blokhuis, Chairman
Theo Eysink
Paul Meulenberg
Eva Klein Schiphorst
Ditri Zandstra

Risk management

Risk management is integrated in Vesteda's strategic and operational processes. We have defined our risk management policy and implemented a risk management framework in line with the core fund risk profile, as defined in the Vesteda Residential Fund's Terms and Conditions, extending to all levels of the organisation and all lines of business.

Vesteda has developed its internal risk management framework on the basis of the recommendations of the Committee of Sponsoring Organisations of the Treadway Commission (COSO), the aim of which is to create a reasonable level of assurance on the achievement of organisational targets. Vesteda's internal control systems include various measures for achieving adequate segregation of duties, prompt recording of significant transactions and data security. Internal accountability and management reports, management reviews and other internal research into the design and operation of the internal controls are an integral part of the internal control systems.

Vesteda also uses the 'Three lines model' with respect to managing risks (first line: Management; second line: Business control, Risk committee and Compliance officer; third line: Internal Audit). This model enhances the awareness of the risk culture within Vesteda and underlines and supports accountability for the management of risks and internal controls.

The three lines model emphasises that focus should be on the contribution risk management makes to achieving (strategic) objectives and creating value, as well as to matters of 'defence' and the protection of value. Vesteda also supports the principles to the effect that:

- There must be regular interaction between Internal Audit and management to ensure the work of Internal Audit is relevant and aligned with the strategic and operational needs of the organisation.
- There is a need for collaboration and communication across both the first and second line roles of management and Internal Audit to ensure there is no unnecessary duplication, overlap, or gaps.

Vesteda's Internal Audit department provides assurance and advice on the adequacy and effectiveness of governance and risk management (including internal controls) to support the achievement of organisational objectives and to promote and facilitate continuous improvement.

Risk appetite

The INREV core fund risk profile implies that Vesteda has a relatively low-risk profile since it typically invests in income-producing real estate investments. Vesteda employs relatively low levels of leverage and has limited exposure to real estate development. A significant and stable proportion of its returns are generated through rental income. Overall, Vesteda has a relatively low risk appetite. Please see Note 27 to the consolidated financial statements for a description of our financial risk management objectives and policies.

Vesteda's risk management framework

Vesteda's risk management framework is described in the following section.

Risk Committee

Vesteda's risk management activities are overseen by the Risk Committee. The Committee's tasks include, but are not limited to:

- Providing support and advice to the Management Board and Management Team with regard to the periodic identification of Strategic Risks and their assessment and management;
- Formulating policy frameworks for operational risk management and ensuring compliance with them;
- Making method(s) and techniques available that support line management in the risk management of Operational Risks;
- Monitoring Operational Risks and Compliance Risks and their control;
- Stimulating risk awareness in the organisation;
- Providing insight into the risk profile of the organisation.

The Risk Committee explicitly does not focus on identifying and monitoring Strategic Risks. These are risks that could negatively affect Vesteda's strategic objectives and are formulated in the most recent Business Plan. This is the responsibility of the Management Board and the Management Team. However, should the Risk Committee identify a risk in the context of its activities that could have an impact on Vesteda's strategic objectives, the Risk Committee will immediately report its findings to the Management Board.

The Risk Committee is chaired by the CFO, who is charged with risk management at Vesteda. Other members of the Risk Committee include the COO, the General Counsel, the Control Manager, the D&I Manager and the Compliance Officer. The Internal Audit Manager also joins the meetings of the Risk Committee but is not a member of the Risk Committee. A Risk Charter defines the roles and responsibilities, the tasks, authorities and reporting requirements of the Risk Committee. The Risk Charter was last updated and approved by the Management Board in October 2022. Vesteda's Risk Management Policy forms the basis of the activities of the Risk Committee. It sets out the goals, frameworks and responsibilities in the field of risk management for Vesteda. It also discusses how Vesteda has implemented its risk management process at various levels in the company.

The scope of risk management

Vesteda distinguishes the following three main risk areas:

1. Risks related to strategic targets as defined in the Business Plan

This relates to specific risks regarding tenants, portfolio, participants (equity funding), organisation and debt funding.

The Management Board and the Management Team primarily focus on:

- Identifying and assessing the Strategic Risks annually on the basis of the most recent Business Plan;
- Monitoring the Strategic Risks and the effectiveness of the associated control measures on a quarterly basis;
- Adjusting the control measures with regard to the Strategic Risks if these are not considered sufficient.

2. Operational risks related to the failure of systems and processes

Operational risk management is part of Vesteda's business processes and is governed by specific guidelines, policies and key controls designed to manage these operational risks, which are subject to internal reviews and external audits where appropriate.

Each year, Vesteda's external auditor provides assurance with respect to the design and effective operation of controls based on the International Standards on Assurance Engagements (ISAE), Standard 3402, type II. Vesteda selects the relevant controls to be audited and concluded upon in the assurance report and these relate to key controls within the most important business processes, primarily Acquisitions, Property and Portfolio Sales and Operations.

3. Compliance risks related to non-compliance with legislation and (internal) regulations

Vesteda has a dedicated Compliance Officer who reports on a quarterly basis to the Management Board and Supervisory Committee. The scope of the Compliance Officer's work is set out in the Compliance Charter. Both internal and external developments, such as trends, risk-increasing developments, incidents and new or changed laws and regulations, can lead to the (partial) revision or adjustment of an established programme. The Compliance Officer constantly monitors these developments, responds to these and discusses them (where necessary) in the quarterly consultations or on an ad-hoc basis with the Management Board and/or the Supervisory Committee or addresses these matters in the Risk Committee. If necessary, the Compliance Officer adjusts these activities (advice, monitoring) accordingly. The annual compliance programme therefore has a dynamic character. It is also possible that the results of (un)planned compliance monitoring gives cause to prioritise a topic, while this was not previously planned. The Compliance Charter gives substance to this dynamic of compliance activities in various areas. For more detailed information, please see the Compliance and integrity section of this report.

Fraud risks and measures to prevent fraud are evaluated as part of the annual review of the design and effective operation of controls based on the ISAE, Standard 3402, type II, as well as part of the annual Systematic Compliance Risk Analysis (SCRA, see page 44). This SCRA includes relevant fraud risk scenarios based on likelihood, impact, risk appetite and mitigating control measures. Furthermore, in 2023 Vesteda made further improvements of internal controls based on an assessment by the Internal Auditor and the Compliance Officer of Vesteda's business operations and possible areas that may be vulnerable to irregularities and fraud. This assessment was benchmarked against a report by the Association of Institutional Property Investors in the Netherlands (IVBN) on managing fraud risk in the institutional real estate sector (IVBN publication: 'Beheersing van frauderisico's in de institutionele vastgoedsector').

As mentioned in the Compliance and integrity section of this report, the Compliance Officer and Internal Audit Manager conducted several investigations regarding potential fraud by employees in 2023. The findings from these investigations are also used to improve internal controls.

Strategic risk analysis

Vesteda's strategic risk analysis is based on the following assessment, which is executed by the Management Board and Management Team jointly:

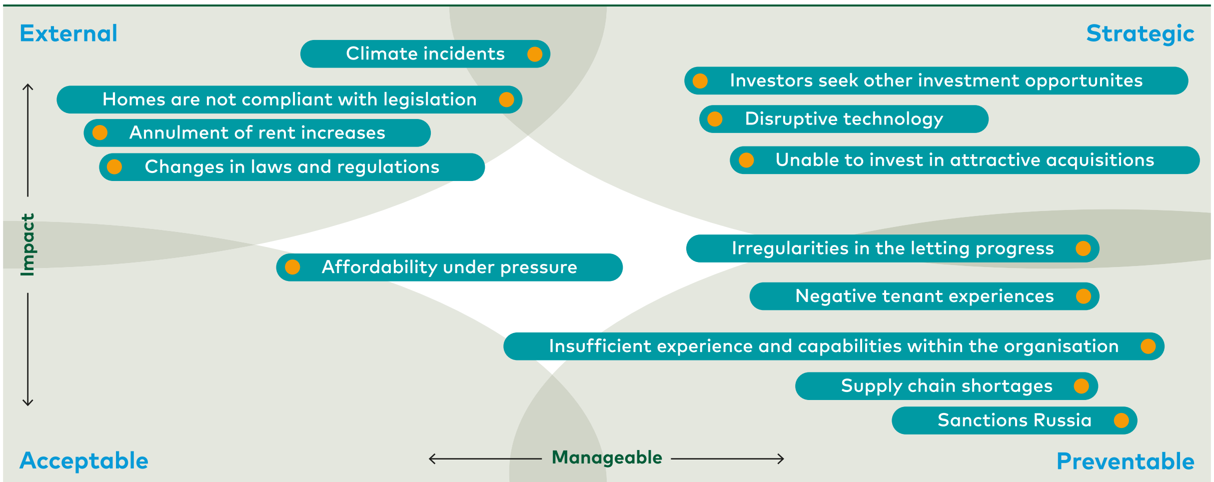
- Identification of strategic risks, based on the strategic targets and key performance indicators within the three strategic pillars: economic value, societal value and organisation. These strategic targets and risks are based on the five-year Business Plan, subject to approval by Vesteda's Participants each year in December, and actual developments;
- An assessment of the level of risk Vesteda is willing to accept in achieving its strategic targets (risk aversion) to provide guidance for decisions related to risk and return management. The outcome of this assessment also serves as a basis for the review of the effectiveness of the nature and level of internal controls for each risk. The level of risk aversion is measured based on a scale of 1 to 5: Risk averse, Limited risk, Cautious, Flexible, Open.

In alignment with the key characteristics of Vesteda as a Core INREV fund, with a conservative funding policy focusing only on residential real estate in the Netherlands, limited risks or a cautious approach is necessary for Vesteda's strategic targets (risk aversion of mostly 2, partly 2-3).

- Classification of identified risks based on impact (high – low) and to what extent the risk is manageable (ranging from largely manageable – not manageable);
- Defining the internal controls (implemented or to be implemented) for each of the identified risks, the required level of effectiveness for these controls and the relevant key performance indicators to monitor effectiveness.

The outcome of this review is depicted in the Vesteda Risk Profile figure on the next page:

Vesteda Risk Profile



For each of the risks shown in the Vesteda Risk Profile above, the main internal controls are:

External risks, potential high impact, no or limited controls on risk occurring

Risk: Changes in (rental) laws and regulatory requirements

Changes in laws and regulatory requirements related to rent (increases), investments (local requirements or product-specific requirements, e.g. regulated mid-rental segment), building requirements (sustainability), fiscal laws impacting investments in real estate, etc.

Internal controls

As changes in laws and regulatory requirements are beyond Vesteda's direct control, the main focus in addressing this risk is on identifying and discussing possible changes and alerting and preparing the organisation. This is realised through our multiple contacts with the sector association IVBN and contacts with city councils, politicians, developers, etc. Where relevant, we take the effect of potential changes in laws and regulatory requirements into account in our business planning, including impact analyses and stress testing, where relevant.

With respect to the risk related to rental regulation, we are taking an active role in the affordability debate, together with the IVBN. We believe it is important to behave as a socially responsible investor and to highlight the role we have in responsibly investing pension savings and insurance premiums entrusted to us by our participants in residential real estate for middle-income tenants.

We execute stress tests to calculate the impact of (potential) new regulatory requirements on Vesteda's portfolio and rental income.

In addition, Vesteda follows the legislative developments on sustainability closely to stay on top of (reporting) requirements. Vesteda also executes a periodic review of its technical standards for new-build homes. We have also recalibrated our complex tactics based on an accelerated ESG strategy. In addition, Vesteda is closely monitoring the outcome of court verdicts on rent increase clauses, the prejudicial questions submitted to the Dutch Supreme Court, and the potential impact on Vesteda.

Risk: Homes are not compliant with legislation

Our homes cannot meet all requirements set by (EU) legislation with respect to climate mitigation and sustainability.

Internal controls

Vesteda has implemented a number of internal controls for this specific risk, the most important of which are:

An investment programme to improve the energy labels of our homes. Please see the Environmental section of this report.

Vesteda has a 'Policy on the integration of sustainability risks and factors into the investment decision-making process', which provides insight into which potential sustainability risks Vesteda has identified and how these risks and principal adverse impacts on sustainability factors are integrated in investment decisions related to new acquisitions or renovation projects.

Sustainability and climate risks form an important part of Vesteda's investment decision process for new acquisitions and renovation projects. Vesteda applies its technical standards to assess whether new (potential) investments comply with Vesteda's sustainability and technical requirements (which focus on climate change mitigation and adaptation) and reviews these technical standards on a periodic basis. Vesteda uses an ESG framework to determine a sustainability impact score for each project to provide a broader view of relevant sustainability risks and factors and to ensure new projects meet the applicable ESG requirements to qualify as sustainable.

Please see the Environmental and the Acquisitions and property sales sections of this report.

Risk: Climate incidents
Climate incidents affecting our portfolio, such as flooding, heat stress, earthquakes, etc.

Internal controls
This is also a risk that is largely beyond Vesteda's direct control. However, in terms of mitigating the impact of climate incidents, Vesteda has taken the following measures:

A climate risk scan for the entire portfolio. Based on this scan, we devote specific attention to the risks of heat stress and flooding in our long-term maintenance programme per building complex. Climate risks are also a recurring topic when reviewing our insurance programme. Please see the Physical climate risks section in the Environmental section of this report.

Risk: Affordability under pressure
Affordability of housing is under pressure due to high energy prices and inflation.

Internal controls
Vesteda is taking several measures to manage and improve the affordability of housing. We invest in the sustainability of our assets and inform tenants about energy-saving possibilities, to lower energy costs. We also invest in new-build projects in the mid-rental segment, to add affordable homes to the housing market. Furthermore, by executing a thorough income check prior to entering into a rental agreement and monitoring our tenants' payment behaviour once they have become a tenant, we can take action, for example by offering more affordable housing to tenants in difficulty. We also inform our tenants on how to reduce their own energy consumption.

Risk: Annulment of rent increases
During 2023, district courts, starting in Amsterdam but spreading across the country, started the trend of applying the ex officio review to rent agreements in court cases regarding rent arrears and/or evictions. Various district courts ruled that specific rent increase clauses (CPI plus a maximum top-up percent) were not deemed fair and therefor null and void. This could imply that all rent increases under such a contract are deemed not valid and therefore should be repaid by the lessor.

Internal controls
This is also a risk that is largely beyond Vesteda's direct control. However, in terms of mitigating the impact, Vesteda has taken the following measures:

Starting appeal procedures against court verdicts that have annulled the rent increase clause. Submitting an 'interested party' statement to the Dutch Supreme Court regarding prejudicial questions that have been asked by the Amsterdam court regarding this topic.

Please see Note 32 in the Notes to the consolidated financial statements section of this report.

Strategic risks, potential medium to high impact, reasonable or high level of controls possible on risk occurring

Risk: Investors seek other investment opportunities

Investments in Vesteda (residential real estate) become less attractive for potential new and current investors (primarily as a result of an imbalance between return and risk).

Internal controls

Each year, participants have to approve the Business Plan, which includes the strategy to achieve the targets as set out in the Investment Guidelines of the Terms and Conditions. For example, the outperformance of the three-year MSCI index and a target for the TER. The achievement of the targets is monitored on a monthly, quarterly and annual basis.

During the Business Plan period, management focuses on stable direct returns and increasing dividend yield, providing an inflation hedge for the existing participants and an interesting proposition for potential new investors with a low-risk profile. The required rate of return has been adjusted upwards in 2023 and going forward for 2024.

Vesteda has engaged Van Lanschot Kempen to assist in finding new investors in the fund and thus create more liquidity for existing investors.

We have an active Investor Relations department and have frequent meetings with participants, at which we communicate market developments and the progress of the strategy implementation. In the current market environment, with political discussions on affordability, the impact of rent increases and (potential) new legislation on rent increases, we believe it is important to discuss Vesteda's strategy as a socially responsible investor, especially when this pertains to decisions regarding tenant satisfaction, rent increases and sustainability.

Risk: Disruptive technology

Vesteda's business model is disrupted by new innovative technology.

Internal controls

Digital technology provides the residential investment industry (and adjacent sectors) in general and Vesteda specifically with new resources to create and capture value for all stakeholders. This may, for example, mean that a residential property also functions as a platform for the sale of additional goods and services to its users, thereby increasing the tenant's perception of value and willingness to pay for it. As a result, boundaries between sectors may blur and young, agile and cost-efficient companies may become a competitor for existing players in the relatively traditional housing market. Digital technology may also be a source of optimised rental income streams and structural savings in general, operational and capital expenditures, while at the same time improving sustainability, tenant satisfaction and the risk profile of the investment.

Exploiting the full potential of digital technology requires a deep understanding of the opportunities and risks associated with it and requires a holistic vision on digital technology as a key resource for strategy definition and execution. Vesteda is already applying digital technology in several parts of its business model and processes, and is increasingly working on incorporating digital technology in strategy definition and organisational design. Failure to keep up with these developments may have a negative effect on Vesteda's competitive position in the longer term and access to new investment products. Vesteda mitigates this risk today by recognising both the opportunities and the risks of digital technology and improving its business model and organisation in phases using digital technology.

Risk: Unable to invest in attractive acquisitions

Vesteda is unable to invest in new attractive acquisition opportunities.

Internal controls

Dutch residential investments are seen as a safe haven with an attractive risk/return profile, due to the scarcity in supply and high demand. Vesteda is active throughout the value chain: Vesteda is proactively interacting with developers, contractors and local authorities using our in-depth knowledge of local markets and developments and positioning itself as a solid long-term partner. We temporary scale-back in acquisition volumes, while the market is still experiencing strong headwinds. However, we aim to stay in the market, since a modest but constant inflow level increases the quality of our portfolio. We will continue long-term business partnerships, to be able to benefit from potential market opportunities in the future. In addition, we will continue to focus on optimising value creation on our standing portfolio.

As part of our acquisition policy, we have also implemented a range of internal controls, including:

- Monitoring of acquisition leads funnel and conversion of leads;
- Annual evaluation of IRR requirements;
- Performance analyses of realised acquisitions compared with investment proposals;
- Annual approval by participants of the Business Plan, which includes the acquisition strategy and funding of acquisitions.

Preventable risks, medium to low impact, high level of controls possible on risk occurring

Risk: Negative tenant experiences

Vesteda's image and reputation is affected by negative tenant experiences, which may result in low(er) tenant satisfaction scores.

Internal controls

Vesteda measures tenant satisfaction continuously and this is one of Vesteda's major key performance indicators. It is included in the annual targets for the Management Team, senior management, departments and employees. Please see the Tenant satisfaction section in the Social section of this report.

In the event of tenant complaints, Vesteda strives to act and communicate quickly and transparently. Vesteda makes sure that cases are evaluated and that lessons learned are shared internally in order to improve future processes. We have increased the focus on our accessibility via telephone in order to ensure our tenants can contact us easily when questions or issues arise.

Risk: Irregularities in the letting process

Vesteda's image and reputation is affected by irregularities in the letting process.

Internal controls

Vesteda has a customer due diligence procedure in place to comply with anti-money laundering legislation related to tenants, among other things. Vesteda provides employees who are in charge of screening tenants with additional training and reference materials in an easy and confidential way.

Vesteda is working on the further digitalisation of the letting process, in order to ensure a more uniform applicability of the set selection criteria.

The Compliance department provides support to the Operations department in the letting process and the assessment of new tenants. In addition, Vesteda organises internal dilemma workshops. Please see the Compliance and integrity section of this report.

Risk: Insufficient experience and capabilities within the organisation

The risk that Vesteda cannot attract and retain the right talent to achieve its ambitions and the risk that Vesteda's employees are less engaged and show a lack of performance (due to working from home).

Internal controls

Vesteda has a professional HR department in charge of attracting and retaining highly qualified staff, through recruitment procedures, talent management and training programmes. Please see the Workforce section of this report.

Vesteda aims to become a High Performance Organisation and focuses continuously on actions and milestones to achieve this goal. In order to monitor Vesteda's status, we conduct a bi-annual survey among our employees. The results of the latest HPO survey shows that our employees are increasingly positive on our organisation and feel connected to the company, even though many employees continue to work from home part of the time. In order to stimulate employee development, Vesteda offers personal education budgets.

In addition, Vesteda updated its remuneration policy in 2023. By offering an updated and benchmarked remuneration package to our employees, we aim to attract and retain staff.

Please see the Organisation section of this report.

Risk: Supply chain shortages
Materials and tooling are not available or extremely high priced with possible delay in start/execution of investments and maintenance.

Internal controls

Vesteda continuously assesses projects for which this could be an issue and has looked into possibilities of delaying projects or providing additional budget. Possible measures include Vesteda setting up its own emergency supply/inventory. We have also added resources to our procurement/technical department in order to improve supplier management.

Risk: Sanctions Russia
Vesteda enters into agreements with parties that are on the EU sanction list.

Internal controls

Vesteda has a due diligence process in place for when it enters into contracts with new suppliers. A sanctions check is part of that.

The monitoring of the above-mentioned strategic risks and the effectiveness of internal controls, as well as the identification of new strategic risks is the responsibility of the Management Board and the Management Team and will be discussed at least quarterly in 2024.

Risk Committee activities in 2023

In the year under review, the Risk Committee frequently discussed Vesteda's digital organisation and the risks related to our IT systems and possible cybercrimes and attacks with the D&I Manager. The Treasury Manager reported to the Risk Committee on a quarterly basis on the compliance with Vesteda's funding targets, including stress tests on liquidity and financial covenants. The Internal Audit Manager reported to the Risk Committee on ISAE controls. Furthermore, the Compliance Officer reported on Compliance risks, including matters related to data protection.

Vesteda updated its Risk Management Policy and Risk Charter in 2022.

'In control' statement

The Management Board is responsible for implementing and maintaining adequate risk management and internal control systems and for assessing the effectiveness of these systems.

In the year under review, we evaluated and monitored our risk management and internal control systems, as further described in the above Risk management section of this report. Based on this assessment, we concluded with reasonable, but not absolute, assurance that:

- The annual report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- The aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis;
- The annual report states those material risks and uncertainties that are relevant to the expectation of Vesteda's continuity for the period of twelve months after the preparation of the report.

It is important to note that effective risk management, with embedded internal controls, no matter how well designed and implemented, provides the Management Board with only reasonable assurance regarding the achievement of Vesteda's objectives. The achievement of objectives is affected by limitations inherent in all management processes. Therefore, in this context 'reasonable assurance' refers to the degree of certainty that would be satisfactory for a prudent manager in the management of their business and affairs in the given circumstances.

Typisch Tuinstad

Amsterdam

190 apartments where affordability, livability, and sustainability go hand in hand.

About this report

Content of report

This report is published on an annual basis and covers information from 1 January 2023 through 31 December 2023. Our previous Annual Report (2022) was published on 12 April 2023. The aim of this report is to inform Vesteda's most important stakeholders. By identifying the parties that Vesteda influences and the parties that exert influence on Vesteda, the company has defined the following key stakeholders: tenants, participants, employees, lenders/debt investors, partners/business partners, advisors/real estate experts and local authorities.

Financial and non-financial information

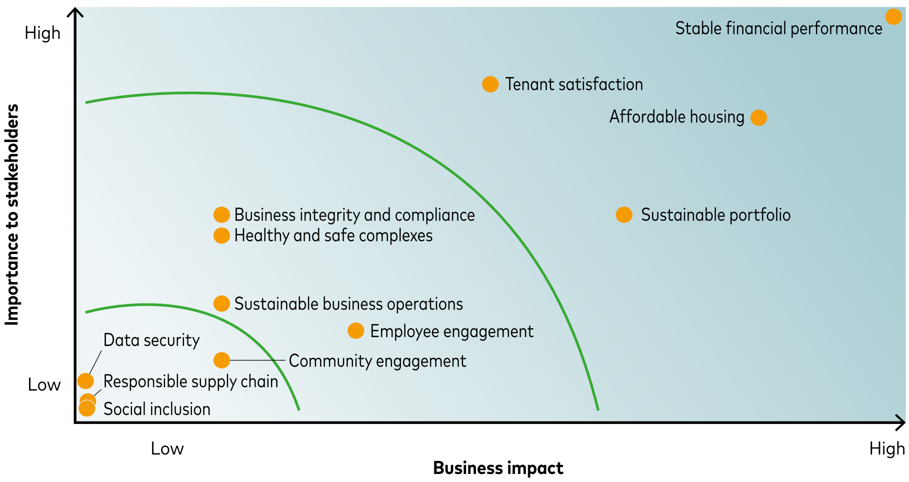
The financial information included in this report is derived from or in line with the financial statements. The Vesteda annual report is drawn up in accordance with IFRS accounting policies, unless otherwise stated. However, for transparency purposes, Vesteda deems it important to provide investors with insight into the fund's net asset value and metrics on the basis of the INREV principles, which is included in the 'Vesteda Residential Fund FGR financial overviews in accordance with INREV valuation principles' section of this report. The non-financial information relates to areas such as market developments, portfolio and organisational developments, tenants, sustainability, corporate governance, compliance and integrity, and risk management. These data are the result of Vesteda's own analyses and systems, market research and legislation and regulations. There are no significant restatements regarding non-financial information.

Material topics

This report has been prepared in accordance to GRI Universal Standards. A key requirement for conforming with GRI guidelines is the execution of a materiality analysis and the translation of the outcomes of this in the annual reporting. Vesteda executed a materiality analysis in 2020, resulting in a list of 12 topics, eight of which are considered material topics by its stakeholders.

All Vesteda's entities are within scope for all material topics and their indicators. Vesteda reports quantitatively on the eight most material topics. Whenever possible, these topics have been combined with and linked to (GRI) aspects included in the previous year's reporting. The results of the materiality analysis are shown in the following matrix. The GRI table in Annex 5 of this report shows the link between the material topics and the GRI aspects and indicators.

Materiality matrix



Dialogue with stakeholders

The table below gives an overview of the structural dialogue between Vesteda and its key stakeholders.

Stakeholders	Dialogue	Content dialogue	Impact dialogue on policy Vesteda
Employees	• Questionnaire (HPO + eNPS) • Events for employees • Intranet • Works Council	• Employee satisfaction and employee experience, Vesteda Improves project • Onboarding day, Inspiration sessions, Business Plan presentation, Financial and business results, Celebrations (new year, breakfast sessions, Friday drinks etc) • Source of information • Discuss relevant developments and regulations concerning business strategy and employee impact, such as M&A, organisational changes and employee benefits • Working from home/hybrid working	• Identification of integral improvement programmes • Social connectivity and creation of Vesteda culture • Clear quarterly information about business progress and plans
Participants	• General Meeting of Participants (at least twice a year) • Regular investor meetings/ quarterly conference calls • Annual informal Participants' Day • Annual independent Participant satisfaction survey • Property tours • Investorweb (for participants)	• Business Plan 2024-2028 • Transition to zero-natural gas • Rent increase policy • Acquisitions and sales policy • Required returns • Sustainability • ISAE • Liquidity/redemptions	• Continued attention for affordability of housing and total cost of living • Continued attention for sustainability, e.g. the increase in reporting of ESG activities and performance • Feedback to improve reporting and other financial and ESG disclosures
Lenders/debt investors	• Annual credit review meetings • Regular debt investor/ lender meetings • Information for debt investors on website • Financial covenant reporting • Roadshow for bond investors	• Strategy • Credit rating • Leverage • Reporting • Governance • Cash management • Sustainability	• Transparent reporting standards; improved reporting • Funding strategy; leverage • Development risk • Liquidity risk

Partners/business partners and local authorities	• Through membership and meetings of IVBN, INREV, ULI, NEPROM, DGBC and GBC-Z. • Local and national government(s) • Attending/giving lectures at business events/ conferences • Attending conferences such as Expo Real, Provada and INREV • Joining expert meetings and working groups	• Increasing mid-rental market supply in the urban environment / affordable housing • Discuss local regulations, policies and market developments • Discuss relevant developments, such as sustainability, urban development, densification, ground lease, mobility, disruptive technologies, technical innovations and smart buildings • Discuss propositions for acquisitions, property sales and re-developments	• Sector effort to realise more affordable housing in urban environments • Revolving Fund Urban Transformation (NEPROM) • Translated market developments in our Business Plan • Investing in knowledge of disruptive technologies (e.g. Project Milestone) • Adopting and improving best practices
Advisors/real estate experts	• Conference with Dutch housing association • Workshop on sustainability • Attending/giving lectures at business events	• Sustainability, re-development of existing properties • Energy transition • KPIs • Healthy living • Social cohesion • Market developments	• Research into sustainability and continued embedding in policy

INREV Guidelines Compliance Statement

The European Association for Investors in Non-Listed Real Estate Vehicles (INREV) published the INREV Guidelines incorporating industry standards in the fields of Governance, Reporting, Property Valuation, Performance Measurement, INREV NAV, Fees and Expense Metrics, Liquidity and Sustainability Reporting. The assessments follow these guidelines.

INREV provides an Assessment Tool to determine a vehicle's level of compliance with the INREV Guidelines as a whole and its modules in particular.

The overall INREV Guidelines Compliance Rate of the Vesteda Residential Fund is 97%, based on eight out of nine assessments. The table below shows the compliance rate for each completed module of this self-assessment.

Compliance with the INREV Guidelines Assessment Results

INREV module	Level of adoption or compliance
Reporting	95%
Property Valuation	96%
INREV NAV	100%
Liquidity	100%
Governance 2022	100%
Sustainability	100%
Fee and Expense Metrics	100%
Code of Tax Conduct	95%
Performance Measurement	80%

Assurance

This report has been provided with external assurance. You will find the assurance report of the independent auditor and their conclusion in the Assurance report of the independent auditor section of this report. Vesteda believes this assurance is important as it provides additional certainty regarding the accuracy of the information included.

Assurance report of the independent auditor

To the participants and the Supervisory Committee of Vesteda Residential Fund FGR

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR ON THE SUSTAINABILITY INFORMATION INCLUDED IN INTEGRATED ANNUAL REPORT 2023 OF VESTEDA RESIDENTIAL FUND FGR

Our conclusion

We have performed a limited assurance engagement on the non-financial information reported in the integrated Annual Report 2023 of Vesteda Residential Fund FGR (hereafter: Vesteda) at Amsterdam.

Based on our procedures performed and the assurance information obtained, nothing has come to our attention that causes us to believe that the non-financial information in the accompanying annual report does not present fairly, in all material respects:

- The policy with regard to sustainability matters; and
- The business operations, events and achievements in that area in 2023

in accordance with the applicable criteria as included in the 'Criteria' section of our report.

The non-financial information is included in the following chapters:

- Vesteda at a glance, (page 6-8)
- Management Report, paragraphs Market developments (pages 11-14), Societal value (pages 31-46), Organisation (pages 48-51)
- About this report (pages 75-77)
- Annex 5: GRI content index (pages 158-161)
- Annex 7: Energy consumption (pages 170-172)

Basis for our conclusion

We have performed our limited assurance engagement on the sustainability information in accordance with Dutch law, including Dutch Standard 3810N 'Assurance-opdrachten inzake duurzaamheidsverslaggeving' (Assurance engagements relating to sustainability reports). This engagement is aimed to obtain limited assurance. Our responsibilities under this standard are further described in the 'Our responsibilities for the assurance engagement on the non-financial information' section of our report.

We are independent of Vesteda in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence). This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics for Professional Accountants).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Criteria

The reporting criteria applied for the preparation of the sustainability information are the GRI Sustainability Reporting Standards (GRI Standards) and the reporting criteria supplementally applied (Vesteda reporting manual).

The sustainability information is prepared in accordance with the GRI Standards. The GRI Standards used are listed in the GRI Content index as disclosed on page 158-161 of the annual report.

The comparability of sustainability information between entities and over time may be affected by the absence of a uniform practice on which to draw, to evaluate and measure this information. This allows for the application of different, but acceptable, measurement techniques.

Consequently, the sustainability information needs to be read and understood together with the criteria applied.

Materiality

Based on our professional judgement we determined materiality levels for each relevant sustainability matter. When evaluating our materiality levels, we considered quantitative and qualitative aspects as well as the relevance of information for both stakeholders and Vesteda.

Limitations to the scope of our assurance engagement

The sustainability information includes prospective information such as ambitions, strategy, plans, expectations, and estimates and risk assessments. Prospective information relates to events and actions that have not yet occurred and may never occur. We do not provide any assurance on the assumptions and achievability of this prospective information.

The references to external sources or websites in the sustainability information are not part of the sustainability information as included in the scope of our assurance engagement. We therefore do not provide assurance on this information.

Our conclusion is not modified in respect to these matters.

Responsibilities of the Management Board and the Supervisory Committee for the non-financial information

The Management Board is responsible for the preparation and fair presentation of the non-financial information in accordance with the criteria as included in the 'Criteria' section, including the identification of stakeholders and the definition of material matters. The Management Board is also responsible for selecting and applying the criteria and for determining that these criteria are suitable for the legitimate information needs of stakeholders, considering applicable law and regulations related to reporting. The choices made by the Management Board regarding the scope of the non-financial information and the reporting policy are summarised in the chapter "About this report" of the annual report.

Furthermore, the Management Board is responsible for such internal control as it determines is necessary to enable the preparation of the non-financial information that is free from material misstatement, whether due to fraud or error.

The Supervisory Committee is responsible for overseeing the non-financial reporting process of Vesteda.

Our responsibilities for the review of the non-financial information

Our responsibility is to plan and perform the assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Our assurance engagement is aimed to obtain a limited level of assurance to determine the plausibility of information. The procedures vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is therefore substantially less than the assurance that is obtained when a reasonable assurance engagement is performed.

We apply the 'Nadere voorschriften kwaliteitssystemen)' (NVKS, regulations for Quality management systems) and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

Our limited assurance engagement included among others:

- Performing an analysis of the external environment and obtaining an understanding of relevant non-financial information themes and issues, and the characteristics of the company.
- Evaluating the appropriateness of the criteria applied, their consistent application and related disclosures in the non-financial information. This includes the evaluation of the company's materiality assessment and the reasonableness of estimates made by the Management Board.
- Obtaining through inquiries a general understanding of the internal control environment, the reporting processes, the information systems and the entity's risk assessment process relevant to the preparation of the sustainability information, without obtaining assurance information about the implementation or testing the operating effectiveness of controls.
- Identifying areas of the non-financial information where misleading or unbalanced information or a material misstatement, whether due to fraud or error, is likely to arise. Designing and performing further assurance procedures aimed at determining the plausibility of the non-financial information responsive to this risk analysis. These procedures consisted among others of:
  - obtaining inquiries from management and/or relevant staff at corporate level responsible for the sustainability strategy, policy and results;
  - obtaining inquiries from relevant staff responsible for providing the information for, carrying out internal procedures on, and consolidating the data in the sustainability information;
  - obtaining assurance evidence that the non-financial information reconciles with underlying records of the company;
  - reviewing, on a limited test basis, relevant internal and external documentation;
  - considering the data and trends.

- Reconciling the relevant financial information with the financial statements.
- Considering the overall presentation and balanced content of the non-financial information.
- Considering whether the non-financial information as a whole, including the non-financial matters and disclosures, is clearly and adequately disclosed in accordance with applicable criteria.

We communicate with the Supervisory Committee regarding, among other matters, the planned scope and timing of the assurance engagement and significant findings that we identify during our assurance engagement.

Amsterdam, 15 March 2024

Deloitte Accountants B.V.

Signed on the original: V.S. Borreman

Vesteda Residential Fund FGR

Financial statements 2023

Consolidated financial statements

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2023; amounts in € million

	Note	**2023**	2022
Gross rental income	5	**378**	363
Service charges income	6	**12**	11
Other income		**2**	1
Revenues		**392**	375
Property operating expenses (excluding service charges)	7	**(89)**	(89)
Service charges	6	**(19)**	(16)
Net rental income		**284**	270
Result on property sales	8	**10**	6
Management expenses	9	**(30)**	(27)
Financial results	10	**(56)**	(42)
Realised result before tax		**208**	207
Unrealised result	11	**(863)**	(218)
Result before tax		**(655)**	(11)
Tax	12	**(1)**	(1)
Result after tax (attributable to equity holders of the parent/participants)		**(656)**	(12)
Other comprehensive income that will be reclassified subsequently to profit or loss			
- Settlement pre-hedge contracts		**1**	1
- Revaluation of PPE		**(2)**	1
Other comprehensive income, net of tax	13	**(1)**	2
Total comprehensive income (attributable to equity holders of the parent)		**(657)**	(10)
Earnings per participation right in €			
Basic and diluted earnings, on result after tax	21	**(18.45)**	(0.34)
Comprehensive income per participation right in €			
Basic and diluted earnings, on total comprehensive income		**(18.48)**	(0.28)

Consolidated statement of financial position

For the year ended 31 December 2023; amounts in € million

	Note	**31-12-2023**	31-12-2022
ASSETS			
Non-current assets			
Intangible fixed assets	14	**5**	6
Investment property	15	**8,674**	9,448
Investment property under construction	16	**381**	225
Property, plant and equipment	17	**18**	21
Financial assets	18	**1**	3
Total non-current assets		**9,079**	9,703
Current assets			
Trade and other receivables	19	**3**	2
Cash and cash equivalents	20	**4**	11
Total current assets		**7**	13
Total assets		**9,086**	9,716
EQUITY AND LIABILITIES			
Equity			
Group equity	21	**6,392**	7,298
Non-current liabilities			
Financial liabilities	22	**2,133**	1,936
Lease liabilities	23	**129**	148
Total non-current liabilities		**2,262**	2,084
Current liabilities			
Financial liabilities	22	**338**	241
Provisions	24	**8**	3
Trade and other payables	25	**85**	89
Lease liabilities	23	**1**	1
Total current liabilities		**432**	334
Total liabilities		**2,694**	2,418
Total equity and liabilities		**9,086**	9,716
Net Asset Value (NAV) per participation right in €			
Basic IFRS NAV	21	**179.77**	203.92

Consolidated statement of changes in equity

For the year ended 31 December 2023; amounts in € million

			Reserve				
	Fund equity	General paid-in surplus	Property reserve	Derivatives	Legal	Other reserve	Total equity
Balance at 1 January 2022	35	1,659	3,760	(4)	7	2,096	7,553
Profit for the year	-	-	(168)	-	-	156	(12)
Other comprehensive income	-	-	-	1	(1)	2	2
Total comprehensive income	-	-	(168)	1	(1)	158	(10)
Realised from property sales	-	-	(14)	-	-	14	-
Equity redemption	-	(50)	-	-	-	-	(50)
Distribution paid	-	(195)	-	-	-	-	(195)
Balance at 31 December 2022	35	1,414	3,578	(3)	6	2,268	7,298
Profit for the year	**-**	**-**	**(827)**	**-**	**-**	**171**	**(656)**
Other comprehensive income	**-**	**-**	**-**	**1**	**(2)**	**-**	**(1)**
Total comprehensive income	**-**	**-**	**(827)**	**1**	**(2)**	**171**	**(657)**
Realised from property sales	**-**	**-**	**(16)**	**-**	**-**	**16**	**-**
Capital paid in	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity issued	**1**	**116**	**-**	**-**	**-**	**-**	**117**
Equity redemption	**(1)**	**(166)**	**-**	**-**	**-**	**-**	**(167)**
Distribution paid	**-**	**(199)**	**-**	**-**	**-**	**-**	**(199)**
Balance at 31 December 2023	**35**	**1,166**	**2,735**	**(2)**	**4**	**2,455**	**6,392**

In 2023, Vesteda paid €167 million in redemptions, consisting of the payout of the Redemption Available Cash of €50 million and three secondary transactions for in total €117 million. Two transactions were with existing participants who have expanded their holding, and one with a new entrant.

Other comprehensive income may be recognised as profit or loss in future periods.

Consolidated cash flow statement

For the year ended 31 December 2023; amounts in € million

	Note	2023	2022
Operating activities			
Result for the year after tax		**(656)**	(12)
Adjustments to reconcile result after tax to net cash flow from operating activities			
Unrealised result	11	**863**	218
Depreciation of property, plant and equipment	14, 17	**2**	2
Amortisation of financing costs	10	**4**	3
Provisions	24	**-**	-
Lease liabilities	23	**-**	-
Interest expense	10	**52**	39
Amortisation of income derivatives	13	**(1)**	(1)
Result on property sales	8	**(10)**	(6)
		910	255
Working capital adjustments		**8**	3
Net cash flow from operating activities		**262**	246
Investing activities			
Capital expenditure in investment property	15	**(63)**	(59)
Proceeds from sale of investment property	15	**49**	53
Capital expenditure on intangible fixed assets		**-**	-
Capital expenditure on property, plant and equipment	17	**-**	-
Capital expenditure on financial fixed assets	18	**-**	-
Capital expenditure on participations	18	**-**	-
Capital expenditure on investment property under construction	16	**(239)**	(137)
Net cash flow from investing activities		**(253)**	(143)
Financing activities			
Loans drawn	22	**3,827**	1,586
Financing costs	22	**-**	-
Loan repayment	22	**(3,525)**	(1,505)
Equity issued	21	**117**	-
Equity redemption	21	**(167)**	(50)
Distribution paid	21	**(199)**	(195)
Interest paid		**(48)**	(36)
Settlement pre-hedge contracts	14	**-**	-
Buy-off landlease	23	**(20)**	-
Income tax paid		**(1)**	(1)
Net cash flow from financing activities		**(16)**	(200)
Total net cash flow		**(7)**	(98)
Net increase/decrease in cash and cash equivalents		**(7)**	(98)
Cash and cash equivalents at the beginning of the period	20	**11**	109
Cash and cash equivalents at 31 December	20	**4**	11

Notes to the consolidated financial statements

1. Corporate information

The consolidated financial statements of Vesteda Residential Fund FGR (the Fund) and the affiliated entities (the Vesteda Companies) for the year ended 31 December 2023 were authorized for issue in accordance with a resolution of the Management Board on 15 March 2024. Vesteda Residential Fund FGR (the Fund) is a mutual Fund. Vesteda Investment Management B.V. is the Fund manager, and its registered office is located at De Boelelaan 759, Amsterdam, the Netherlands.

The principal activity of Vesteda Residential Fund FGR is investing in Dutch residential properties.

The Fund and its manager are subject to the Dutch Financial Supervision Act (FSA).

2. Basis of preparation

Vesteda Residential Fund FGR (the Fund) is not a legal entity. These financial statements present the consolidated financial information of the Fund and its affiliated companies (together referred to as the Vesteda Companies). Compared with the Annual Report 2022, there have been no financial restatements.

Management considered whether the Vesteda Companies represent a reporting entity. Although no legal parent company exists, management believes that the Vesteda Companies meet the definition of a reporting entity under IFRS, taking into account the discussions held by IFRIC (IFRS Interpretation Committee) and the IASB (International Accounting Standards Board) in previous years and the ED Conceptual Framework for Financial Reporting as issued by the IASB in March 2018. The ED states that if a reporting entity is not a legal entity, the boundaries of the reporting entity needs to be set in such a way that the financial statements: (a) provide the relevant financial information needed by existing and potential investors, lenders and other creditors who rely on the financial statements; and (b) faithfully represent the economic activities of the entity.

The Vesteda Companies represent a defined area of economic activities whose financial information provides relevant information to users of financial statements. Furthermore, the economic activities can be objectively distinguished from those of other entities and from the economic environment in which the Vesteda Companies operate.

The ED of March 2018 discusses the distinction between consolidated and combined financial statements. The opinion of the Management is that this distinction is not relevant for the users of the financial statements of the Vesteda Companies and as such uses the term 'consolidated' financial statements.

As a result, management believes that this basis of preparation results in a true and fair presentation of the Vesteda Companies' financial position, financial performance and cash flows, and that the consolidated financial statements comply in all material aspects with International Financial Reporting Standards as endorsed by the European Union and Part 9 of Book 2 of the Dutch Civil Code and the Financial Supervision Act.

The financial statements of the Vesteda Companies have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

The principal accounting policies adopted are set out below.

The consolidated financial statements are presented in euro and all amounts are rounded to the nearest million, except where otherwise indicated.

As a result of the licence obtained from the Dutch Financial Markets Authority AFM (Autoriteit Financiële Markten), Vesteda needs to comply with the Alternative Investment Fund Managers Directive (AIFMD). As a consequence, Vesteda needs to adhere to the requirements of Part 9 of Book 2 of the Dutch Civil Code. Based on these requirements, Vesteda needs to apply IFRS as adopted by the European Union as a basis of preparation for the 2023 consolidated financial statements.

In addition, pursuant to the requirements of Part 9 of Book 2 of the Dutch Civil Code, Vesteda prepared the 2023 company financial statements for Vesteda Residential Fund FGR. These financial statements will be reported to the AFM and are included in this report.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Fund and its affiliated companies as at 31 December 2023. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Vesteda Companies obtain control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Pursuant to Section 402, of Book 2 of the Dutch Civil Code, the company financial statements contain an abbreviated profit and loss account.

The following entities are included in the consolidated financial statements:

- Vesteda Residential Fund FGR, Amsterdam - Parent entity
- Vesteda Investment Management B.V., Amsterdam - 100%
- Stichting DRF I, Amsterdam - 100%
- Custodian Vesteda Fund I B.V., Amsterdam - 100%
- Vesteda Finance B.V., Amsterdam - 100%
- Vesteda Project Development B.V., Amsterdam - 100%

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are entities (directly or indirectly) controlled by the Fund. Control exists when the Fund is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Fund controls an investee if, and only if, the Fund has all of the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. When the Fund has less than a majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The relevant activities are those which significantly affect the subsidiary's returns. The ability to approve the operating and capital budget of a subsidiary and the ability to appoint key management personnel are factors that demonstrate that the Fund has the existing rights to direct the relevant activities of a subsidiary.

The Fund re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Fund obtains control over the subsidiary and ceases when the Fund loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Fund gains control until the date the Fund ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss.

Any investment retained is recognised at fair value.

Certain figures have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Going concern
The financial statements are prepared on a going concern basis. Please see Note 27 Financial risk management objectives and policies and the Outlook for 2024 and Management agenda for 2024 sections of this report for further disclosures.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Vesteda's accounting policies, which are described in Note 4, management is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

General
The following are the critical judgements, apart from those involving estimations (which are presented separately below), that management has made in the process of applying Vesteda's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Considerations

Revenue recognition

A property sale is recognised when the beneficial ownership, including the control of the property, has been transferred.

Classification of property

The Vesteda Companies use the following criteria to determine the classification of a property:

- Investment property comprising land and buildings (principally residential properties) are held primarily to earn rental income and capital appreciation with the exception of properties which are not occupied substantially for use by, or in the operations of, the Vesteda Companies, or for sale in the ordinary course of business. Please see Note 15 Investment property.
- Investment property under construction comprises land and buildings (principally residential properties) under construction with the aim of adding said property to the investment property portfolio upon completion.

Operating lease contracts – the Vesteda Companies as lessor IFRS 16

The Vesteda Companies have entered into property leases on their investment property portfolio. Vesteda has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

Lease contracts – the Vesteda Companies as lessee

The Vesteda Companies have entered into land leases as a lessee. Vesteda has determined, based on an evaluation of the terms and conditions of the arrangements, that in most cases the land lease is an operating obligation, as the Vesteda Companies do not retain the significant risks and rewards incidental to ownership.

Lease classification is made at the inception date and is reassessed only if there is a lease modification. Changes in estimates or changes in circumstances do not give rise to a new classification of a lease for accounting purposes.

Tax status

Vesteda is a mutual Fund for the joint account of the participants (Dutch: FGR). The Fund is tax transparent and investors can join or leave the Fund through the manager. Participants can hold their partnership contribution in Vesteda through an entity with its own legal and tax structure.

Each participant is therefore responsible for its individual tax liabilities and individual tax compliance obligations as a result of the issue, holding or redemption of participation rights.

The manager is responsible for compliance with the tax rulings relating to the holding and issue and redemption of participation rights.

Vesteda Investment Management B.V., Vesteda Project Development B.V., Vesteda Finance B.V. and Custodian Vesteda Fund (CVF) I B.V. are taxable for Dutch corporate income tax.

Furthermore, the Fund has an arrangement with the Dutch tax authorities known as horizontal supervision and several tax rulings exist regarding VAT and transfer tax.

The Vesteda Companies recognise liabilities for current taxes based on estimates of whether corporate income taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the corporate income and deferred tax provisions in the period in which the determination is made. Any deferred tax asset relating to income tax on the possible offset of losses for tax purposes and differences between accounting policies for commercial and tax purposes is recognised at current tax rates to the extent that it is probable that they can be utilised.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Investment property

Investment property is measured at fair value. The fair value of investment property is determined by external independent real estate valuation experts using recognised valuation techniques as defined in the standards of the Dutch Register of Real Estate Valuers (NRVT), the Royal Institution of Chartered Surveyors (RICS) and other professional bodies. The fair values of properties are determined on the basis of recent real estate transactions - if available - with similar characteristics and locations to those of the Vesteda Companies' assets.

The Discounted Cash Flow Method is used to determine the fair values of the investment property.

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows associated with either an operating property or a development property. An appropriate, market-derived discount rate is applied to this projected cash flow series, to establish an indication of the current value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross rental income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to current value. The aggregate of the net current values equals the market value of the property.

The total portfolio is appraised comprehensively by external independent real estate valuation experts in the course of the year. Vesteda's goal is to conduct comprehensive appraisals on approximately 25% of the portfolio each quarter. The remainder of the quarterly appraisals comprises a desktop update by the external real estate valuation experts.

Investment property under construction

Investment property under construction is also measured at fair value; for the method of determination of fair value, we refer you to the above section, investment property.

As in the case of investment property, the fair value determination, including the necessary estimates involved, is based on the valuation by external independent real estate valuation experts using recognised valuation techniques.

The fair value is assessed by reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

Development risks (such as construction and letting risks) are taken into consideration when determining the fair value of investment properties under construction.

Provisions for contractual obligations

A provision for future construction contracts is recognised if, as a result of a past event, Vesteda has a present construction obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Right-of-use

To measure the right-of-use asset, a lessee is permitted to choose, on a lease-by-lease basis, using one of two methods: (i) right-of-use assets (mainly high value properties) measured on transition as if the new rules had always been applied, but discounted using the lessee' incremental borrowing rate at the date of initial application; or (ii) right-of-use assets measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). These two available options will be applied on a lease-by-lease basis.

There are 3 types of right-of-use asset applicable for Vesteda: land lease, car lease and rental agreements.

The lease liability is primary the basis for the accounting of the right-of-use asset. The lease liability is based on the discounted expected future lease payments (including future ground lease redemptions) over the lease term. For determining the lease term the contractual lease term is taken into account with all options the lessee has for lengthening the contract. In general in the Netherlands the lease term is perpetual. Only in the municipality of Amsterdam, the contract has a continuous character with a potential break option by the lessee. As the property is so interlinked with the land lease, Vesteda concluded that the contract term for the Amsterdam contracts is perpetual as well although there is a theoretical break. The future payments are discounted with the incremental borrowing-rate.

If clear information was not readily available for determining the future cash flows, they are based on a fair value assessment at a moment in time at the inception of the contract, such as external valuation reports or benchmarking information from other land leases.

The discount rate was originally based on the yield of 3 outstanding bonds per the 31st of December 2022 the discount rate was calculated and set at 4%. In the short term the discount rate will not be adjusted. However if in the long run the interest rate on the bonds vary too much this can be adjusted.

The effect of inflation for the IFRS 16 position is calculated with 2% per year.

From a tenant perspective the land-leases that Vesteda holds are subject to changes in policy from the municipalities. In the municipality of Amsterdam, Vesteda has exercised the option to transfer Canon land lease to a perpetual land lease. The first transfer took place in December 2021 and the final transfer is expected in 2026.

4. Summary of significant accounting policies

Legal and tax structure for the financial statements

Vesteda Residential Fund FGR is a contractual investment Fund (beleggingsfonds), as defined in section 1:1 of the Dutch Financial Supervision Act (FSA). Vesteda Residential Fund is licensed by the AFM and pursuant to the conditions of this licence Vesteda Investment Management B.V. has appointed Intertrust Depositary Services B.V. to act as depositary for the Fund and has concluded a depositary services agreement with the depositary for the benefit of the Fund and the participants in accordance with article 4:37f of the FSA. 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.

The Fund is an unlisted Fund for the joint account of the participants. As such, the economic title to the Fund assets is held by the participants pro rata to their participation rights. The purpose of the Fund is to make investments, and in particular (but not limited to) to invest capital, indirectly or directly, in property mainly designated for residential purposes and located in the Netherlands, for the account and at the risk of the participants. The strategy of the Fund is set out in more detail in the investment guidelines that form part of the Fund's Terms and Conditions.

The Terms and Conditions of Vesteda Residential Fund FGR govern the Fund and they can only be amended by a resolution of the participants.

Participants' rights and obligations in respect of the manager, Vesteda Project Development B.V. and Vesteda Finance B.V., are exercised through the trust office, Stichting Administratiekantoor Vesteda (StAK Vesteda). Participants are granted a power of attorney to attend and exercise voting rights in the general meeting of shareholders of these three companies by StAK Vesteda at their request.

Vesteda Investment Management B.V. (the manager)

The participants have entrusted the manager, Vesteda Investment Management B.V., with the management and operation of the Fund. The manager carries out its task in the sole interest of the participants and within the boundaries described in the Fund's Terms and Conditions. The manager, in its capacity as manager and operator of the Fund, is subject to supervision of the Dutch Financial Markets Authority (AFM) and the Dutch Central Bank (DNB). The manager has obtained a license to act as a manager of an alternative investment Fund in accordance with article 2:67 of the FSA on 17 February 2014. The participation rights can only be acquired by professional investors, as defined in section 1:1 of the FSA.

Vesteda Investment Management B.V. owns 100% of the shares of Vesteda Services B.V. Vesteda Services' objective is to perform non-investment-related activities.

Vesteda Finance B.V. and Vesteda Project Development B.V.

Vesteda Finance B.V. will undertake Vesteda's unsecured financing activities on behalf of the Fund. Vesteda Project Development B.V. holds the development projects in the pipeline.

Custodian Vesteda Fund I B.V.

At present, Vesteda has one custodian company. The custodian is the legal owner of the property of the Fund, while the Fund is the beneficial owner.

Vesteda Residential Fund FGR is a mutual Fund, which is not a legal entity under the laws of the Netherlands.

Stichting DRF I

Stichting DRF I (Foundation Dutch Residential Fund I) is the depositary receipt holder of the shares to Vesteda Investment Management B.V., Vesteda Project Development B.V. and Vesteda Finance B.V., issued by Stichting Administratiekantoor Vesteda. Stichting DRF I also holds all the shares in Custodian Vesteda Fund I B.V.

Accounting policies

Rental income

Rental income from operating leases is recognised when it becomes receivable. Incentives for tenants to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis.

Service charges

Service charges comprise income from service charges, which are charged to tenants and service charges which are non-recoverable.

Service charges for which the Fund acts as a principal are presented in the statement of comprehensive income. Therefore, for those property investments for which the Fund is in full control of the service charges, the service charges invoiced to tenants and the corresponding expenses are shown separately on an accrual basis.

Service charges in respect of vacant property are expensed. These mainly relate to gas, water, electricity and cleaning.

Property operating expenses

Property operating expenses comprise costs directly attributable to a specific property. These costs are mainly maintenance costs, property tax and other levies, insurance premiums, management and letting fees and service costs not chargeable to tenants. These are expensed as incurred.

Other income

This is income attributable to the year that cannot be classified under any of the other categories.

Net rental income

Net rental income is the rental income plus other income less property operating expenses.

Result on projects in progress

Profit is recognised in proportion to the amount of the project that has been completed.

Result on property sales

A property (or property under construction) is regarded as sold when control of the property is transferred to the buyer, which is normally upon the unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions have been fulfilled. The result on property sales is the proceeds from sales (less any facilitation costs), less the most recent carrying value of the properties sold, established each quarter.

Vesteda values its investment property per complex rather than per individual unit. As indicated in Note 15, potential proceeds from the sale of individual units are taken into account in the valuation.

In determining the book value of an individual unit, the last determined valuation by an external appraiser of the property as a whole is allocated to the number of units in the property. This allocation takes into account the size of the specific unit and specific characteristics of the unit, such as floor level, corner unit, garden, balcony, etc. This allocation does not take into account the sales proceeds from the sale of individual units (so called vacant values) in the discounted cash flow model of the external independent real estate valuation experts. The allocation criteria per property is set at the moment the first unit is sold.

Management expenses

Any expenses that cannot be allocated directly to the various properties are regarded as management expenses.

Financial results

Interest income and expenses are recognised as they accrue using the effective interest method. Financial results also includes amortisation of financing costs and the cost of the unwind transaction derivatives.

Realised result

The realised result is the sum of the net rental income and results from property sales and projects in progress, less management expenses and financial results.

Unrealised result

The unrealised result is made up of unrealised gains and losses directly related to property investments.

Corporate income tax

Entities within the Vesteda Companies that are subject to corporate income tax do not recognise any difference between accounting and taxable income. As such, taxation on income is calculated by applying the standard rate of tax to the taxable amount. If such a taxable amount is negative, Vesteda only recognises a benefit if there is a possibility to carry back the loss to years where taxes have been paid and if a refund is expected. The Vesteda Companies recognise deferred tax assets in relation to loss carry forwards to the extent that it is probable that taxable profits will be available. The Fund itself is exempt from corporate income taxes.

Intangible fixed assets

Intangible fixed assets are recognised at cost less straight-line depreciation and any impairment. Depreciation is based on the estimated useful contribution of the assets in question, which varies from three to seven years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Investment property

Investment property is measured initially at cost, including transaction costs and borrowing costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to render the property suitable for operational purposes. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Subsequent to initial recognition, investment property is stated at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, where parties traded in an informed, diligent way and without compulsion.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Gains or losses arising from changes in the fair values are included in the statement of comprehensive income in the year in which they arise.

A property interest that is held under an operating obligation is classified and accounted for as investment property, if said property interest would otherwise meet the definition of an investment property.

The determination of the fair value for investment property is based on the income approach in line with IFRS 13. Taking into account the limited public data available, the complexity of real estate asset valuations, as well as the fact that external independent real estate valuation experts use the rents and property operating expenses of Vesteda's assets in their valuations, Vesteda believes it is appropriate to classify its investment property under Level 3. In addition, external independent real estate valuation experts use unobservable inputs, including their own assumptions on discount rates, dates, interest rates, inflation and exit yields, to determine the fair value of Vesteda's investment property.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Land leases

When Vesteda enters a land lease, at the inception of a contract, Vesteda assesses whether that contract is, or contains, a lease. A lease is a contract where the right to direct the use of an asset owned by another party and to obtain the economic benefits deriving from that asset are transferred to Vesteda. Where Vesteda is a lessee, Vesteda recognizes a right-of-use asset and a lease liability.

At initial recognition, the lease liability is measured at the present value of the lease payments in the lease, including any renewal options where it is reasonably certain Vesteda will exercise the option and the lease payments due after exercising the option are estimable. On the land lease term, Vesteda has taken into account a perpetual view.

These payments are discounted using the implicit rate in the lease or, where this rate is not determinable, at the interest rate implicit in the lease or Vesteda's incremental borrowing rate for borrowings secured by a similar asset and for a similar term as the lease. Lease payments include fixed payments and variable payments that depend on an index or rate including any renewal options included in the determination of the term of the lease. Subsequently, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured when the lease agreement is modified or if there are changes to variable payments dependent on an index or rate.

At inception, the right-of-use asset comprises of the lease liability plus any direct costs of obtaining the lease less any incentives provided by the lessor. The right-of-use asset is presented under the investment property and valued at fair value.

Investment property under construction

Investment property under construction, subsequent to initial recognition, is also stated at fair value.

As is the case with investment property, the fair value determination, including any necessary estimates, is based on the valuation by independent real estate valuation experts using recognised valuation techniques.

For the method of determination of fair value, we refer you to the section investment property.

Development risks (such as construction and letting risks) are taken into consideration when determining the fair value of investment properties under construction.

Property, plant and equipment

The head office of Vesteda is reappraised on a quarterly basis by an external independent real estate valuation expert. Positive revaluations are not recognised directly into equity but in the OCI section of the statement of comprehensive income. If a negative revaluation occurs in excess of the positive revaluation reserve this excess shall be recognised in the profit or loss section of the statement of comprehensive income.

Vesteda applies straight-line depreciation, based on an estimated useful life, over the depreciable amount, this being the carrying amount less residual value.

Other property, plant and equipment are recognised at cost, less straight-line depreciation and any impairment.

Depreciation is based on the estimated useful life of the assets concerned, which is between three and ten years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The right-of-use asset value of car lease contracts and office rental contracts is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses. The right of use is adjusted for any remeasurement of the lease liability, when applicable.

Any gain or loss arising upon the derecognition of an asset is included in the statement of comprehensive income.

Financial instruments

Financial assets and financial liabilities are recognised in the Fund's statement of financial position when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

The Fund determines the classification of its financial assets at initial recognition. At initial recognition, financial assets are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. With the exception of trade receivables that do not contain a significant financing component, the Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. As the Fund's rent and other trade receivables do not contain a significant financing component, they are measured at the transaction price determined under IFRS 15.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Fund transfers substantially all risks and rewards of ownership.

Financial assets are recognised in the statement of financial position as trade and other receivables. Receivables are recognised at amortised cost, which is generally in line with face value, less a provision for doubtful debts.

The Fund recognises an allowance for expected credit losses (ECLs) for all debt instrument except those held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For rent and other trade receivables and contract assets, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date (i.e., a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default). The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Impaired debts are derecognised when they are assessed as uncollectible.

In determining the expected credit losses the Fund takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date) based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements. These assessments are made on a customer by customer basis.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income.

Financial liabilities

The Fund's financial liabilities comprise trade and other payables and loans. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs. The Fund determines the classification of its financial liabilities at initial recognition.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Financial liabilities included in trade and other payables are initially recognised at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Loans are initially recognised at fair value. After initial recognition, loans are subsequently measured at amortised cost using the effective interest method. Interest expense is attributed to the period to which it relates and recognised through the statement of comprehensive income. Financing costs are recognised at cost less straight-line amortisation. Amortisation is parallel to the maturity of the inherent loans.

Receivables

Receivables are recognised at amortised cost, which is generally in line with face value, less a provision for doubtful debts.

Cash and cash equivalents

Cash is cash on hand and at bank. Cash is recognised at face value.

Share-based payment transactions of Vesteda

Cash-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of cash-settled share-based transactions are set out in Note 29.

The fair value determined at the grant date of the cash-settled share-based payments is expensed on a straight-line basis over the vesting period, based on Vesteda's estimate of the number of equity instruments that will eventually vest. At each reporting date, Vesteda revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications or other modifications.

Derivatives

The Vesteda Companies can use derivatives such as interest rate swaps to hedge changes in interest rates. The derivatives are used to hedge the risk of uncertain future cash flows. As per end December 2023 Vesteda had no derivative financial instruments outstanding.

Provisions

Provisions are recognised if Vesteda has an obligation from a past event and it is probable that the obligation will have to be settled and a reliable estimate can be made of the amount of the obligation. The amount of a provision is set using the best estimate of the amount that will be required to settle the obligations and losses at the reporting date.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Pensions

Vesteda has arranged its pension obligations by joining Dutch pension Fund ABP. The ABP pension plan is a multi-employer plan, in which actuarial and investment risks are almost entirely for the account of employees. Employers who join this plan have no obligation to contribute additional premium in the event of a deficit. Vesteda's obligations are limited to the contribution of the premium set by the pension Fund. The Managing Board of ABP determines this premium annually on the basis of its own data files and with reference to the parameters and requirements specified by the supervising authority of ABP (the Dutch Central Bank DNB).

The premium obligation arises from being a participant in the pension plan in the current year and does not originate from having joined the pension plan in previous years. From a reporting point of view, the ABP pension plan qualifies as a defined contribution (DC) plan. Consequently the premium is recognised as an expense for the year, and no further explanation is required.

Current liabilities

Trade payables and other current liabilities are recognised at amortised cost, which is generally in line with face value.

5. Gross rental income

Gross rental income can be broken down as follows:

	2023	2022
Theoretical rent	**385**	369
Loss of rent	**7**	6
Gross rental income	**378**	363

The theoretical rent increased by €16 million to €385 million in 2023, mainly due to the annual rent increase and rent optimisation. The total number of units at the end of 2023 increased with 14 units, from 27.661 (2022) to 27.675 (2023). This is a result from inflow (two residential buildings) and individual unit sales. The average monthly rent increased to €1,133 at year-end 2023, from €1,081 at year-end 2022.

The like-for-like rent increased 4.7% in 2023 (2022: 3.8%), while the loss of rent fell to 1.7% in 2023 (2022: 1.8%).

The contract termination rate decreased from 12.9% (2022) to 12.0% in 2023. Ultimo 2023 the vacancy has lowered again due to additional focus and efforts on relettings. The occupancy rate (in units) increased slightly to 99.0% (2022: 98.6%). The vacancy is mainly temporary due to renovation projects.

6. Service charges income

Service charges income can be specified as follows:

	2023	2022
Total service charges	**19**	16
Non-recoverable service charges	**7**	5
Service charges income	**12**	11

The non-recoverable service charges were caused by partly non-recoverable settlements with associations of owners and general residential costs which cannot be charged to tenants, €7 million in 2023 (2022: €5 million). The increase in 2023 is due to higher costs and costs recorded from previous years.

7. Property operating expenses

Property operating expenses can be specified as follows:

	2023	2022
Property (and related) taxes	**15**	14
Landlord levy	**-**	2
Property management costs	**9**	9
Maintenance costs	**45**	45
Fitting out costs	**5**	6
Letting and marketing fees	**4**	4
Miscellaneous operational costs	**11**	9
Total	**89**	89

Operating expenses, including non-recoverable service charges, amounted to 25.2% of gross rental income in 2023 (2022: 26.1%).

Taxes consist primarily of property taxes. The property management costs, letting and marketing fees are management expenses allocated to the property operating expenses.

8. Result on property sales

The result on property sales can be specified as follows:

	2023	2022
Result on property sales of investment property	**10**	6
Total	**10**	6

In 2023, Vesteda sold a total of 149 homes from its investment portfolio, consisting of 149 individual unit sales. The net result on property sales amounted to €10 million (2022: €6 million).

As indicated in the accounting policies, results from the sale of individual units are based on the book value, which is derived from a specific allocation of the last determined property value before the sale.

9. Management expenses

The management expenses comprise:

	2023	2022
Salaries	**17**	16
Social security charges	**3**	2
Pension charges	**2**	3
Depreciation expenses	**4**	4
Other operating expenses	**20**	18
Gross property management costs	**46**	43
Presented within net rental income	**(16)**	(16)
Total	**30**	27

Management expenses amounted to €30 million in 2023 which is €3 million higher than in 2022. This is mainly due to higher personnel costs, higher IT costs and higher external staff costs. The gross property management costs and the allocated expenses include the IFRS 16 related costs of €1.3 million.

In the year under review, the company employed an average of 238 people (2022: 237), which amounts to an average of 220 FTEs (2022: 218). All employees are employed in the Netherlands.

10. Financial results

The financial results can be specified as follows:

	2023	2022
Interest expenses	**48**	35
Interest income	**-**	-
Interest IFRS 16	**4**	4
Amortisation of financing costs	**4**	3
Total	**56**	42

Interest expenses were higher compared to 2022 (€42 million) mainly due to a higher level of debt and higher interest rates.

11. Unrealised results

The unrealised results can be specified as follows:

	2023	2022
Revaluation investment property	**(853)**	(187)
Revaluation investment property under construction	**(14)**	(19)
Movements in provisions for contractual obligations	**-**	(6)
Results from participating interests	**-**	(9)
Revaluation right of use landlease	**4**	3
Total	**(863)**	(218)

For the full year, the unrealised result amounted to a negative €863 million in 2023, compared with a negative result of € 218 million in 2022. After several years of positive revaluations of our portfolio, the market has turned, and we saw negative revaluations since the third quarter of 2022.

12. Tax

The income tax expenses for the year can be reconciled with the accounting profit as follows:

	2023	2022
Result before tax	**(655)**	(11)
Income tax expense	**1**	-
Effect of income that is exempt from taxation	**-**	1
Income tax expense recognised in profit or loss	**1**	1

There is no deferred tax asset for tax loss carry forwards and differences in measurement for expected future profitability of Vesteda Project Development B.V.

The total tax loss carry forward can be specified as follows:

2015	-
2018	3
2019	-
2020	-
2021	-
2022	-
2023	**-**
Total	**3**

The tax losses from 2014 can be carried forward without any limitation in the feature up to a maximum of €1 million per year. As per 31-12-2023 the deferred tax asset has not been capitalised.

13. Other comprehensive income

The other comprehensive income during the year can be specified as follows:

	2023	2022
Settlement pre-hedge contracts	**1**	1
Revaluation Property, Plant and Equipment	**(2)**	1
Total	**(1)**	2

14. Intangible fixed assets

The intangible fixed assets can be specified as follows:

	Prepayment Software	**Software**	**Total**
Carrying amount as at 31 December 2022	4	2	**6**
Cumulative amortisation as at 31 December 2023	-	(1)	**(1)**
Carrying amount as at 31 December 2023	**4**	**1**	**5**

15. Investment property

The investment property can be specified as follows:

	2023	2022
Investment property as at 1 January	**9,448**	9,540
Capital expenditure on property	**80**	64
Transfer from property under construction	**57**	75
Property sales	**(39)**	(47)
Right of use assets (land leases)	**(19)**	3
Revaluation	**(853)**	(187)
Investment property as at 31 December	**8,674**	9,448

The fair value of completed investment property has been determined on a market value basis, in accordance with International Valuation Standards (IVS), as set out by the International Valuation Standards Council (IVSC).

The valuation is prepared on an aggregated ungeared basis. As set out in Note 3, in arriving at their estimates of market values, the valuation experts have used their market knowledge and professional judgement rather than relying exclusively on comparable historical transaction data.

The valuations were performed by accredited external independent real estate valuation experts with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being appraised.

The fair value of the assets is driven by the net cash flows generated by the assets, which are taken into account by the market, in combination with the discount rate development. The generated cash flow is the net rental income plus the net sales proceeds from the sale of individual units.

The following main inputs have been used in the valuation of the investment property:

		2023		2022
Average	**Sell**	**Hold**	**Sell**	**Hold**
Discount rate (%)	**6.3**	**5.6**	5.8	4.9
Exit yield (%)	**5.3**	**5.1**	4.5	4.5
Rental growth (%)	**2.6**	**2.6**	2.4	2.3
Vacant value growth (%)	**2.1**	**2.4**	2.0	2.0

Sell			2023			2022
Region	**primary**	**secondary**	**other**	**primary**	**secondary**	**other**
Discount rate (%)	**6.2**	**6.5**	**7.0**	5.7	5.9	6.4
Exit yield (%)	**5.3**	**5.7**	**5.9**	4.5	5.0	5.2
Rental growth (%)	**2.6**	**2.5**	**2.4**	2.4	2.3	2.3
Vacant value growth (%)	**2.2**	**2.0**	**1.9**	2.1	1.9	2.0

Hold			2023			2022
Region	**primary**	**secondary**	**other**	**primary**	**secondary**	**other**
Discount rate (%)	**5.5**	**6.5**	**6.4**	4.9	5.1	5.5
Exit yield (%)	**5.1**	**6.2**	**6.3**	4.5	5.1	5.2
Rental growth (%)	**2.7**	**2.4**	**2.6**	2.3	2.2	2.3
Vacant value growth (%)	**2.5**	**1.8**	**1.8**	2.1	1.9	2.2

Sell			2023			2022
Rental segment	**<808**	**808 - 1200**	**> 1200**	**<763**	**763 - 1200**	**> 1200**
Discount rate (%)	**6.0**	**6.4**	**6.2**	5.4	5.8	5.7
Exit yield (%)	**5.5**	**5.5**	**5.2**	4.6	4.6	4.3
Rental growth (%)	**2.4**	**2.5**	**2.7**	2.3	2.4	2.4
Vacant value growth (%)	**1.6**	**2.1**	**2.2**	1.9	2.0	2.1

Hold			2023			2022
Rental segment	**<808**	**808 - 1200**	**> 1200**	**<763**	**763 - 1200**	**> 1200**
Discount rate (%)	**6.4**	**5.7**	**5.4**	5.0	4.9	4.9
Exit yield (%)	**6.3**	**5.2**	**5.0**	5.5	5.5	4.3
Rental growth (%)	**2.7**	**2.6**	**2.7**	2.3	2.3	2.5
Vacant value growth (%)	**1.9**	**2.4**	**2.5**	1.8	2.0	2.2

During the first half of 2023 the market values dropped -7.2% driven by higher risk perception due to increasing interest rates and market uncertainties in combination with adjusted index rates and lower transaction volumes against lower prices. During the second half of the year this trend changed, but we still had negative revaluations (-1.5% in H2) due to further yield expansion.

External independent real estate valuation experts determine the fair values using discounted cash flow models with a 10-year period. When calculating the present values, the valuation experts use discount rates in the DCF models to account for the time value of money and reflect the inherent risk with regard to the cash flows in the model. Exit yields are indicators used to determine the exit values that can be achieved at the end of the DCF lifetime. Rental growth is the average rental growth in the 10-year period of the discounted cash flow model. Vacant value growth is the average vacant value growth in the 10-year period that is assumed in the cash flow model.

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the significant parameters driving the underlying valuation of investment property. The analysis was carried on the investment property value excluding the value of the right-of-use asset (land leases).

	-100 bps	Fair value	+100 bps
As at 31 December 2022			
Discount rate	9,827	9,302	8,762
Exit yield	9,996	9,302	8,798
Rental growth	9,013	9,302	9,594
Vacant value growth	9,083	9,302	9,522
As at 31 December 2023			
Discount rate	**9,006**	**8,547**	**8,076**
Exit yield	**9,028**	**8,547**	**8,185**
Rental growth	**8,305**	**8,547**	**8,792**
Vacant value growth	**8,347**	**8,547**	**8,748**

Right of use assets

Under the investment property the right of use of land leases are included as an integral part of the investment property value.

To reconcile the by external independent real estate valuation experts appraised investment property, the value of the investment property value presented should be adjusted by the land lease right of use.

	2023	2022
Investment property value	**8,674**	9,448
less Right of use	**(127)**	(146)
Valuation as per valuation report	**8,547**	9,302

16. Investment property under construction

	2023	2022
As at 1 January	**225**	177
Acquisitions property under construction	**-**	-
Capital expenditure on property under construction	**230**	151
Transfer to investment property	**(57)**	(75)
Revaluation	**(14)**	(19)
Transfer from provisions	**(3)**	(9)
Transfer to PP&E	**-**	-
As at 31 December	**381**	225

As set out in Note 3, in arriving at their estimates of market values, the external independent real estate valuation experts used their market knowledge and professional judgment, rather than relying exclusively on comparable historical transaction data.

The fair value of the assets under construction is driven by the net future cash flow generated by the assets, in combination with the discount rate development. The generated cash flow includes the net rental income plus the net sales proceeds from the sale of individual units.

The future costs until completion amount to €195 million (2022: €354 million). This amount is included in construction contracts in Note 32.

17. Property, plant and equipment

	Buildings	Others PP&E	Total
As at 1 January 2022	15	5	20
Investments	-	-	-
Transfer within PP&E	-	-	-
Depreciations	-	-	-
Revaluation	1	-	1
Right of use	-	-	-
As at 31 December 2022	16	5	21
Investments	**-**	**-**	**-**
Transfer within PP&E	**-**	**-**	**-**
Depreciations	**-**	**(1)**	**(1)**
Revaluation	**(2)**	**-**	**(2)**
Right of use	**-**	**-**	**-**
As at 31 December 2023	**14**	**4**	**18**

The economic life of the head office of Vesteda in Amsterdam 'De Boel' is set at twenty-five years and the residual value amounts to €5 million. An independent valuation expert valued the building at fair value for an amount of €13.7 million. For the determination of the fair value, please see Note 4.

De Boel cost specification

- Cost price de Boel: €11 million
- Accumulated depreciation: €1 million
- Accumulated revaluation: €4 million
- Balance: €14 million

The value of the other property, plant and equipment amounts to €4 million (2022: €5 million). Under the application of IFRS 16 Leases, the right of use of car lease contracts and office lease contracts is valued at €3 million.

Other property, plant and equipment specification

1. Acquisition costs: €9 million
2. Cumulative depreciation: €8 million
3. Right of use lease contracts: €3 million
4. Carrying amount: €4 million

18. Financial assets

The financial assets movements can be specified as follows:

	LRC	Other Participations	Total
Financial assets as at 31 December 2022	2	1	3
Reclassification capital contribution previous year	(10)	-	(10)
Provision	8	-	8
Result	-	-	-
Financial assets as at 31 December 2023	**-**	**1**	**1**

	2023	2022
Total invested	**21**	31
Provision	**(20)**	(28)
Financial assets as at 31 December	**1**	3

In circumstances in which provisions for onerous contracts arise at the same time that financial assets are presented at the balance sheet date for the related contract, these balances are netted at said balance sheet date. In the event of a positive balance, the net position is presented as a financial asset. In the event of a negative balance, the net position is presented as a provision (see Note 24).

19. Trade and other receivables

The trade and other receivables can be specified as follows:

	31-12-2023	31-12-2022
Loans receivable	**15**	15
Provision for loans receivable	**(13)**	(13)
Trade receivables	**-**	-
Provision for trade receivables	**(1)**	(1)
Other receivables	**2**	1
Total	**3**	2

Loans receivable relate to amounts overdue for an amount of €15 million (2022: €15 million), for which a provision for doubtful debts was recognised in the amount of €13 million (2022: €13 million). Trade receivables include a provision for doubtful debts of €1 million (2022: €1 million) for overdue amounts.

20. Cash and cash equivalents

The cash and cash equivalents can be specified as follows:

	31-12-2023	31-12-2022
Cash at bank and on hand	**4**	11
Total	**4**	11

Cash and cash equivalents are at the free disposal of the Fund.

21. Group equity

The total equity amounts to:

	2023	2022
As at 31 December	**6,392**	7,298

The participation rights issued can be specified as follows:

	2023	2022
As at 1 January	**35,681,248**	35,897,595
Issued in the year	**770,110**	-
Redeemed in the year	**(1,020,992)**	(216,347)
As at 31 December	**35,430,366**	35,681,248

The participation rights carry a nominal value of €1.00, and all participation rights are fully paid. There are no restrictions relating to profit and capital distribution. For further information on movements, we refer you to the consolidated statement of changes in equity.

The distributions can be specified as follows:

	2023	2022
January	**39**	39
March (equity redemption)	**50**	-
April	**83**	78
July	**39**	39
September (equity redemption)	**-**	50
October	**39**	39
	249	245

The interim distributions amount to 60% of budgeted distribution for 2023, and was paid out in three instalments (3 x €38.6 million) in the course of the financial year, each within two weeks after the end of the quarter. The distribution paid in April 2023 also included the €44.0 million distribution (€1.23 per participation right) related to the financial results for 2022.

The remaining part of the distribution for the financial year 2023 will be paid out in two instalments after the closing of the financial year 2023, one in January, shortly after the fourth quarter, and one after the adoption of the distribution proposal in April 2024. The total distribution proposed for the financial year 2023 will be €198.4 million.

Vesteda Residential Fund FGR is a mutual Fund, which is not classified as a legal entity under Dutch law. Vesteda Residential Fund FGR does therefore not have any legal requirements related to reserves. However, the Fund has decided to present its statement of changes in equities as if the Fund was subject to the rules for the determination of revaluation reserves.

The property reserve is the difference between the market value and historical book value. The revaluation of property is accounted for in the event of positive revaluations. Negative revaluation is deducted from this reserve, as long as the reserve is positive on an individual basis.

The total number of issued participation rights had declined by 250,882 to stand at 35,430,366 at year-end 2023, following an equity redemption of €50 million on 30 March 2023.

Earnings per participation right

Basic earnings per participation right are calculated by dividing the result after tax for the year attributable to equity holders of the parent/participants by the weighted average number of participation rights outstanding during the year. The table below reflects the income and number of participation rights used in the basic earnings per participation right computations:

	2023	2022
Result after tax attributable to equity holders	**(656)**	(12)
Weighted average number of participation rights	**35,555,808**	35,789,422
Earnings per participation right in €		
Basic and diluted earnings, on result after tax	**(18.45)**	(0.34)

There have been no other transactions involving a change in the number of participation rights or the number of potential participation rights between the reporting date and the date these financial statements were completed.

Net asset value (NAV) per participation right

Basic IFRS NAV per participation right is calculated by dividing net assets in the balance sheet attributable to ordinary equity holders of the parent/participants by the number of participation rights at year-end. The following reflects the net asset value and number of participation rights used in the basic NAV per participation right computations:

	2023	2022
NAV attributable to equity holders of the parent	**6,392**	7,298
Participations at year-end	**35,430,366**	35,681,248
Net Asset Value (NAV) per participation right in €		
Basic and diluted IFRS NAV	**179.77**	203.92

There is no difference between basic and diluted IFRS NAV.

22. Financial liabilities

The non-current financial liabilities can be specified as follows:

	Bank facilities	Bonds	Private placements	Term loans	Total
As at 1 January 2022	-	1,485	299	-	1,784
Drawn	-	-	-	150	150
Amortisation	-	2	-	-	2
As at 31 December 2022	-	1,487	299	150	1,936
Drawn	**120**	**-**	**-**	**75**	**195**
Amortisation	**-**	**2**	**-**	**-**	**2**
As at 31 December 2023	**120**	**1,489**	**299**	**225**	**2,133**

Debt funding

The information below is provided for explanatory purposes with regard to the Vesteda Companies' long-term funding.

The Vesteda Companies obtain their debt funding through various sources:

1. Bank facilities, comprising corporate unsecured bank funding provided by banks, including the European Investment Bank.
2. Euro Commercial Paper issued by Vesteda Finance B.V. (see Current liabilities)
3. Bonds, issued by Vesteda Finance B.V. under the EMTN programme.
4. Private Placements under the EMTN programme as well as bi-lateral agreements placed by Vesteda Finance B.V.

Corporate unsecured funding

Vesteda Finance B.V. acts as borrower and issuer of all corporate unsecured debt on behalf of Vesteda Residential Fund FGR. Custodian Vesteda Fund I B.V. acts as a guarantor for all obligations of the corporate unsecured debt that is borrowed or issued by Vesteda Finance B.V.

The current financial liabilities can be specified as follows:

	Bank facilities	ECP	Private placements	Bonds	Loans from participations	Total
As at 1 January 2022	-	-	-	300	-	300
Drawn	736	700	-	-	10	1,446
Repayments	(736)	(469)	-	(300)	-	(1,505)
As at 31 December 2022	-	231	-	-	10	241
Drawn	**974**	**2,653**	**5**	**-**	**-**	**3,632**
Repayments	**(927)**	**(2,598)**	**-**	**-**	**-**	**(3,525)**
Reclass to provisions	**-**	**-**	**-**	**-**	**(10)**	**(10)**
As at 31 December 2023	**47**	**286**	**5**	**-**	**-**	**338**

1) Bank facilities
Vesteda has an € 700 million sustainability-linked RFA. This financing embeds four KPIs that measure Vesteda's sustainability performance. In 2023, Vesteda met 2 out of 4 KPI's, this means that Vesteda obtains a small reduction in the interest margin. The sustainability-linked RFA of €700 million matures on June 1, 2025. At year-end 2023 the remaining legal term was 1.4 years and the facility was drawn for € 120 million, of which € 20 million under an ancillary facility. The remaining part of € 580 million was undrawn. The outstanding loans under the committed RFA are classified as non-current liabilities as Vesteda has the sole discretion to defer the settlement of these loans until the maturity date of this facility (1 June 2025).

Pricing of the revolving credit facility is subject to a margin grid, whereby a LTV below 27.5% equates to a margin of 0.50%. Utilised commitment less than 33.3% equates to an utilisation fee of 0.10% and utilised commitments exceeding 33.3% but less or equal to 66.7% equate to an utilisation fee of 0.20%. Utilised commitments exceeding 66.7% equate to an utilisation fee of 0.40%.

Vesteda has two facilities in place with the European Investment Bank (EIB), each worth € 150 million and original tenors of 10 years. As per year end 2023, one facility was fully drawn in two tranches, both with a floating rate that mature in 2032. The second facility of the EIB was drawn for € 75 million at fixed of 3.67%. The undrawn part of € 75 million remains available for Vesteda until December 2025 to make a drawdown. Both financings are being used to fund projects in (regulated) mid-rental housing and to improve the sustainability of Vesteda's existing portfolio, up to 50% of the total investments.

Vesteda has an uncommitted short term facility with bank SMBC for €200 million. Being an uncommitted facility it can be terminated at any time, with a Review Date of 31 July 2024. The facility is funded on SMBC's cost of funds plus a margin of 0.60%. At year-end 2023 the facility of €200 million was drawn for € 47 million.

On 29 September 2023 Vesteda closed a financing agreement for a committed standby facility of €250 million. This is a committed facility with a maturity date on the 1 October 2025. It was provided by two of Vesteda's relationship banks. The standby facility provides extra liquidity headroom and gives more financial flexibility.

2) Euro Commercial Paper
For the short term funding need, Vesteda makes use of an Euro Commercial Paper program up to €1 billion. At year end this program was in use for €286 million.

3) Bonds
In 2023, Vesteda Finance B.V. continued its borrowing of senior unsecured notes that were issued under its program for the issuance of Euro Medium Term Notes (EMTN). Standard & Poor's provides a credit rating for this program and this was upgraded to A- in 2021 (from BBB+), in line with Standard & Poor's credit rating upgrade of Vesteda Residential Fund:

- In July 2018 Vesteda issued a bond of €500 million in senior unsecured notes. The notes pay an annual fixed coupon of 2.00% (effective interest rate of 2.01%) and are due on 10 July 2026. The remaining term to maturity of the notes is 2.5 years.
- In May 2019 Vesteda issued its first Green Bond for an amount of €500 million in senior unsecured notes. The notes pay an annual fixed coupon of 1.50% and are due on 24 May 2027 (effective interest rate of 1.60%). The remaining term to maturity of the notes is 3.4 years.
- In October 2021 Vesteda issued its second green bond for an amount of €500 million in senior unsecured notes. The notes pay an annual fixed coupon of 0.75% and are due on 18 October 2031 (effective interest rate of 0.90%). The remaining term to maturity of the notes is 7.8 years.

4) Private Placements
Vesteda has a private placement of €100 million, with funds provided by PRICOA Capital Group under a note purchase agreement. The senior notes have a fixed annual coupon of 1.80% (effective interest rate of 1.83%), payable on a semi-annual basis and are due on 16 December 2026. The remaining term to maturity of the notes is 3.0 years.

The second private placement is a green private placement and consists of two note purchase agreements. There is a 10 year tranche of €50 million with NYL at a fixed semi-annual coupon of 1.38% (effective interest rate of 1.41%) and a fifteen year tranche of €50 million with AIG at a fixed semi-annual coupon of 1.03% (effective interest rate of 1.07%). The remaining term to maturity of the notes are 7.0 and 12.0 years respectively.

A third tranche of 100 million private placement borrowing in senior unsecured notes under the program for the issuance of Euro Medium Term Notes (EMTN) was arranged in 2017. Standard & Poor's rated notes BBB+ at the time of issuance:

- A tranche of €35 million senior unsecured notes pay an annual fixed coupon of 1.899% (effective interest rate of 1.93%) and are due on 15 December 2027. The remaining term to maturity of the notes is 4.0 years;
- A tranche of €65 million senior unsecured notes pay an annual fixed coupon of 2.478% (effective interest rate of 2.50%) and are due on 15 December 2032. The intended remaining term to maturity of the notes is 9.0 years.
- In September 2023 VF issued it's first Green Tokenized Debt for €5 million. The proceeds of this tokenized debt are used to (re)finance sustainable middle rental housing. This agreement has a tenor of one year.

23. Lease liabilities

As of 1 January 2019 IFRS 16 is implemented in the balance sheet and P&L. In order to implement IFRS 16 a number of key options and practical expedients allowed under IFRS 16 were adopted of which the following are the most significant:

- A modified retrospective approach was applied and therefore prior periods were not restated;
- Not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight–line basis over the lease term;
- To apply the 'grandfather' option, which means that all conclusions previously reached under IAS 17 (and IFRIC 4 Determining Whether an Arrangement Contains a Lease) are deemed compliant with IFRS 16;
- To use hindsight in determining the lease term.

The lease liabilities can be specified as follows:

	31-12-2023	31-12-2022
Land leases	**127**	146
Car leases	**3**	3
Office rental contracts	**-**	-
Total	**130**	149

	Lease liabilities
Balance on 1 January 2022	**146**
New lease contracts	**1**
Buy-off landlease	**-**
Amortization	**(1)**
Revaluation	**3**
Balance as per 31 December 2022	**149**
New lease contracts	**1**
Buy-off landlease	**(20)**
Amortization	**(1)**
Revaluation	**1**
Balance as per 31 December 2023	**130**

	31-12-2023	31-12-2022
Maturity		
Year 1	**1**	1
Year 2	**1**	1
Year 3	**1**	1
Year 4	**-**	-
Year 5	**-**	-
Onwards	**127**	146
Total	**130**	149

	31-12-2023	31-12-2022
Current	**1**	1
Non-current	**129**	148

The total amount of lease liabilities in 2023 is €130 million. This includes land leases (€127 million), car leases and rent of offices (€3 million). In 2023 the lease liabilities decreased with €19 million mainly due to the buyback of landlease.

Land lease liabilities

The land liabilities are calculated based on a perpetual view. These land leases require monthly, quarterly, (semi) annual payments if the lease obligation is not redeemed for a certain time frame. For some land leases, a variable component is applicable based on an index. The lease liabilities are reassessed and re-measured after a new index is applicable or the lease payments are changed after a certain time frame by the lessor based on contractual terms.

The assumptions are based on the value of the contracts, or in case of the land leases based on value of the ground (WOZ) x increase factor (market increase). The weighted average discount rate used in 2023 by Vesteda for discounting the lease payments is 3.1%.

24. Provisions

The current provisions movements can be specified as follows:

	2023	2022
As at 1 January	**3**	7
Additions	**1**	6
Reclass from financial assets	**10**	-
Decrease	**(2)**	(1)
Used	**(1)**	-
Transfer to IPUC	**(3)**	(9)
As at 31 December	**8**	3

In circumstances in which provisions for onerous contracts arise at the same time that financial assets are presented at the balance sheet date for the related contract, these balances are netted at said balance sheet date. In the event of a positive balance, the net position is presented as a financial asset. In the event of a negative balance, the net position is presented as a provision.

The current provisions can be specified as follows:

	2023	2022
Contingencies and commitments	**8**	3
Other provisions	**-**	-
As at 31 December	**8**	3

25. Trade and other payables

The trade and other payables can be specified as follows:

	31-12-2023	31-12-2022
Trade payables	**5**	3
Rental deposits	**28**	27
Interest	**12**	11
Holiday days and holiday pay	**2**	2
Tax and social security contributions	**5**	5
Other payables	**33**	41
Total	**85**	89

26. Transactions with related parties

Vesteda has a pension plan with ABP. In 2023, Vesteda paid premiums in the amount of €2.5 million (2022: €2.6 million). This counterparty is also a participant in the Fund. All transactions are at arm's length.

The Management Board and the Supervisory Committee are identified as key management personnel in accordance with IAS 24. The remuneration of the Management Board and the Supervisory Committee is explained in Note 29 and Note 30 respectively.

The remuneration complies with section 2:383 of the Dutch Civil Code.

27. Financial risk management objectives and policies

Vesteda's principal financial liabilities, other than derivatives, are loans and borrowings. The main purpose of Vesteda's loans and borrowings is to finance the Vesteda Companies' property portfolio. As part of its business strategy, Vesteda uses debt financing to optimise its equity return by utilising a conservative level of debt leverage.

The Vesteda Companies also have trade and other receivables, trade and other payables and cash and short-term deposits that arise directly from their operations.

Vesteda Residential Fund FGR is exposed to market risk, interest rate risk, credit risk and liquidity risk.

Vesteda has a well diversified fully unsecured funding structure as explained in the Funding section of this report. At year-end 2023 there was ample headroom in the LTV and ICR covenants (LTV at 27.8% with a covenant of maximum 50% and an ICR of 5.3 versus a covenant minimum of 2.0). The weighted average maturity of our debt is 4.7 years with the next drawn debt redemption scheduled in 2026 (€500 million). We have a strong liquidity position: At year end 2023 our drawn debt amounted to €2.5 billion whereas our existing liquidity sources amounted to €3.1 billion of committed facilities and €1.2 billion of uncommitted facilities. We expect to have sufficient liquidity sources and headroom in our financial covenants to cover our funding needs in at least the next twelve months.

Vesteda has fully incorporated risk management in its strategic and operational processes. The risk management framework addresses all levels and lines of business in order to ensure 'in control' performance.

The Vesteda Management Board assesses its proper functioning on a regular basis and continues to pursue further improvement and optimisation of the internal risk management and control procedures.

In addition to the risk management framework, Vesteda also actively manages market risk, interest rate risk, credit risk and liquidity risk as part of its treasury policy.

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The IBOR reform has a negligible effect on Vesteda's debt. IBOR rates are mainly relevant for floating rate debt or floating rate debt instruments. As per year-end 2023, Vesteda had € 608 million of floating rate debt outstanding, consisting of €150 million EIB debt, €286 million Euro Commercial Paper, €120 million RFA-drawings, €47 million SMBC bank debt, and €5 million Tokenized debt. The debt facilities provided by the EIB and SMBC allow floating rate debt, but these floating rates are based on the base rates provided by these institutions, no IBOR-rates. Euro Commercial paper is not based on IBOR rates, but these are based on the capital markets rates. The €700 million sustainability-linked revolving facility agreement (RFA), currently in use for €120 million, is based on Euribor. However, since we have arranged this facility in 2018, we have made changes to the wording of the replacement of Euribor during the three amendments that we have had since then, and we have anticipated on the replacement of Euribor by the replacement rate. The €5 million Tokenized debt is Euribor-based, but has replacement wording as well, and will be repaid in September 2024.

As we have amended the Euribor-replacement wording in our EMTN-program at the updates in the last few years, we are also comfortable to issue floating rate notes by means of our EMTN-program (currently none outstanding).

1) Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market prices.

The financial instruments held by Vesteda Residential Fund FGR that are affected by market risk are principally the derivative financial instruments used to hedge interest risk on its loan portfolio. As per end-December 2023, Vesteda Residential Fund FGR had no derivative financial instruments outstanding.

2) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Vesteda's exposure to the risk of changes in market interest rates relates primarily to Vesteda's longterm debt obligations with floating interest rates.

Vesteda must at all times meet its obligations under the loans it has taken out, including the interest cover ratio with a minimum of 2.0 and loan-to-value covenant with a maximum of 50%.

According to the Fund's Terms and Conditions, Vesteda is required to hedge a minimum of 70% of existing interest rate exposure.

To manage its interest rate risk, Vesteda Residential Fund FGR can enter into interest rate swaps or fixed rate debt. As per 31 December 2023, Vesteda Residential Fund FGR has no derivative financial instruments outstanding. At 31 December 2023, 76% of Vesteda's borrowings were subject to a fixed interest rate (2022: 83%).

Sensitivity analyses of market and interest rate risk

Vesteda performed an interest rate risk sensitivity scenario using an immediate increase of one percentage point in the interest rate curve as at 31 December 2023. The analysis was prepared on the basis that the amount of net debt and the ratio of fixed-to-floating interest rates of the debt are constant. As Vesteda Residential Fund FGR had no derivative financial instruments outstanding at the reporting date, interest rate risk sensitivity has no impact on equity or the fair value of derivative financial instruments.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial liabilities held at the reporting date.

An interest rise of 1% has effect on Vesteda's floating debt and fixed debt that matures in one year. Per year end 2023 Vesteda had €608 million floating rate debt. An interest rise of 1% would cause an increase of interest expenses of around €6 million.

3) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations by virtue of a financial instrument or customer contract, leading to a financial loss. Vesteda is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions and derivatives if applicable.

Tenant receivables
Credit risk is managed by requiring tenants to pay rent in advance. Vesteda assesses the credit quality of tenants using an extensive credit rating scorecard at the time they enter into a lease agreement. Vesteda regularly monitors outstanding receivables from tenants. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial asset. At this moment (March 2024), there is not a significant increase in the loss of rent.

Credit risk related to financial instruments and cash deposits
Vesteda's treasury department manages credit risk from balances with banks and financial institutions. As part of its treasury policy, Vesteda maintains a formal counterparty policy in respect of those organisations from which it may borrow or with which it may enter into other financing or investment arrangements. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

Vesteda's Management Board reviews counterparty credit limits at least on an annual basis, and may update these at any time in the year should market conditions require any changes to the counterparty credit limits. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

As part of its treasury policy, Vesteda strives for sufficient diversification in Vesteda's counterparties and to limit concentration risk.

4) Liquidity risk
Liquidity risk is the risk that (1) Vesteda will not be able to refinance maturing debt funding, finance committed pipeline, or is not able to finance Redemption Available Cash, or (2) if debt is refinanced, the maturity and interest rate of the financing will have a significant unplanned adverse effect on Vesteda's cash flow and liquidity position. In addition, (3) Vesteda must at all times meet its obligations under the loans it has taken out including the interest cover ratio and loan-to-value covenant.

Vesteda limits these risks by conservative use of loan capital, ensuring sufficient headroom under its financial covenants and fixing at least 70% of its interest rates in order to mitigate adverse effects of interest rate volatility.

Vesteda's treasury department manages liquidity risk with the objective of ensuring that Vesteda has sufficient funds available to meet its financial obligations. As part of its treasury policy, Vesteda aims to have adequate though not excessive cash resources, borrowing arrangements and overdraft or standby facilities to enable it at all times to have the level of funds available it needs to achieve its business objectives.

Vesteda's objective is to maintain a balance between continuity of funding and flexibility. Vesteda uses a diverse range of financing instruments for its financing, through banks loans and capital markets. Debt maturities are chosen in line with the long-term character of Vesteda's assets, taking into account a good spread in the maturity profile of its debt portfolio.

The table below summarises the maturity profile of Vesteda's financial liabilities based on contractual undiscounted payments.

Liquidity risk

	On demand	< 3 months	3-12 months	1-5 years	> 5 years	Total
Year ended 31 December 2022						
Interest-bearing loans and borrowings	-	-	231	1,135	815	2,181
Interest	-	-	-	-	-	-
Deposits from tenants	27	-	-	-	-	27
Trade and other payables	-	51	-	-	-	51
	27	51	231	1,135	815	2,259
Year ended 31 December 2023						
Interest-bearing loans and borrowings	**-**	**333**	**5**	**1,255**	**890**	**2,483**
Interest	**-**	**2**	**31**	**81**	**24**	**138**
Deposits from tenants	**28**	**-**	**-**	**-**	**-**	**28**
Trade and other payables	**-**	**45**	**-**	**-**	**-**	**45**
	28	**500**	**36**	**1,216**	**914**	**2,694**

Estimated interest obligations for the bank facilities are based on the outstanding amount at year-end.

Fair value of financial Instruments

This section describes the comparison between the carrying amounts of the Vesteda Companies' financial instruments and their estimated fair values. Trade and other receivables and Trade and other payables are carried at amortised cost, but given their short duration, the fair value does not significantly deviate from the carrying amount (Level 3 valuation).

Cash and cash equivalents are recognised at nominal value. With respect to financial assets, management concluded that the carrying amount is an appropriate estimate of the fair value. With respect to the floating rate financial liabilities (both short term and long term), these are carrying a variable interest rate based on Euribor plus a mark-up, which also takes into account the perceived credit risk of the Vesteda Companies. As a result, their carrying amount approximates their fair value.

The fair value measurement of senior public notes issued by Vesteda Finance B.V. can be qualified as Level 1 valuation. Inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

The fair value measurement of the senior private notes that were placed by Vesteda Finance B.V. can be qualified as Level 2 valuation, with inputs other than quoted market prices included within Level 1 that are observable for the asset or liability. In this case, interest rates and yield curves are observable at commonly quoted intervals.

The fair value measurement of the senior notes placed by Vesteda Finance B.V. under its EMTN program as a private placement transaction can be qualified as Level 2 valuation, with inputs other than quoted market prices included within Level 1 that are observable for the asset or liability. In this case, interest rates and yield curves are observable at commonly quoted intervals.

The senior public notes, the senior private notes and the senior notes privately placed under the EMTN program are all fixed rate.

Fixed rate debt is initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial instruments

Type	Notional amount	Estimated fair value amount	Level valuation
Senior public notes	1,500	1,352	1
Senior private notes	300	265	2
Senior bank debt	75	75	2
	1,875	**1,692**	

The €1,500 million in senior public notes represented an equivalent fair value estimate of €1,352 million at year-end 2023.The €200 million in senior private notes and the € 100 million in senior notes privately placed under the EMTN program represented an equivalent fair value estimate of €265 million at year-end 2023. The € 75 million fixed-rate loan of the EIB has a fair value that equals the nominal value. The estimated fair value amounts are excluding accrued interest.

The fair value of the senior public notes is determined on the basis of quoted prices, while the fair value of the senior private notes, the senior notes privately placed under the EMTN program, and the EIB fixed-rate loan are determined based on inputs other than quoted prices.

28. Capital management

The primary objective of the Vesteda Companies' capital management is to ensure that the Fund remains within its banking covenants and maintains a strong credit rating. The Vesteda Companies monitor capital primarily using a loan-to-value (LTV) ratio, which is calculated as the amount of outstanding debt divided by the valuation of the investment property portfolio.

Vesteda's loan facilities have LTV covenants of 50% at VRF level (corporate unsecured debt).

In the year under review, the Vesteda Companies did not breach any of their loan covenants, nor did they default on any other of their obligations under their loan agreements.

Capital management

	31-12-2023	31-12-2022
Carrying amount of interest-bearing loans and borrowings	**2,471**	2,177
Capitalised financing costs	**12**	14
Principal amount of interest-bearing loans and borrowings	**2,483**	2,191
Cash and cash equivalents	**4**	11
Net debt principal amount of interest-bearing loans and borrowings	**2,479**	2,180
External valuation of completed investment property (excl. IFRS16)	**8,547**	9,302
External valuation of investment property under construction	**381**	225
Total valuation of investment property	**8,928**	9,527
Loan-to-value ratio	**27.8%**	22.9%

Vesteda has performed a sensitivity stress test with regard to changes in required gross yield in relation to the loan-to-value ratio. An increase of the required gross yield of 4.0 percentage points (from 4.6% to 8.6%) would lower the value of the investment property to such extent that an LTV of 50% would be reached.

29. Management Board and other identified staff remuneration

With regard to remuneration, Vesteda is in compliance with the Dutch Financial Supervision Act (FSA) provision on the remuneration of Identified Staff. The Management Board together with the Management Team members are considered Identified Staff, as well as the Compliance Officer and the Internal Audit Manager. Amounts in this paragraph are in €.

The table below provides an overview of the total remuneration of the Management Board and other Identified Staff in 2023 and 2022. The remuneration is divided into three components: base salary, variable bonus, and social security charges & pension contributions.

The Compliance Officer and the Internal Audit Manager do not receive a variable remuneration.

		2023		2022
	Management Board	**Other Identified Staff***	Management Board	Other Identified Staff*
Charged to the company in 2023 (accrual basis)				
Base salary charges	**786,000**	**721,000**	746,000	698,000
Compensation income tax capital repayments 2018 and 2019	**-**	**-**	73,000	14,000
Variable remuneration charges 2023 (for future cash or shares)	**-**	**-**	-	-
Social security charges & pension contributions	**75,000**	**156,000**	84,000	153,000
Total charged to the company in 2023	**861,000**	**877,000**	903,000	865,000

** Other identified staff during 2023*

# Phantom shares granted before 2022	**6,657**	**1,514**
# Phantom shares granted in 2022	**788**	**299**
# Phantom shares cashed in 2022	**168**	**174**
# Phantom shares granted end of 2022	**7,277**	**1,639**
# Phantom shares granted in 2023	**-**	**-**
# Phantom shares cashed in 2023	**5,984**	**555**
# Phantom shares granted end of 2023	**1,293**	**1,084**
# Phantom shares not locked up end of 2023	**685**	**681**
# Phantom shares locked up until May 2024	**-**	**133**
# Phantom shares locked up until May 2025	**292**	**128**
# Phantom shares locked up until May 2026	**316**	**142**
# Phantom shares locked up until May 2027	**-**	**-**
Phantom share value as per 31.12.2023	**183.63**	

In 2023, the company was charged €861,000 (2022: €903,000) for the remuneration of the Management Board, consisting of €786,000 base salary (2022: €746,000) and €0 variable renumeration (2022: €0). In addition, social security charges and pension contributions amounted to €75,000 in 2023 (2022: €84,000) for the Management Board.

Compensation for income tax capital repayments 2018 and 2019

In 2018 and in 2019, Vesteda redeemed and paid out to participants a total of €13.89 per participation right related to the proceeds of two residential portfolio sales (in total €425.5 million). Under the phantom share programme these capital repayments, reducing the net asset value of the phantom shares, were subject to income taxes. As the alignment of the interests of the Management Board and the Participants is an important objective of the Remuneration policy and the Phantom Share Plan, the Supervisory Committee is of the opinion that the income taxes paid by the Management Board related to the capital repayments were at odds with the interests of the Participants. The Supervisory Committee therefore determined in 2022 that the Management Board would be compensated for the income taxes paid on these two specific capital repayments, after careful review and extensive consultation with our tax advisors and the tax authorities. The taxation of the Phantom Shares of the Participants remained unchanged.

Variable remuneration charges

As determined by the Supervisory Committee, the Management Board and the Management Team members achieved on average a score of 66% of the 'maximum' targets in 2023 (2022: 67%). However, in accordance with Vesteda's remuneration policy, the Management Board and the Management Team members are not entitled to receive any variable remuneration in case the net result of Vesteda is negative.

As the result after tax of Vesteda in 2023 is negative (-/- €656 million) the Management Board and the Management Team members received no variable remuneration over 2023.

As per year end 2023, one phantom share represents a value of €183.63 (based on INREV NAV, excluding distribution to be paid for 2023).

The variable bonus scheme for Identified Staff was designed in compliance with the relevant provisions of the Dutch Financial Supervision Act (FSA).

The aforementioned variable remuneration entitles:

- The CEO to 26.6% of base salary for 'on-target' performance, with a maximum of 40%;
- The CFO to 20% of base salary for 'on-target' performance, with a maximum of 30%;
- The COO to 20% of base salary for 'on-target' performance, with a maximum of 30%;
- The HR Director to 8% of base salary for 'on-target' performance, with a maximum of 12%.

The bonus component is paid based on the achievement of preset qualitative and quantitative goals related to the strategic objectives in the business plan, which are set and evaluated by the remuneration committee of the Supervisory Committee. The bonus remuneration is divided into a 60% direct and a 40% indirect (deferred) component. Both the direct component and the deferred component are paid out half in so-called phantom shares and half in cash.

The direct component is paid immediately after the one-year performance period, and an indirect, deferred component is paid out or received after a period of three years. The direct phantom share component and the indirect phantom share component are subject to an appropriate retention policy which is aimed at balancing financial rewards with the company's long-term interests.

To achieve an even stronger commitment on the part of the management to the strategy and the business of the Fund, Identified Staff are entitled to exchange the cash component for phantom shares.

The variable remuneration policy for Identified Staff also includes clawback provisions. Up and until 2023 these provisions have not been applicable.

30. Supervisory Committee remuneration

The remuneration for the five Supervisory Committee members in 2023 was €202,000 (2022: €181,000).

The increase in 2023 compared to 2022 is due to additional remuneration for the five members for their roles as chairman- and member of Audit Committee and chairman- and member Nomination and Remuneration Committee.

31. Service fees to external auditors

The management expenses include the following amounts charged by Deloitte for audit services €498,000 (2022: €457,000), for audit related services €134,000 (2022: €122,000) and for other services €92,000 (2022: €84,000).

The audit committee approved the other services charged by Deloitte.

Deloitte did not provide any tax advisory related services in either year.

32. Contingencies and commitments

The total liabilities for obligations entered into for construction contracts, rental and lease instalments stood at €195 million at year-end (2022: €354 million). Rental and lease instalment liabilities are accounted for under Lease liabilities. Vesteda has not provided security for these liabilities. The liabilities can be specified as follows:

	Construction contracts
Due within 1 year	157
Due between 1 and 5 years	38
Total	**195**

As part of the provisions in Note 24 are applicable to the future investment portfolio, the liabilities have also been adapted for the commitments related to the future investment portfolio.

Dutch court practices may impact the Fund's ability to increase rent by ex officio review of contract clauses

During 2023, district courts, starting in Amsterdam but spreading throughout the country, started the trend of applying the ex officio review to rent agreements in court cases regarding rent arrears and/or evictions. Ex officio review means that the court applies rules of European consumer law even if the consumer (i.e. the tenant) has not petitioned for it. The review implies that the court will assess whether certain contract clauses are deemed "fair" within the meaning of Directive 93/13/EEC (the "Directive"), even if the case at hand regards a different topic. Various district courts ruled that specific rent increase clauses (CPI plus a maximum top-up percent) were not deemed fair and therefor null and void. This could imply that all rent increases under such a contract are deemed not valid and therefore should be repaid by the lessor. The court verdicts vary though (one district court, for example, ruled that CPI plus 1% would be deemed reasonable) as well as the underlying motivation. The cases are subject to appeal still, so the final outcome may change over time. In addition, the district court of Amsterdam asked preliminary questions to the Dutch Supreme Court on the interpretation of the Directive and possible consequences of annulment of the rent increase clauses at hand. IVBN members will make use of the possibility to issue input on the questions to the Supreme Court. It is not known when exactly the Dutch Supreme Court will decide on these questions, but it is expected that the Supreme Court will formulate answers by late 2024 the earliest. Should this ex officio review become common practice and be applied to a large number of contracts that are currently into effect, this could adversely affect the results of operations and could result in Vesteda having to repay significant amounts of unduly charged rent, impair Vesteda's ability to increase contract rents in the future and may also impact valuation of investment property in due course.

33. New and amended standards and interpretations

New and amended IFRS standards that are effective for the current year

In the current year, Vesteda has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) – and endorsed by the European Union – that are effective for an annual period that begins on or after 1 January 2023. Vesteda did not adopt any new or amended standards issued but not yet effective.

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies [effective as per 01-01-2023];
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates [effective as per 01-01-2023];
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction [effective as per 01-01-2023];
- Amendments to IAS 12 Income taxes: International Tax Reform – Pilar Two Model Rules [effective as per 01-01-2023];
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 –Comparative Information [effective as per 01-01-2023].
- IFRS 17 Insurance Contracts; including Amendments to IFRS 17.

The impact of this standard had not material impact on the amounts reported.

New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, Vesteda has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and (in some cases) had not yet been adopted by the EU.

- Amendments to IAS 1 Presentation of Financial Statements [effective as per 01-01-2024]:
  Classification of Liabilities as Current or Non-current.
  Classification of Liabilities as Current or Non-current - Deferral of Effective Date.
  Non-current Liabilities with Covenants.
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback [effective as per 01-01-2024];
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements [not yet adopted by EU];
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability [not yet adopted by EU].

Vesteda does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

34. Events after balance sheet date

There were no significant events after the reporting date.

Company financial statements

These company financial statements are part of the (complete) 2023 financial statements of Vesteda Residential Fund FGR (Vesteda) and therefore, they should be read in conjunction with the consolidated financial statements of Vesteda, and the 2023 annual report (including the Management report) of Vesteda. Amounts are in € million.

Balance sheet (after proposed appropriation of result)

For the year ended 31 December 2023; amounts in € million

	Note	31-12-2023	31-12-2022
ASSETS			
Non-current assets			
Intangible fixed assets	3	**5**	7
Investment property	4	**8,674**	9,449
Investment property under construction	5	**311**	180
Property, plant and equipment	6	**17**	19
Financial assets	7	**103**	107
		9,110	9,762
Current assets			
Trade and other receivables	8	**1**	-
Cash and cash equivalents	9	**3**	9
		4	9
Total assets		**9,114**	9,771
EQUITY AND LIABILITIES			
Equity			
Fund equity	10	**35**	35
General paid in surplus	10	**1,166**	1,414
Property reserve	10	**2,726**	3,569
Derivatives reserve	10	**(3)**	(3)
Legal reserve	10	**4**	1
Other reserve	10	**2,464**	2,282
		6,392	7,298
Provisions	11	**-**	3
Non-current liabilities			
Payables to associated companies	12	**2,133**	1,937
Lease liabilities		**130**	149
		2,263	2,086
Current liabilities			
Payables to associated companies	13	**378**	302
Trade and other payables	14	**81**	82
		459	384
Total liabilities		**2,722**	2,473
Total equity and liabilities		**9,114**	9,771

Profit and loss account

For the year ended 31 December 2023; amounts in € million

	Note	**2023**	2022
Share in result of associated companies	7	**(2)**	(10)
Other income and expense after taxation		**(654)**	-
Result after taxation		**(656)**	(10)

Notes to the company financial statements

1. Corporate information

The company financial statements and the consolidated financial statements of Vesteda Residential Fund FGR and the affiliated entities (the Vesteda Companies) for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Management Board on 15 March 2024. Vesteda Residential Fund FGR (the Fund) is a mutual Fund. Vesteda Investment Management B.V. is the Fund manager, with its registered office and its actual place of business located at De Boelelaan 759, Amsterdam, the Netherlands and filed with the Trade Register at the Chamber of Commerce under number 14071789.

The principal activity of Vesteda Residential Fund FGR is to invest in Dutch residential properties.

The Fund and its manager are subject to the Financial Supervision Act (Wet financieel toezicht 'Wft').

2. Basis of preparation

Vesteda Residential Fund FGR (the Fund) is not a legal entity. These financial statements present the company financial information of the Fund. The company financial statements have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. Use has been made of the option extended under Book 2, Article 362, Section 8, Dutch Civil Code to apply the accounting policies used in the consolidated financial statements to the company financial statements.

- For the general principles for the preparation of the financial statements, the principles for valuation of assets and liabilities and determination of the result, as well as for the notes to the specific assets and liabilities and the results, reference is made to the notes to the consolidated financial statements, if not presented otherwise hereinafter.
- As a result of the license obtained from the AFM, Vesteda needs to comply with the Alternative Investment Fund Managers Directive (AIFMD). As a consequence, Vesteda needs to adhere to the requirements of Part 9 of Book 2 of the Dutch Civil Code.

The company financial statements are presented in euro and all amounts are rounded to the nearest million, except where otherwise indicated.

Participations in group companies

Participations in group companies in which significant influence is exercised on the business and financial policy, are valued under the net equity value, but not lower than nil. This net asset value is based on the same accounting principles as applied by Vesteda FGR. If the net asset value is negative, the participating interest is valued at nil. This likewise takes into account other long-term interests that should effectively be considered part of the net investment in the participating interest. If the company fully or partly guarantees the liabilities of the associated company concerned, or has the effective obligation respectively to enable the associated company to pay its (share of the) liabilities, a provision is formed. Upon determining this provision, provisions for doubtful debts already deducted from receivables from the associated company are taken into account.

Legal reserve for associated companies

The legal reserve for associated companies is formed in the amount of the share of Vesteda FGR in the results and direct increases of the associated companies since the initial valuation of these associated companies at net asset value, insofar as Vesteda FGR cannot realise a distribution without limitations. The statutory reserve for associated companies is determined individually.

3. Intangible fixed assets

The intangible fixed assets is made up as follows:

	Software
As at 1 January 2023	7
Investment	-
Depreciations	(2)
As at 31 December 2023	**5**

4. Investment property

The investment property is made up as follows:

	2023	2022
Investment property as at 1 January	**9,449**	9,540
Capital expenditure on owned property	**79**	65
Transfer from property under construction	**57**	76
Property sales	**(39)**	(48)
Right of use assets (land leases)	**(19)**	3
Revaluation	**(853)**	(187)
Investment property as at 31 December	**8,674**	9,449

5. Investment property under construction

	2023	2022
As at 1 January	**180**	142
Capital expenditure on property under construction	**202**	138
Transfer from Provisions	**-**	(9)
Transfer to Investment Property	**(57)**	(76)
Revaluation	**(14)**	(15)
As at 31 December	**311**	180

As set out in Note 4, in arriving at their estimates of market values, the valuation experts used their market knowledge and professional judgment, rather than relying exclusively on comparable historical transaction data.

The fair value of the assets under construction is driven by the net future cash flow generated by the assets, in combination with the discount rate development. The generated cash flow includes the net rental income plus the net sales revenues from selling of individual units.

6. Property, plant and equipment

	Buildings
As at 1 January 2022	18
Investment	-
Depreciations	-
Revaluation	1
Right of use	-
As at 31 December 2022	19
Investment	**-**
Depreciations	**-**
Revaluation	**(2)**
Right of use	**-**
As at 31 December 2023	**17**

7. Financial assets

The financial assets are made up as follows:

	Participations			
	Vesteda Investment Management BV	Vesteda Project Development BV	Vesteda Finance BV	Total
As at 1 January 2022	13	102	4	119
Results 2022	2	(12)	-	(10)
Dividend distribution	(2)	-	-	(2)
As at 31 December 2022	13	90	4	107
Results 2023	**1**	**(4)**	**1**	**(2)**
Dividend distribution	**(2)**	**-**	**-**	**(2)**
As at 31 December 2023	**12**	**86**	**5**	**103**

Besides participations in Vesteda Investment Management BV, Vesteda Finance BV and Vesteda Project Development BV, the Fund also has 100% of the participations in Stichting DRF I and Custodian Vesteda Fund I B.V.

8. Trade and other receivables

The trade and other receivables are made up as follows:

	31-12-2023	31-12-2022
Trade receivables	**-**	-
Other receivables	**1**	-
Total	**1**	-

The trade receivables include a provision for doubtfulness of €0 million (2022: €0 million) for overdue amounts.

9. Cash and cash equivalents

The cash and cash equivalents are made up as follows:

	31-12-2023	31-12-2022
Cash at bank and on hand	**3**	9
Total	**3**	9

Cash and cash equivalents are at the free disposal of the Fund.

10. Equity

The participation rights issued can be specified as follows:

			Reserve				
	Fund equity	General paid in surplus	Property	Derivatives	Legal	Other	Total equity
As at 1 January 2022	35	1,659	3,751	(4)	2	2,110	7,553
Result for the year	-	-	(168)	-	-	156	(12)
Other comprehensive income	-	-	-	1	(1)	2	2
Total comprehensive income	-	-	(168)	1	(1)	158	(10)
Realised from property sales	-	-	(14)	-	-	14	-
Equity redemption	-	(50)	-	-	-	-	(50)
Distribution paid	-	(195)	-	-	-	-	(195)
As at 31 December 2022	35	1,414	3,569	(3)	1	2,282	7,298
Result for the year	**-**	**-**	**(827)**	**-**	**-**	**171**	**(656)**
Other comprehensive income	**-**	**-**	**-**	**1**	**(2)**	**-**	**(1)**
Total comprehensive income	**-**	**-**	**(827)**	**1**	**(2)**	**171**	**(657)**
Realised from property sales	**-**	**-**	**(16)**	**-**	**-**	**16**	**-**
Capital paid in	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reclasses	**-**	**1**	**-**	**(1)**	**5**	**(5)**	**-**
Equity issued	**1**	**116**	**-**	**-**	**-**	**-**	**117**
Equity redemption	**(1)**	**(166)**	**-**	**-**	**-**	**-**	**(167)**
Distribution paid	**-**	**(199)**	**-**	**-**	**-**	**-**	**(199)**
As at 31 December 2023	**35**	**1,166**	**2,726**	**(3)**	**4**	**2,464**	**6,392**

In 2023, Vesteda paid €167 million in redemptions, consisting of the payout of the Redemption Available Cash of €50 million and three secondary transactions for in total €117 million. Two transactions were with existing participantswho have expanded their holding, and one with a new entrant.

Proposals to investors

Proposed appropriation of result for 2023

The Management Board proposes that the loss for the year of €656 million be taken to equity. This proposal has been incorporated in the annual report.

Proposed distribution to participants

The Management Board proposes a distribution to participants of €198.4 million for the year 2023, of which €115.8 million was paid in the financial year 2023 and €38.6 million was paid in January 2024. The financial statements will be presented for adoption at the General Meeting of Participants on 3 April 2024. Following the adoption, the remaining €44.0 million will be paid as a final distribution for 2023.

11. Provisions

The current provisions are made up as follows:

	2023	2022
As at 1 January	**3**	7
Additions	**1**	6
Decrease	**-**	(1)
Used	**(1)**	-
Transfer to IPUC	**(3)**	(9)
As at 31 December	**-**	3

12. Payables to associated companies

The financial liabilities are made up as follows:

	Loan Vesteda Finance BV
As at 1 January 2023	1,937
Drawn	195
Discount	-
Repayments	-
Reclass to Current liabilities	-
Financing costs	-
Amortisation	1
As at 31 December 2023	**2,133**

13. Payables to associated companies

	Vesteda Investment Management BV	**Vesteda Finance BV**	**Vesteda Project Development BV**	**Total**
As at 1 January 2023	16	234	52	302
Drawn	25	3,634	1	3,660
Repaid	(28)	(3,525)	(31)	(3,584)
Transfer from non-current liabilities	-	-	-	-
As at 31 december 2023	**13**	**343**	**22**	**378**

14. Trade and other payables

The trade and other payables are made up as follows:

	31-12-2023	31-12-2022
Trade payables	**8**	7
Rental deposits	**28**	27
Interest	**12**	11
Tax and social security contributions	**4**	4
Other	**29**	33
Total	**81**	82

15. Other comprehensive income

The other comprehensive income arising during the year are made up as follows:

	2023	2022
Settlement pre-hedge contracts	**1**	1
Revaluation Property, Plant and Equipment	**(2)**	1
Total	**(1)**	2

16. Transactions with associated companies

In 2023 transactions have been made between Vesteda FGR, Vesteda Finance BV, Vesteda Investment Management BV and Vesteda Project Development BV for loans provided and interest accrued.

At year-end the balances relating to these loans amount to:

Vesteda Finance BV: €2.5 billion
Vesteda Investment Management BV: €13.2 million
Vesteda Project Development BV: €22.1 million

In 2023 also transactions have been made between Vesteda FGR and Vesteda Investment Management BV for management expenses charged from Vesteda Investment Management BV to the Fund for an amount of €28.8 million.

The Management Board and the Supervisory Committee remuneration complies with article 2:383 of the Dutch Civil Code. Please see Note 29 and Note 30 of the consolidated financial statements.

The Fund has a pension plan with ABP. In 2023, the Fund paid premiums in the amount of €2.5 million (2022: €2.6 million). This counterparty is also a participant in the Fund. All transactions are at arm's length.

Please see Note 34 of the consolidated financial statements for a description of the events after balance sheet date.

Signing of the financial statements

Amsterdam, 15 March 2024

Signed by:

G.S. van der Baan
CEO

F. Vervoort
CFO

17. Other information

Appropriation of result according to the Fund's Terms and Conditions

In Article 22 of the Fund's Terms and Conditions regulations the following has been presented concerning the appropriation of result: Subject to the retention of reserves as reasonably deemed necessary by the Manager, all Distributable Income allocated for distribution shall be distributed to the Participants pro rata their respective Participation Rights. Distributable Income means the realised result less the result on property sales, provided that if the amount calculated pursuant to the above formula is less than zero, it shall be deemed to be zero.

Independent auditor's report

Please see the Independent auditor's report as included hereinafter.

Independent auditor's report

To the participants and the Supervisory Committee of Vesteda Residential Fund FGR

Report on the audit of the financial statements 2023 included in the annual report

Our opinion

We have audited the financial statements 2023 (as set out on page 81 up to and including page 128) of Vesteda Residential Fund FGR, based in Amsterdam. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Vesteda Residential Fund FGR as at 31 December 2023, and of its result and its cash flows for 2023 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Vesteda Residential Fund FGR as at 31 December 2023, and of its result for 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2023.
2. The following statements for 2023: the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows.
3. The notes comprising material accounting policy information and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 31 December 2023.
2. The company profit and loss account for 2023.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Vesteda Residential Fund FGR in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 63 million. The materiality is based on 1% of group equity. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Committee that misstatements in excess of € 3,150,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Vesteda Residential Fund FGR is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Vesteda Residential Fund FGR.

Because we are ultimately responsible for the opinion, we are responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out on the entities. We have included all entities which are part of the group in our audit scope.

We have performed the audit procedures ourselves; we did not make use of component auditors.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Committee exercises oversight, as well as the outcomes. A fraud risk assessment is a visible component of the internal control environment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We did not identify a presumed fraud risk on revenue recognition, as it relates to gross rental income, as we assessed this risk to be remote due to the absence of significant pressure on management and limited opportunity for fraud. We have assessed the accuracy of the gross rental income based on test of details and substantive analytical procedures on the tenancy schedule and linked the completeness to the property portfolio. Given the occupancy rate, we were able to complete an assessment of the recorded gross rental income based on the substantive analytical procedures performed using the tenancy schedules and property portfolio.

We identified the following fraud risks and performed the following specific procedures:

Fraud risk	How the fraud risk was addressed in the audit
Management override of controls	
We presume a risk of material misstatement due to fraud related to management override of controls. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively	Our audit procedures included, among others, the following: We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We considered available information and made inquiries of relevant persons during the year and at year end (including management, general counsel, internal auditor, compliance officer and the Supervisory Committee). Additionally, we requested confirmation from the depositary on the ownership of assets and any irregularities. We have performed a review of available minutes for the relevant organizational bodies and have obtained and reviewed the ISAE 3402 type 2 report over 2023 of Vesteda Investment Management B.V. having made appropriate links to our risk assessment and relevant controls. We evaluated whether the selection and application of accounting policies by the Company, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting. For significant transactions we have evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets. As part of our audit procedures, we verified whether the significant transactions should be considered related-party transactions. We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 3 of the financial statements. We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements. Reference is made "Valuation of investment property" below as well.
Valuation of investment property	
In relation to valuation of investment properties a potential fraud risk is identified to revaluations and other deviations from the normal valuation process, management's adjustment of external valuations, optimistic estimation of gross initial yield, market rent, vacant values and/or other assumptions including combinations of estimates that result in a relatively high value. Valuation of investment property is a significant area to our audit as the valuation is inherently judgmental in nature, due to the use of assumptions that are highly sensitive, any change in assumptions may have a significant effect on the outcome given the relative size of the investment property balance.	Management insights, estimates and assumptions related to valuation of investment property have a major impact on the financial statements and are disclosed in note 3, 15 and 16 of the financial statements. Further reference is made to the section "Our key audit matter" for audit procedures performed.

This did not lead to indications for fraud potentially resulting in material misstatements.

Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the company through discussion with management and other personnel, and our assessment of relevant correspondence.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: adherence to financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the financial statements.

We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements and also refer to the disclosures made by management regarding its compliance with laws and regulations in its management report and risk management report as well as in the notes to the financial statements.

Apart from these, Vesteda Residential Fund FGR is subject to other laws and regulations – including amongst other the Alternative Investment Fund Managers Directive (AIFMD), the 'Wet op het financieel toezicht' (Wft, Financial Supervision Act), the 'Wet ter voorkoming van witwassen en financieren van terrorisme' (Wwft, Act on the prevention of money laundering and terrorist financing) – where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation.

Given the nature of the entity's business and the complexity of these other laws and regulations, there is a risk of non-compliance with the requirements of such laws and regulations.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to the entity's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to (i) inquiry of management, the Supervisory Committee, and others within the entity as to whether the entity is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit.

Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Audit approach going concern

The financial statements of Vesteda Residential Fund FGR have been prepared on the basis of the going concern assumption. As indicated in the responsibilities of management below, management is responsible for assessing the company's ability to continue as a going concern.

We have evaluated management's assessment of the company's ability to continue as a going concern and inquired management regarding any knowledge of events or conditions beyond the period of management's assessment. Headroom analyses of the client indicates that breach of covenants is unlikely in the near future. We evaluated the headroom analyses and concluded that this is not a high risk in relation to the going concern. Furthermore, we noted that there is no indication that cash positions and cash flows will be insufficient to meet future obligations. The Company has total liabilities for obligations entered for construction contracts, rental and lease instalments which stood at €195 million at year-end 2023. These off-balance sheet commitments will be financed via, (a) the cash flow from operating activities, (b) the available cash position as per 31 December 2023, (c) the outstanding undrawn commitments of € 905 million as well as undrawn uncommitted instruments of € 867 million to the extent needed, noting sufficient headroom in the current market circumstances, considering the loan covenant requirements related to the debt funding. The tenant mix does not lead to concern over dependency on a single tenant or group of tenants in respect to the rental income and respective cash flows.

This did not lead to indications of the company not being able to continue as a going concern, which is in line with management's assessment.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Committee. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of key audit matters	Summary of procedures and activities
Valuation of investment property	
Refer to notes 15 and 16 to the consolidated financial statements. As at 31 December 2023 the Company held a portfolio of investment property with a fair value of € 8,547 million, excluding IFRS 16 right-of-use asset (31 December 2022: € 9,302 million). The portfolio consists of € 8,387 million residential, € 107 million commercial, € 33 million healthcare and € 20 million parking properties. At the end of each reporting period, management determines the fair value of its investment property portfolio in accordance with the requirements of IAS 40 and IFRS 13. The Company uses external valuation reports issued by external independent professionally qualified valuers to determine the fair value of its investment property. As the valuation of investment property is inherently judgmental in nature, due to the use of assumptions that are highly sensitive, any change in assumptions may have a significant effect on the outcome given the relative size of the investment property balance. The most significant assumptions and parameters involved, given the sensitivity and impact on the outcome, are the gross initial yield, market rent levels and vacant values. IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorizes the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. (Unobservable) inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date. Fair value measurements categorized within Level 3 have the lowest priority as the valuation is predominantly based on unobservable inputs and those measurements have a greater degree of uncertainty and subjectivity. This means that a valuation at Level 3 has a fairly large measure of estimation uncertainty and as a result a fairly large bandwidth of valuation uncertainty in which a valuation can been seen reasonable in the light of IFRS 13. In addition, and as the external appraiser has recommended in its assessment of the fair value of the property portfolio, caution is needed in analyzing the values due to the unknown future impacts on economy and real estate markets.	Our audit procedures included, among others, the following: We have gained understanding of the valuation process and tested the design and implementation of the Company's relevant controls with respect to the data used in the valuation of the investment property portfolio. We evaluated the competence of the Company's external appraiser, which included consideration of their qualifications and expertise. We noted that management involved established parties to assist with the valuation of the investment properties. We reconciled the fair value carrying amounts of all investment properties to the external valuation reports as per 31 December 2023. In relation to the significant assumptions in the valuation of investment property portfolio, we have: • Determined that the valuation methods as applied by management, as included in the valuation reports, are appropriate and consistently applied. •. We have challenged the significant assumptions used (such as gross initial yield, market rent levels and vacant possession values) against relevant market data. We have involved our in-house real estate valuation experts in these assessments. •. We assessed the sensitivity analysis on the key input data and assumptions to understand the impact of reasonable changes in assumptions on the valuation and other key performance indicators. •. We have assessed the appropriateness of the disclosures relating to the assumptions used in the valuations and sensitivity analysis in the notes to the consolidated financial statements. Observation We found that, with the (significant) assumptions used in the valuation reports, the valuation of the investment property is valued within a reasonable range in the light of the valuation uncertainty for level 3 valuations.

Report on the other information included in the annual report

The annual report contains other information, in addition to the financial statements and our auditor's report thereon.

The other information consists of:

- Management report.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
- Other included information.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains all the information regarding the Management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

Responsibilities of management and the Supervisory Committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Committee is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

We provide the Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 15 March 2024

Deloitte Accountants B.V.

Signed on the original: V.S. Borreman

Vesteda Residential Fund FGR

Financial overviews in accordance with INREV valuation principles

INREV financial statements

General introduction

To provide investors with information on the transition from Net Asset Value (NAV) according to IFRS to adjusted NAV based on INREV valuation principles, the Vesteda Residential Fund FGR (VRF FGR) also publishes its financial statements in accordance with the INREV valuation principles.

The Fundamental assumption underlying the adjusted INREV NAV of VRF FGR is that it should give a more accurate reflection of the economic value of VRF FGR and a participation in VRF FGR, as it would be realised by a participant in a theoretical sale, as of the balance sheet date, assuming an arm's length transaction, a willing buyer/seller and an adequate time to market.

The adjusted INREV NAV is based on the IFRS valuation principles plus the deviations described below.

	Note	**Actual impact on 2023 figures**	Actual impact on 2022 figures
NAV per the IFRS financial statements			
Reclassification of certain IFRS liabilities as components of equity			
Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle	1	**N/A**	N/A
Effect of dividends recorded as a liability which have not been distributed	2	**N/A**	N/A
NAV after reclassification of equity-like interests and dividends not yet distributed			
Fair value of assets and liabilities			
Revaluation to fair value of investment properties	3	**N/A**	N/A
Revaluation to fair value of self-constructed or developed investment property	4	**N/A**	N/A
Revaluation to fair value of investment property held for sale	5	**N/A**	N/A
Revaluation to fair value of property that is leased to tenants under a finance lease	6	**N/A**	N/A
Revaluation to fair value of real estate held as inventory	7	**N/A**	N/A
Revaluation to fair value of other investments in real assets	8	**N/A**	N/A
Revaluation to fair value of indirect investments not consolidated	9	**N/A**	N/A
Revaluation to fair value of financial assets and financial liabilities	10	**Yes**	Yes
Revaluation to fair value of construction contracts for third parties	11	**N/A**	N/A
Set-up costs	12	**N/A**	N/A
Acquisition expenses	13	**Yes**	Yes
Contractual fees	14	**N/A**	N/A
Effects of the expected manner of settlement of sales/vehicle unwinding			
Revaluation to fair value of savings of purchaser's costs such as transfer taxes	15	**N/A**	N/A
Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	16	**N/A**	N/A
Effect of subsidiaries having a negative equity (non-recourse)	17	**N/A**	N/A
Other adjustments			
Goodwill	18	**N/A**	N/A
Non-controlling interest effects of INREV adjustments	19	**N/A**	N/A
INREV NAV			

Consolidated statement of profit or loss and other comprehensive income in accordance with INREV valuation principles

For the year ended 31 December 2023; amounts in € million

	2023 IFRS	Adj.	2023 INREV	2022 IFRS	Adj.	2022 INREV
Gross rental income	**378**		**378**	363		363
Service charge income	**12**		**12**	11		11
Property operating expenses (excluding service charges)	**(89)**		**(89)**	(89)		(89)
Service charges	**(19)**		**(19)**	(16)		(16)
Other income	**2**		**2**	1		1
Net rental income	**284**		**284**	270		270
Result on disposals	**10**		**10**	6		6
Management expenses	**(30)**		**(30)**	(27)		(27)
Financial results	**(56)**		**(56)**	(42)		(42)
Realised result before tax	**208**		**208**	207		207
Unrealised result	**(863)**		**(863)**	(218)		(218)
Result before tax	**(655)**		**(655)**	(11)		(11)
Tax	**(1)**		**(1)**	(1)		(1)
Result after tax (attributable to equity holders of the parent)	**(656)**		**(656)**	(12)		(12)
Other comprehensive income that will be reclassified subsequently to profit or loss						
- Settlement pre-hedge contracts	**1**		**1**	1		1
Positive revaluation on Property, Plant and Equipment	**(2)**		**(2)**	1		1
Fair value adjustment on liabilities	**-**	**(105)**	**(105)**	-	369	369
Acquisition costs on Investment property (under construction)	**-**	**(8)**	**(8)**	-	(13)	(13)
Other comprehensive income, net of tax	**(1)**		**(114)**	2		358
Total comprehensive income (attributable to equity holders of the parent)	**(657)**		**(770)**	(10)		346

Consolidated statement of financial position in accordance with INREV valuation principles

For the year ended 31 December 2023; amounts in € million

	31 December 2023 IFRS	**Adj.**	**31 December 2023 INREV**	31 December 2022 IFRS	Adj.	31 December 2022 INREV
ASSETS						
Non-current assets						
Intangible fixed assets	**5**		**5**	6		6
Investment property	**8,674**	**14**	**8,688**	9,449	21	9,470
Investment property under construction	**381**		**381**	224		224
Property, plant and equipment	**18**		**18**	21		21
Financial assets	**1**		**1**	3		3
	9,079	**14**	**9,093**	9,703	21	9,724
Current assets						
Trade and other receivables	**3**		**3**	2		2
Cash and cash equivalents	**4**		**4**	11		11
	7		**7**	13		13
Total assets	**9,086**	**14**	**9,100**	9,716	21	9,737
EQUITY AND LIABILITIES						
Equity						
Group equity	**6,392**	**197**	**6,589**	7,298	309	7,607
Non-current liabilities						
Financial liabilities	**2,133**	**(183)**	**1,950**	1,936	(288)	1,648
Lease liabilities	**129**		**129**	148		148
	2,262	**(183)**	**2,079**	2,084	(288)	1,796
Current liabilities						
Financial liabilities	**338**		**338**	231		231
Provisions	**8**		**8**	3		3
Trade and other payables	**85**		**85**	99		99
Lease liabilities	**1**		**1**	1		1
	432		**432**	334		334
Total liabilities	**2,694**	**(183)**	**2,511**	2,418	(288)	2,130
			-			
Total equity and liabilities	**9,086**	**14**	**9,100**	9,716	21	9,737

Consolidated statement of changes in equity in accordance with INREV valuation principles

For the year ended 31 December 2023; amounts in € million.

			Reserve				
	Fund Equity	General paid-in surplus	Property	Derivatives	Legal	Other reserve	Total equity
As at 1 January 2022	35	1,658	3,793	(4)	8	2,016	7,506
Result for the year	-	-	(168)	-	-	156	(12)
Other comprehensive income	-	-	-	1	(1)	358	358
Total comprehensive income	-	-	(168)	1	(1)	514	346
Realised from property sales	-	-	(14)	-	-	14	-
Equity redemption	-	(50)	-	-	-	-	(50)
Distribution paid	-	(195)	-	-	-	-	(195)
Changes according to INREV	-	-	(13)	-	-	13	-
As at 31 December 2022	35	1,472	3,598	(3)	7	2,557	7,607
Result for the year	**-**	**-**	**(826)**	**-**	**-**	**171**	**(655)**
Other comprehensive income	**-**	**-**	**-**	**1**	**(2)**	**(113)**	**(114)**
Total comprehensive income	**-**	**-**	**(826)**	**1**	**(2)**	**58**	**(769)**
Realised from property sales	**-**	**-**	**(16)**	**-**	**-**	**16**	**-**
Reclasses	**-**	**2**	**-**	**(1)**	**(1)**	**-**	**-**
Equity issued	**1**	**116**	**-**	**-**	**-**	**-**	**117**
Equity redemption	**(1)**	**(166)**	**-**	**-**	**-**	**-**	**(167)**
Distribution paid	**-**	**(199)**	**-**	**-**	**-**	**-**	**(199)**
Changes according to INREV	**-**	**-**	**(8)**	**-**	**-**	**8**	**-**
As at 31 December 2023	**35**	**1,166**	**2,748**	**(3)**	**4**	**2,639**	**6,589**

In 2023, Vesteda paid €167 million in redemptions, consisting of the payout of the Redemption Available Cash of €50 million and three secondary transactions for in total €117 million. Two transactions were with existing participantswho have expanded their holding, and one with a new entrant.

Certain figures have been rounded off; consequently, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

INREV expense metrics

	2023	2022
Total Expense Ratio (NAV)	**0.46%**	0.35%
Total Expense Ratio (GAV)	**0.33%**	0.28%
Real Estate Expense Ratio (GAV)	**0.98%**	0.92%

The increase in ratio of the Total Expense Ratio (both NAV and GAV) from 2022 to 2023 is mainly due to the decrease of the average asset value in 2023.

Fund expenses are the management expenses in the consolidated statement of comprehensive income. Property-specific expenses are the property operating expenses, including non-recoverable service charges in the consolidated statement of comprehensive income.

The weighted average INREV NAV is calculated as the closing INREV net asset value of five individual quarters (Q4 2022 – Q4 2023), divided by five. The quarterly figures for Q1, Q2 and Q3 2023 are unaudited.

The weighted average INREV GAV is calculated as the closing INREV gross asset value of five individual quarters (Q4 2022 – Q4 2023), divided by five. The quarterly figures for Q1, Q2 and Q3 2023 are unaudited.

The Total Expense Ratio (NAV) is calculated by dividing the Fund expenses by the weighted average INREV net asset value.

The Total Expense Ratio (GAV) is calculated by dividing the Fund expenses by the weighted average INREV gross asset value.

The Real Estate Expense Ratio (GAV) is calculated by dividing the property-specific expenses by the weighted average INREV gross asset value.

Notes to the INREV financial statements

Amounts in € million

	Note	**31-12-2023**	31-12-2022
NAV per the IFRS financial statements		**6,392**	7,298
Reclassification of certain IFRS liabilities as components of equity			
Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle	1		
Effect of dividends recorded as a liability which have not been distributed	2		
NAV after reclassification of equity-like interests and dividends not yet distributed		**6,392**	7,298
Fair value of assets and liabilities			
Revaluation to fair value of investment properties	3		
Revaluation to fair value of self-constructed or developed investment property	4		
Revaluation to fair value of investment property held for sale	5		
Revaluation to fair value of property that is leased to tenants under a finance lease	6		
Revaluation to fair value of real estate held as inventory	7		
Revaluation to fair value of other investments in real assets	8		
Revaluation to fair value of indirect investments not consolidated	9		
Revaluation to fair value of financial assets and financial liabilities	10	**183**	288
Revaluation to fair value of construction contracts for third parties	11		
Set-up costs	12		
Acquisition expenses	13	**14**	21
Contractual fees	14		
Effects of the expected manner of settlement of sales/vehicle unwinding			
Revaluation to fair value of savings of purchaser's costs such as transfer taxes	15		
Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	16		
Effect of subsidiaries having a negative equity (non-recourse)	17		
Other adjustments			
Goodwill	18		
Non-controlling interest effects of INREV adjustments	19		
INREV NAV		**6,589**	7,607

1. Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders' long-term interests in a vehicle
Investors' capital can take various forms aside from equity; examples include shareholder loans and hybrid capital instruments, such as convertible bonds. Some vehicles are structured via a combination of equity participations and shareholder loans.

Shareholder loans and hybrid capital instruments are generally seen as part of the investors' overall interest in the vehicle.

Since investors in VRF FGR only invest via participation rights according to the Terms and Conditions, no adjustment was applicable.

2. Effect of dividends recorded as a liability that have not yet been distributed
Under certain circumstances, dividends are recorded as a liability but have not yet been legally distributed.

For the determination of INREV NAV, these accrued dividends should be reversed to the NAV.

As per 31 December 2023, no adjustment was applicable, as no distributions were recorded as a liability.

3. Revaluation to fair value of investment properties
After initial recognition, investment property is valued at fair value under the fair value option of IAS 40.

As investment properties are valued at fair value, no adjustment had to be made as per 31 December 2023.

4. Revaluation to fair value of self-constructed or developed investment property
Development property is IPUC (investment property under construction) and valued at fair value under the fair value option of IAS 40.

As IPUC is valued at fair value, no adjustment had to be made as per 31 December 2023.

5. Revaluation to fair value of investment property held for sale
Assets in this category should be measured under IFRS at the lower of cost or net realisable value in the financial statements. The adjustment represents the impact on NAV of the revaluation of the property intended for sale, measured at cost, to fair value.

As per 31 December 2023, no adjustment was applicable, as no properties intended for sale have been identified and all investment properties have been valued at fair value.

6. Revaluation to fair value of property that is leased to tenants under a finance lease
Property that is leased to tenants under a finance lease is initially measured on a net investment basis and subsequently re-measured based on an amortisation pattern reflecting a constant rate of return. The adjustment represents the impact on NAV of the revaluation of the finance lease receivable to fair value.

As per 31 December 2023, no adjustment was made since no property was held that is leased to tenants under a finance lease.

7. Revaluation to fair value of real estate held as inventory
Properties intended for sale and accounted for under IAS 2 (Inventory) are measured at the lower of cost or net realisable value in the financial statements.

This adjustment represents the impact on the NAV of the revaluation of such properties to net realisable value (fair value less disposal costs). This adjustment should be included under the caption 'revaluation to fair value of real estate held as inventory'.

As per 31 December 2023, no adjustment was applicable, since VRF FGR has no inventory property.

8. Revaluation to fair value of other investments in real assets
Under IAS 16, other investments in real assets are normally accounted for at cost. The adjustment represents the impact on NAV of the revaluation of other investments in real assets to fair value in accordance with the fair value assumptions under IFRS 13.

As per 31 December 2023, no adjustment was made since VRF FGR has no investments in real assets.

9. Revaluation to fair value of indirect investments not consolidated
Indirect investments in real estate, such as investments in associations and joint ventures, have different accounting treatments and carrying values under IFRS. Such investments can be valued at cost, fair value or NAV.

The adjustment represents the impact on NAV of the revaluation of indirect investments to fair value if not yet accounted for at fair value.

As per 31 December 2023, no adjustment had been made, since all indirect investments in real estate are valued at fair value.

10. Revaluation to fair value of financial assets and liabilities (including revaluation to fair value of debt obligations)
Financial assets and liabilities such as debt obligations are generally measured at amortised cost, taking into account any impairment when applicable. The adjustment represents the impact on NAV of the revaluation of financial assets and financial liabilities to fair value as determined in accordance with IFRS.

As per 31 December 2023, an adjustment was made for the revaluation to fair value of the fixed interest debt financial liabilities of -€183 million (2022: -€288 million). This adjustment relates to the senior unsecured notes (bonds issued in 2015, 2018,2019 and 2021), the private placement borrowings with PRICOA Capital Group (arranged 2016), with NYL and AIG (arranged in 2020), and EMTN private placements arranged in 2017.

No adjustments have been made for other financial assets and liabilities, as these were already valued at fair value in accordance with IFRS principles.

11. Revaluation to fair value of construction contracts for third parties
Under IFRS 15, construction contracts for third parties are normally accounted for based on the stage of completion.

The adjustment represents the impact on NAV of the revaluation of construction contracts for third parties to fair value in accordance with the fair value principles of IFRS 13.

As per 31 December 2023, no adjustment had been made, since VRF FGR has no construction contracts for third parties.

12. Set-up costs
Under IFRS, vehicle set-up costs are charged immediately to income after the inception of a vehicle. Such costs should be capitalised and amortised over the first five years of the term of the vehicle. The rationale for capitalising and amortising set-up costs is to better reflect the duration of the economic benefits to the vehicle.

The adjustment represents the impact on NAV of capitalising and amortising set-up costs over the first five-year period rather than charging them immediately to the income statement.

No adjustment has been made for set-up costs, as no set-up costs for VRF FGR have been incurred in the last five years.

13. Acquisition expenses
Under the fair value model, the acquisition expenses related to an investment property are effectively charged to income when fair value is calculated at the first subsequent measurement date after acquisition. This results in the fair value of a property upon subsequent fair value measurement being lower than the total purchase price of the property, all other things being equal. Property acquisition expenses should be capitalised and amortised over the first five years after acquisition of the property.

The rationale for capitalising and amortising acquisition expenses is to better reflect the duration of the economic benefits of these costs to the vehicle.

When capitalising and amortising acquisition costs, a possible impairment test should be taken into account every time the adjusted NAV is calculated when market circumstances change and the owner of an investment property does not expect to be able to recover the capitalised acquisition costs through the sale of units of a vehicle. When a property is sold during the amortisation period or is classified as held for sale, the balance of capitalised acquisition expenses of that property should be expensed.

This adjustment represents the impact on NAV of the capitalisation and amortisation of acquisition expenses over the period from acquisition of the specific asset to five years after initial closing.

As per 2021, the transfer tax for residential investment property changed from 2% into 8%. Most of the single asset acquisitions of residential complexes at Dutch institutional real estate funds are realized via a turn-key agreement with a development company. The increase in transfer tax has some accounting implications in light of the capitalization of the transfer tax as part of the initial acquisition expense(s) for determining the INREV NAV. For newly developed properties no transfer tax is due. Acquisitions of newly developed residential complexes can be purchased free of transfer tax. However, normally the acquisition price is higher than if transfer taxes should be paid separately. In general, the agreed price can be seen as the Gross Investment Value less actual other acquisition expenses (notary, broker, valuation, etc.). This so-called fictitious transfer tax will be included in the revaluation after initial recognition.

Up to the end of 2020, Vesteda did not made any adjustments in the INREV NAV for the capitalization of acquisition expenses in the light of the acquisition of turn-key complexes due to the fact that the effects of the difference between acquisition price and the net valuation was limited and did not have/had a material impact on the calculation of the INREV NAV.

In 2022 the transfer tax was 8%, the difference between the agreed turn-key acquisition price and the net fair value will be larger and potentially material. Therefore, the respective implicit real estate transfer tax of 2% until 2020 and 8% as of 2021 and additional acquisition costs of 1% (in total 3% or 9%) have been capitalized for all realized acquisition projects dating back from 2017. For new acquisitions the 9% transfer tax costs are amortized over a 5 year period starting from the date of completion of the acquired property.

The transfer tax as per 1 January 2023 is 10.4%. As per 31 December 2023, Vesteda had not made an adjustment for any acquisition expenses paid on the current portfolio and €14 million for the capitalized fictitious transfer tax. Taken into account the respective period as of completion of the property these amounts are amortised over a period of 5 years, which results in a net adjustment of approximately €14 million.

14. Contractual fees

A liability represents a present obligation as a result of past events. A fee payable at the end of the life of a vehicle or at any other time during the life of a vehicle may not meet the criteria for recognition as a provision or liability in accordance with IFRS at the reporting date.

Examples of such fees include performance fees, disposal fees, or liquidation fees, representing a present obligation from contractual arrangements.

Most of these fees are normally accrued under IFRS accounting rules. The adjustment represents the impact on the NAV of the amount of the estimated contractual fees payable based on the current NAV of the vehicle in the rare circumstances in which these fees are not already recognised in financial statements produced under IFRS and it is probable that they will be incurred. In order to determine the amount of the adjustment, reference should be made to IFRS standards for the measurement (but not necessarily the recognition) of provisions or deferred liabilities.

As per the balance sheet date, all contractual fees and contingent liabilities had been recognised in accordance with IFRS.

VRF FGR did not enter into any other contractual fees or contingent liabilities that are not presented in the accounts as per the balance sheet date.

15. Revaluation to fair value of savings of purchaser's costs such as transfer taxes
Transfer taxes and purchaser's costs which would be incurred by the purchaser when acquiring a property are generally deducted when determining the fair value of investment properties under IAS 40. The effect of an intended sale of shares in a property-owning vehicle, rather than the property itself, should be taken into account when determining the amount of the deduction of transfer taxes and purchaser's costs, to the extent that this saving is expected to accrue to the seller when the property is sold.

The adjustment therefore represents the positive impact on the NAV of the possible reduction of the transfer taxes and purchaser's costs for the benefit of the seller based on the expected sale of shares in the property-owning vehicle.

VRF FGR has no investment property structured in special purpose vehicles.

16. Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments
Under IFRS, deferred tax assets and liabilities are measured at the nominal statutory tax rate. The manner in which the vehicle expects to realise deferred tax (for example, for investment properties through share sales rather than direct property sales) is generally not taken into consideration.

The adjustment represents the impact on the NAV of the difference between the amount determined in accordance with IFRS and the estimate of deferred tax that takes into account the expected manner of settlement (i.e. when tax structures and the intended method of disposal or settlement of assets and liabilities have been applied to reduce the actual tax liability).

As per 31 December 2023, no adjustment had been made as VRF FGR has not valued deferred tax assets and liabilities on the balance sheet. Furthermore, no adjustment for the INREV NAV adjustments is required as VRF FGR is transparent for tax purposes.

17. Effect of subsidiaries having a negative equity (non-recourse)
The NAV of a consolidated group under IFRS may include the net liability position of subsidiary undertakings. In practice, however, the group may have neither a legal nor a constructive obligation to Fund the accumulated losses in situations where the financing of the subsidiaries is non-recourse to the vehicle. In this scenario, it is appropriate to make an adjustment when calculating the INREV NAV in order to recognise the group's interest in such subsidiaries at nil or an adjusted negative amount rather than at a full net liability position, to the extent there is no intention or obligation on the part of the vehicle to make good those losses.

The adjustment represents the positive impact on the NAV of the partial or full reversal of the negative equity of the specific subsidiary. If the vehicle has granted shareholder loans to the subsidiary, these should be taken into account.

As per 31 December 2023, no adjustment had been made since VRF FGR has no subsidiaries with a negative equity that are valued at zero and are included in the consolidation.

18. Goodwill
Upon the acquisition of an entity that has been determined to be a business combination, goodwill may arise as a result of a purchase price allocation exercise. A major component of such goodwill in property vehicles often reflects the difference between the full recognition of deferred tax, purchaser's costs or similar items in the IFRS accounts (which does not generally take into account the likely or intended method of subsequent exit), and the economic value attributed to such items in the actual purchase price.

Except where such components of goodwill have already been written off in the NAV, as determined under IFRS, they should be written off in the INREV NAV.

As per 31 December 2023, no adjustment had been made, since VRF FGR has no goodwill valued on the balance sheet.

19. Non-controlling interest effects on the above adjustments
This adjustment represents the impact on the NAV of the recognition of non-controlling interests on all of the above adjustments.

As per 31 December 2023, no adjustment had been made, since VRF FGR has no material adjustments that arise from its non-controlling interests.

Independent auditor's report

To the participants and the Supervisory Committee of Vesteda Residential Fund FGR

Report on the financial overviews in accordance with INREV valuation principles

Our opinion

We have audited the accompanying financial overviews 2023 of Vesteda Residential Fund FGR, based in Amsterdam.

In our opinion the financial overviews are prepared, in all material respects, in accordance with the accounting policies selected and disclosed by the fund, i.e. INREV valuation principles, as set out on page 137 up to and including page 147.

The financial overviews comprise:

1. The consolidated statement of financial position as at 31 December 2023.
2. The following statements for 2023: the consolidated statements of profit or loss and other comprehensive income and changes in equity.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.
Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial overviews" section of our report.

We are independent of Vesteda Residential Fund (INREV) in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Description of responsibilities for the financial overviews

Responsibilities of management and the Supervisory Committee for the financial overviews

Management is responsible for the preparation of the financial overviews in accordance with the accounting policies selected and disclosed by the fund (INREV valuation principles) as set out on page 137 up to and including page 147.

Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial overviews that are free from material misstatement, whether due to fraud or error.

The Supervisory Committee is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial overviews

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial overviews. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial overviews, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluating the overall presentation, structure and content of the financial overviews, including the disclosures.
- Evaluating whether the financial overviews represent the underlying transactions and events free from material misstatement.

We communicate with management and the Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

Amsterdam, 15 March 2024

Deloitte Accountants B.V.

Signed on the original: V.S. Borreman

Annexes

Annex 1: Key figures 2014-2023

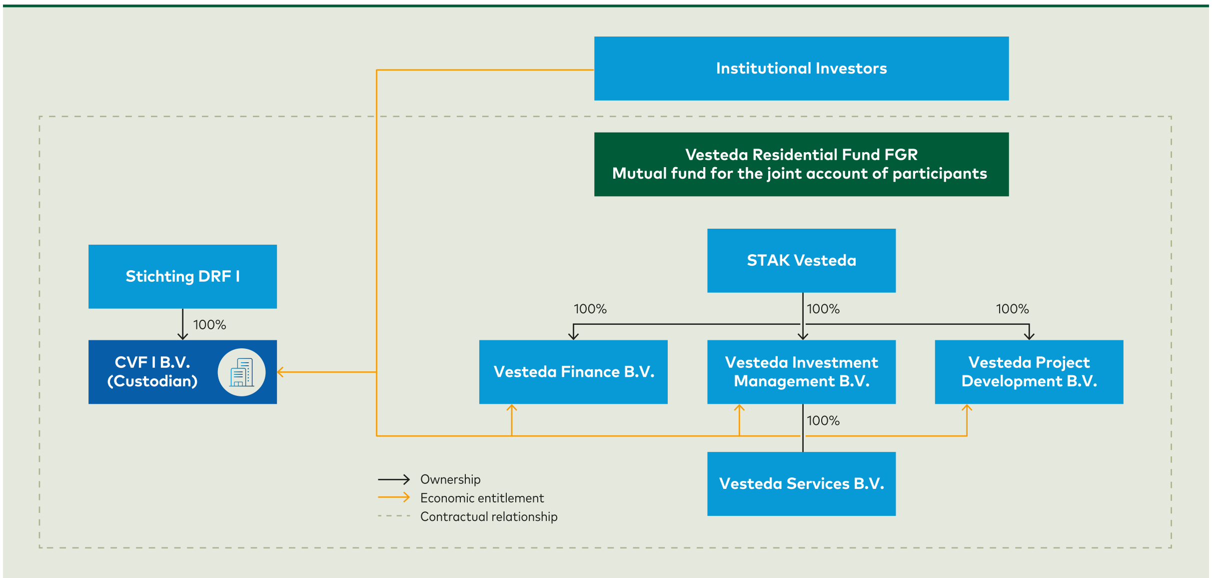
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statement of financial position (€ million, unless otherwise stated, year-end)										
Total assets (excl. IFRS 16)	**8,956**	9,567	9,714	8,285	7,928	7,337	5,084	4,375	3,839	3,667
Equity	**6,392**	7,298	7,553	6,294	6,022	5,517	3,819	3,045	2,629	2,262
Net debt	**2,479**	2,180	1,991	1,916	1,825	1,739	1,172	1,237	1,098	1,265
Leverage (%, excl. IFRS 16)	**27.7**	22.8	20.5	23.1	23.0	23.7	23.1	28.3	28.6	34.5
Portfolio value (€ million, year-end)										
Development portfolio	**381**	225	177	174	194	257	257	135	77	13
Investment portfolio	**8,674**	9,448	9,540	8,213	7,818	7,024	4,778	4,207	3,726	3,593
Total portfolio	**9,055**	9,673	9,717	8,387	8,012	7,281	5,035	4,342	3,803	3,605
Units (year-end)										
Number of residential units	**27,675**	27,661	27,570	27,482	27,290	27,809	22,454	22,629	22,599	22,990
Number of parking/garage spaces	**10,123**	10,425	10,039	9,885	9,716	9,830	9,226	9,094	9,293	9,335
Commercial space (COG, sqm)	**44,032**	44,323	44,936	44,924	44,631	45,106	38,722	35,406	34,319	36,359
Net rental income (€ million, unless otherwise stated)										
Investment portfolio, at start of year	**9,448**	9,540	8,213	7,818	7,024	4,778	4,207	3,726	3,593	3,655
Time weighted average portfolio	**8,934**	9,901	8,636	8,050	7,560	5,967	4,473	3,969	3,642	3,613
Net rental income	**284**	270	260	251	252	210	184	182	176	176
Net rental income (%)	**3.2**	2.7	3.0	3.1	3.3	3.5	4.1	4.6	4.8	4.9
Result (€ million)										
Realised result from letting incl. property sales	**208**	207	212	191	202	207	138	141	122	110
Realised result from project development	**-**	-	-	-	-	-	-	1	-	4
Unrealised results	**(863)**	(218)	1,233	276	653	825	544	391	169	22
Result before tax	**(655)**	(11)	1,445	467	855	1,032	682	533	291	136
Tax	**(1)**	(1)	(1)	(1)	(1)	-	-	-	-	-
Derivatives	**-**	-	-	-	-	-	18	4	25	(4)
- revaluation	**-**	-	-	-	-	-	6	4	11	(16)
- unwind	**-**	-	-	-	-	-	12	-	14	12
Revaluation of PPE	**(2)**	1	-	-	1	2	1	-	-	-
Settlement pre-hedge contracts	**1**	1	1	1	(6)	-	-	-	-	-
Total comprehensive result	**(657)**	(10)	1,445	467	849	1,034	701	537	316	132
Return (% of time weighted average equity)										
Realised return from letting incl. property sales	**3.1**	2.6	3.2	3.1	3.6	4.6	4.1	5.1	5.0	4.8
Realised return from project development	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Unrealised return	**(12.9)**	(2.8)	18.7	4.5	11.4	18.4	16.3	14.2	7.0	1.0
Total operating return	**(9.8)**	(0.1)	21.9	7.6	15.0	23.0	20.4	19.3	12.0	6.0
Revaluation of derivatives and Other comprehensive income	**-**	-	0.1	-	(0.1)	-	0.5	0.2	1.0	(0.2)
Total comprehensive return	**(9.8)**	(0.1)	22.0	7.6	14.9	23.0	20.9	19.5	13.0	5.8

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Distribution to participants (€ million, unless otherwise stated)										
Opening equity	**7,298**	7,553	6,294	6,022	5,517	3,819	3,045	2,629	2,262	2,280
Time weighted average equity	**6,673**	7,842	6,589	6,169	5,708	4,481	3,350	2,766	2,426	2,284
Paid distribution*	**199**	195	186	195	344	415	206	121	107	100
Distribution as % of time weighted average equity	**3.0**	2.5	2.8	3.2	6.0	9.3	6.1	4.4	4.4	4.4
Distribution to participants (€ per participation)										
Opening equity	**204.52**	210.40	175.32	167.74	153.69	135.44	118.03	101.93	94.07	92.77
Time weighted average equity	**188.34**	219.78	183.55	171.85	159.01	158.92	129.88	107.23	100.91	92.93
Paid distribution based on number of participations at start of year*	**5.58**	5.43	5.19	5.42	9.58	14.72	7.98	4.71	4.43	4.07
Other										
Occupancy rate (%, year-end)	**99.0**	98.6	98.8	97.5	98.4	97.5	97.6	97.8	97.9	96.6
Employees (FTE, year-end)	**222**	217	217	217	194	188	176	181	179	189

* Excludes equity redemptions from Redemption Available Cash (RAC). 2018 and 2019 figures include capital repayments related to portfolio sales.

Annex 2: Legal structure

Vesteda Residential Fund



Vesteda is a mutual fund for the joint account of the participants. Investors may join the fund by taking an interest in the fund. The fund is transparent for tax purposes. For this reason, participants can participate in Vesteda via an entity with its own legal and fiscal structure. Participants always join or exit the fund via a request to the fund Manager: Vesteda Investment Management B.V. The rights and obligations of the Manager, the Supervisory Committee and the participants are set out in the fund's Terms and Conditions.

StAK Vesteda

Participants' rights and obligations in respect of the fund Manager, Vesteda Project Development B.V. and Vesteda Finance B.V., are exercised through Stichting Administratiekantoor Vesteda (StAK Vesteda). Participants are granted a power of attorney to attend and exercise voting rights in the general meeting of shareholders of these three companies by StAK Vesteda at their request.

Vesteda Investment Management B.V. (the Manager)

The fund's Terms and Conditions instruct the Manager to manage the fund under the conditions specified therein. The Manager is responsible for day-to-day operations and implementation of the strategy. The Management Board and the staff are employed by the Manager.

Vesteda Finance B.V., Vesteda Project Development B.V. and Vesteda Services B.V.

Vesteda Finance B.V. undertakes Vesteda's (unsecured) financing activities on behalf of the fund. Vesteda Project Development B.V. is responsible for development projects in the committed pipeline and certain selected acquisition projects. Vesteda Services B.V. acts as an intra-group service provider.

Custodian

Custodian Vesteda Fund I B.V. is the legal owner of the property of the fund, while the fund is the beneficial owner. The custodian acts in accordance with all instructions regarding the fund's assets given by the Manager, and shall only be entitled to acquire, dispose of, transfer or otherwise deal with any fund assets on the instructions of the Manager.

Annex 3: Members of the Management Board and Management Team

The Management Board consists of Gertjan van der Baan (CEO) and Frits Vervoort (CFO).

Gertjan van der Baan (1968)

Chairman of the Management Board since 1 January 2014. Third term of office ends in December 2025. He will step down as Chief Executive Officer of Vesteda on 3 April 2024.

Gertjan van der Baan is responsible for portfolio strategy, acquisitions, HR Management, Corporate Communications & Marketing, Investor Relations and Corporate Sustainability & Social Responsibility.

Before joining Vesteda, Gertjan van der Baan was chairman of the Managing Board of Dutch residential property investor Nationaal Grondbezit (Nagron). Nagron is part of the Rotterdam-based investor Van Herk Group, where he also served as CEO from 2009. Prior to joining Van Herk Group, Gertjan van der Baan worked at merchant bank Kempen & Co in the field of Corporate Finance for close to nine years.

Other position: Chairman of the Board of Directors of IVBN until 4 March 2024.

Frits Vervoort (1962)

Member of the Management Board since 1 November 2016. Second term of office ends in October 2024.

As Vesteda CFO, Frits Vervoort's responsibilities include accounting, control & reporting, risk, legal/compliance, operations, IT and treasury.

Frits Vervoort has extensive background in finance and management and more than 15 years' experience as a CFO. His previous employers include Vedior, where he was CFO and a member of the Board of Management from 2001 to 2008, when Vedior was acquired by Randstad. Prior to joining Vesteda, Frits Vervoort was CFO and a member of the Executive Board of Grontmij.

In addition to Gertjan van der Baan and Frits Vervoort, the Management Team consists of Astrid Schlüter (COO) and Renée Verhulst (HR Director):

Astrid Schlüter (1969)

Astrid Schlüter joined Vesteda in 2013 as Property Management Director and was appointed as Operations Director in October 2016, followed by a promotion to COO in January 2021. Astrid Schlüter studied econometrics and started her career at accountancy firm EY. After EY, Astrid Schlüter worked at Jacobus Recourt, where she held the position of Managing Director/Owner in her last five years with the company.

On 3 April 2024, the Supervisory Committee will nominate Astrid Schlüter for appointment as Chief Executive Officer of Vesteda.

Other position: member of the Supervisory Board of N.V. Zeedijk, member of the Supervisory Board of Givaudan Nederland and member of the Supervisory Board at StiVAD 'Stichting Vastgoeddata' Amstelveen.

Renée Verhulst (1971)

Renée Verhulst joined Vesteda on 1 May 2022 and was appointed as HR Director. Before joining Vesteda, Renée worked as Head of HR at Van Dorp, a leading technical services provider. Renée worked for over 20 years at the Achmea group, where she held several senior HR roles.

Annex 4: Members of the Supervisory Committee

Jaap Blokhuis (1958) - Chairman

Dutch. Former CEO of Multi Corporation and Redevco.

Areas of expertise: real estate, investments, compliance, risk management.

Other positions: member of the Supervisory Board of Heembouw Holding B.V., chairman of the Supervisory Board of Vastned Retail N.V. and advisor to Egeria Real Estate.

Paul Meulenberg (1961)

Dutch. Former Partner Real Estate Advisory at Deloitte.

Areas of expertise: real estate, finance, urban planning.

Other positions: Supervisory Board and member of the Audit Committee of Hogeschool Utrecht, member of the Supervisory Board of Schiphol Area Development Company N.V, member of the board of Stichting Adminstratiekantoor Campus.

Ditri Zandstra (1973)

Dutch. Former Chief Operating and People Officer COFRA Holding.

Areas of expertise: strategy, sustainability, business operations and organisational structure and leadership.

Other positions: member of the Supervisory Board and member of the Audit Committee and chair of the Remuneration Committee of Altrecht.

Theo Eysink (1966)

Dutch. CFO KPN Business Market and former CFO Stork Technical Services Holding B.V.

Areas of expertise: risk management, audit, finance and compliance.

Other positions: member of the Supervisory Board and Audit Committee of Stedin Holding N.V.

Eva Klein Schiphorst (1964)

Dutch. Director Schiphol Area Development Company (SADC) and former Director of Public Buildings Business Unit of Royal HaskoningDHV.

Areas of expertise: real estate, energy transition, organisational development and project management.

Other position: member of the Supervisory Board of IPSE de Bruggen.

The table below provides an overview of the composition of the Supervisory Committee as per 15 March 2024 and the rotation schedule.

Name	Committee	Date of first appointment	End of current term
Jaap Blokhuis (Chairman)		11 September 2017	11 September 2025 (second term)
Theo Eysink	Chairman Audit Committee	1 May 2019	1 May 2027 (second term)
Eva Klein Schiphorst	Chairman NomRem Committee	17 October 2019	17 October 2027 (second term)
Paul Meulenberg	Audit Committee	14 February 2024	14 February 2028 (first term)
Ditri Zandstra	NomRem Committee	9 December 2023	9 December 2027 (first term)
End of tenure:			
Seada van den Herik	Chairman NomRem Committee	9 December 2015	9 December 2023 (second term)
Hans Copier	Audit Committee	12 February 2016	12 February 2024 (second term)

All members of the Supervisory Committee are deemed independent.

Annex 5: GRI content index

Statement of use	Vesteda has reported in accordance with the GRI Standards for the period 1 January 2023 and 31 December 2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not applicable

GRI standard/ other source	Disclosure	Location
General disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	Vesteda at a glance, p.6; Corporate information, p.86
	2-2 Entities included in the organization's sustainability reporting	About this report, p.75; Basis of consolidation, p.87
	2-3 Reporting period, frequency and contact point	About this report, p.75; Colophon, p.177; Publication date will be 4 April 2024
	2-4 Restatements of information	About this report, p.75; There are non significant restatements regarding non-financial information
	2-5 External assurance	Assurance report of the independent auditor, p.78; Independent auditor's report, p.129; Independent auditor's report, p.148
	2-6 Activities, value chain and other business relationships	Vesteda at a glance, p.6; Strategy, p.10; Economic value, p.16; Portfolio, p.16; Sustainable supply chain, p.32. No significant changes compared to previous year
	2-7 Employees	Organisation, p.48; Vesteda does not have non-guaranteed hours employees.
	2-8 Workers who are not employees	Organisation, p.48
	2-9 Governance structure and composition	Governance, p.37; Annex 4, p.156
	2-10 Nomination and selection of the highest governance body	Governance, p.37; Details are formalised in the Terms & Conditions of the fund, which is not disclosed externally due to confidentiality contraints
	2-11 Chair of the highest governance body	Annex 2: Legal structure, p.153; Annex 4, p.156
	2-12 Role of the highest governance body in overseeing the management of impacts	Report of the Supervisory Committee, p.58; Dialogue with stakeholders, p.76
	2-13 Delegation of responsibility for managing impacts	Risk management, p.66; Report of the Supervisory Committee, p.58
	2-14 Role of the highest governance body in sustainability reporting	Report of the Supervisory Committee, p.58
	2-15 Conflicts of interest	Governance, p.37; No material conflicts of interest occured. Mitigation not needed due to prevention measures in place
	2-16 Communication of critical concerns	Vesteda's view on compliance and integrity, p.44; Dialogue with stakeholders, p.76
	2-17 Collective knowledge of the highest governance body	Supervisory Committee activities in 2023 (including separate committees), p.61: permanent education sessions.
	2-18 Evaluation of the performance of the highest governance body	Report of the Supervisory Committee, p.58; Self-assessments are done periodically. We do not disclose the outcomes externally due to confidentiality constraints
	2-19 Remuneration policies	Remuneration report, p.55; Note 29 to the consolidated financial statements, p.115. Note that Vesteda adheres to the Alternative Investment Fund Managers Directive (AIFMD) and the Dutch Financial Supervision Act. Details are not disclosed due to confidentiality constraints
	2-20 Process to determine remuneration	Remuneration report, p.55; Report of the Supervisory Committee, p.58; Dialogue with stakeholders, p.76; Korn Ferry is used to perform remuneration benchmarks. If any changes, the remuneration is discussed and approved during participants' meetings. The outcome is not disclosed externally

2-21 Annual total compensation ratio	Remuneration report, p.55
2-22 Statement on sustainable development strategy	Message from the Management Board, p.4
2-23 Policy commitments	Societal value, p.31; Sustainable supply chain, p.32; Compliance and integrity, p.43; Risk management, p.66; Anti-discrimination statement (www.vesteda.com/en/anti-discrimination-statement). Please note that Vesteda is only active in the Netherlands
2-24 Embedding policy commitments	Strategy, p.10; Sustainable supply chain, p.32; Compliance and integrity, p.43; Risk management, p.66
2-25 Processes to remediate negative impacts	Compliance and integrity, p.43; Risk management, p.66; Integrity report (www.vesteda.com/en/integrity-report). SpeakUp is designed externally and managed and reviewed by the Compliance Officer
2-26 Mechanisms for seeking advice and raising concerns	Compliance and integrity, p.43; Integrity report (www.vesteda.com/en/integrity-report)
2-27 Compliance with laws and regulations	Compliance and integrity, p.43. No fines incurred
2-28 Membership associations	Dialogue with stakeholders, p.76
2-29 Approach to stakeholder engagement	About this report, p.75
2-30 Collective bargaining agreements	Organisation, p.48

GRI standard/other source	Disclosure	Location
Material topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	About this report, p.75
	3-2 List of material topics	About this report, p.75
Stable financial performance		
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, p.10; Notes to the results, p.27; Societal value, p.31; Governance, p.37; Management agenda for 2024, p.53; Report of the Supervisory Committee, p.58; Dialogue with stakeholders, p.76. No negative impact for the material topic identified
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Consolidated statement of profit or loss and other comprehensive income, p.82
Business integrity and compliance		
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainable supply chain, p.32; Compliance and integrity: The role of compliance in the organisation, p.43; Compliance and integrity: Focal points in scope of compliance function, p.43; Management agenda for 2024: Governance, p.54; Risk: Irregularities in the letting process, p.72; About this report, p.75; Dialogue with stakeholders, p.76
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Sustainable supply chain, p.32; Compliance and integrity: Vesteda's view on compliance and integrity, p.44; This is part of the annual confirmation by all employees, including Management Team, to adher to the code of conduct
	205-3 Confirmed incidents of corruption and actions taken	Compliance and integrity: Vesteda's view on compliance and integrity, p.44. We do not disclose more details externally due to confidentiality constraints
Sustainable business operations		
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, p.10; Measuring and managing resource consumption, p.33; CO2 footprint of our organisation, p.34; Management agenda for 2024: Environmental, p.54; Dialogue with stakeholders, p.76
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Measuring and managing resource consumption, p.33; CO_2 footprint of our organisation, p.34
	305-2 Energy indirect (Scope 2) GHG emissions	Measuring and managing resource consumption, p.33; CO_2 footprint of our organisation, p.34
	305-3 Other indirect (Scope 3) GHG emissions	Measuring and managing resource consumption, p.33; CO_2 footprint of our organisation, p.34
	305-4 GHG emissions intensity	Measuring and managing resource consumption, p.33; CO_2 footprint of our organisation, p.34
	305-5 Reduction of GHG emissions	Measuring and managing resource consumption, p.33; CO_2 footprint of our organisation, p.34
Own indicator	Circularity in business operations	Circularity within our organisation, p.35
Healthy and safe complexes		
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, p.10; Healthy and safe homes, p.31; Dialogue with stakeholders, p.76
GRI 416: Customer health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Healthy and safe homes, p.31

GRI standard/other source	Disclosure	Location
Tenant satisfaction		
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, p.10; Tenant satisfaction, p.35; Management agenda for 2024: Social, p.54; Risk: Negative tenant experiences, p.72; Dialogue with stakeholders, p.76
Own indicator	Tenant satisfaction	Tenant satisfaction, p.35
Sustainable portfolio		
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, p.10; Environmental, p.31, Management agenda for 2024: Environmental, p.54; Dialogue with stakeholders, p.76
GRI CRE8: Products and Service Labelling	Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment	Environmental, p.31, Management agenda for 2024: Environmental, p.54
Own indicator	Description of sustainability investments and amounts invested	Environmental, p.31
Affordable housing		
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, p.10; Segmentation, p.17; Affordability, p.36; Outlook and management agenda, p.52; Dialogue with stakeholders, p.76
Own indicator	Percentage of portfolio in mid-rental segment	Segmentation, p.17, Acquisitions and property sales, p.17
Own indicator	Percentage of acquisitions in mid-rental segment	Segmentation, p.17
Employee engagement		
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, p.10; Organisation, p.48; Management agenda for 2024: Organisation, p.54; Risk: Insufficient experience and capabilities within the organisation, p.72; Dialogue with stakeholders, p.76
Own indicator	Employee turnover rate	Workforce, p.48
Own indicator	High Performance Organisation score	Workforce, p.48

Annex 6: SFDR disclosure

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name:Vesteda Residential Fund **Legal entity identifier: 724500GA1ZREYP7XO676**

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities.** That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

☐ **Yes**	☒ **No**
☐ It made **sustainable investments with an environmental objective:** ___%	☒ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 80,9 % of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective:** ___%	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

To what extent were the environmental and/or social characteristics promoted by this financial product met?

The Fund promotes environmental characteristics, being energy reduction of the portfolio and mitigation of elevated climate risks. The promoted environmental characteristics are met for the set targets on climate mitigation and climate adaptation.

No reference benchmark has been designated.

How did the sustainability indicators perform?

The Fund uses the following sustainability indicators to measure the environmental characteristics:

- Energy consumption intension the Fund (metric: Energy consumption in kWh of owned real estate assets per square meter): for this metric, the actual energy consumption comprises approximately 87% and extrapolated to a 100% portfolio coverage.

  Performance 2023: [97.0]

- Investments with a green (A,B,C) energylabel (metric: Share of investments with a green energylabel).

  Performance 2023: 96.3%

- Investments that have no to a mid physical climate risk (metric: share of investments in market value where no to a mid-climate risk is identified); this includes all 6 physical climate risks combined, being: flooding due to levy breach, flooding due to extreme rainfall, wildfires, drop in groundwater levels, rise in groundwater levels and heat stress. The physical climate risk assessment is done by an in-house tool that is created by experts to assess these risks. The tool uses high quality data from www.klimaateffectatlas.nl and includes building specific information to determine the risk exposed.

  Performance 2023: 62%

…and compared to previous periods?

- Energy consumption intension the Fund (metric: Energy consumption in kWh of owned real estate assets per square meter): for this metric, the energy consumption comprises approximately 96% of the portfolio.

  Performance 2022: 106.3

- Investments with a green (A,B,C) energylabel (metric: Share of investments with a green energylabel).

  Performance 2022: 94.6%

- Investments that have no to a mid physical climate risk (metric: share of investments in market value where no to a mid-climate risk is identified); this includes all 6 physical climate risks combined, being: flooding due to levy breach, flooding due to extreme rainfall, wildfires, drop in groundwater levels, rise in groundwater levels and heat stress. The physical climate risk assessment is done by an in-house tool that is created by experts to assess these risks. The tool uses high quality data from www.klimaateffectatlas.nl and includes building specific information to determine the risk exposed.

  Performance 2022: 56.4%

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

The objective of the sustainable investments is climate mitigation. The Fund contributed to this objective by reducing the energy demand of the real estate portfolio.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

The indicators of table 1 of Annex 1 for real estate and the relevant indicators of table 2 of Annex 1 were assessed.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How were the indicators for adverse impacts on sustainability factors taken into account?

The Fund assessed for its sustainable investments whether the Fund's real estate was not involved in the extraction, storage, transport or manufacture of fossil fuels. Furthermore, the Fund has checked whether the sustainable investments stayed below the set thresholds by Vesteda for indicator 18 of Table 1 of Annex I and the relevant adverse sustainability indicators from Table 2 of Annex I of the SFDR Delegated Regulation (EU) 2022/1288.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Vesteda invests only directly in real estate properties and not in investee companies, so these principles only apply to the business conducted by the Fund and its manager. The manager of the Fund has policies and procedures in place to address a.o. anti-corruption, anti-bribery, employee rights and human rights.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

How did this financial product consider principal adverse impacts on sustainability factors?

The Fund assess the following principle adverse impact indicators: 1) Exposure to fossil fuels through real estate assets, 2) exposure to energy-inefficient real estate assets and 3) Energy consumption intensity every year.

1) Since the Fund has no influence on the exposure to fossil fuels, since we cannot decarbonize the net and the tenant does their energy procurement themselves the threshold is 0 and therefore the whole portfolio meets this criteria.
2) Energy inefficient real estate is calculated based on the energy intensity of the asset, measured in actual energy consumption in kWh divided by the square meter of an asset. If an asset consumes more than 140 kWh/sqm it is seen as energy-inefficient. 98% of the portfolio of the Fund meet this target and qualifies as energy-efficient.
3) The energy intensity of the total fund is 97,0 kWh/sqm, based on actual consumption including tenant consumption (scope 1, 2 and 3) with a coverage of 87% and extrapolated to 100% portfolio coverage.

What were the top investments of this financial product?

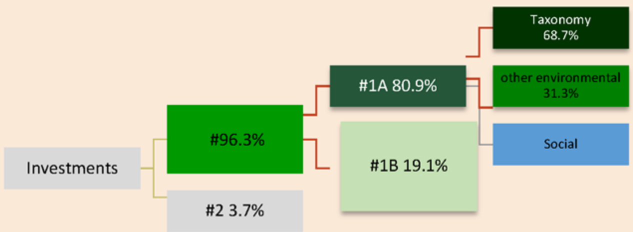
The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 2023

Largest investments	Sector	% Assets	Country
Real Estate	*Real estate*	*100%*	*Netherlands*

What was the proportion of sustainability-related investments?

What was the asset allocation?

Asset allocation describes the share of investments in specific assets.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

[include the note below where the financial product made sustainable investments]
The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

In which economic sectors were the investments made?

The Fund only invest in one economic sector: residential real estate

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Given the fact that the sustainable investments comprise of investments in real estate only, Vesteda reports in market value.

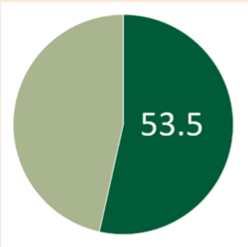
Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[1]?

Yes: *[specify below, and details in the graphs of the box]*

In fossil gas In nuclear energy

✖ No

The graphs below show in green the percentage of total investments/entire portfolio (in market value) that were aligned with the EU Taxonomy (please refer to page 166 for the breakdown: 68,70%*80.90%*96.30%=53.52%). No investments in sovereign bonds.



**For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures*

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

What was the share of investments made in transitional and enabling activities?

0%

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

FY 2022: 43.74%

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

24.38% (please refer to page 166 for the breakdown: 31.3%*80.90%*96.30% = 24.38%)

What was the share of socially sustainable investments?
0%

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

This regards units that do not have a label A, B and C. There are no further minimum environmental or social safeguards.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

In 2023, Vesteda invested EUR 22 million and improved the energy performance of 3,699 residential units. The measures included the installation of high-efficiency boilers, DC ventilators, LED lightning in common areas, insulated glass, insulation of roofs, cavity walls and under floors, and the installation of solar panels. Vesteda installed a total of 11,247 solar panels last year. At year-end 2023, Vesteda had a total of 35,953 solar panels in its portfolio, generating approximately 8.9 million kWh annually.

The percentage of homes in Vesteda's portfolio with a green energy label (A, B, or C) increased to 96% in 2023, from 94% the previous year.

Together with Climate Adaptation Services and Sweco, Vesteda created an in-house tool to provide insights into the physical climate risks of the Fund's portfolio. Vesteda uses this tool to monitor the Fund's physical climate risks, providing valuable information and potential measures to mitigate the risks. The focus is on two types of risks: heat stress and flooding due to extreme rainfall. Assets with a very high risk will see risk mitigation measures by 2024. For assets with a high risk, we aim to have a mitigation plan by 2025. All other elevated climate risks are addressed in a mitigation plan per asset.

How did this financial product perform compared to the reference benchmark?

There is no designated reference benchmark to determine the aligment with the environmental or social characteristics.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How does the reference benchmark differ from a broad market index?***
- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***
- ***How did this financial product perform compared with the reference benchmark?***
- ***How did this financial product perform compared with the broad market index?***

Annex 7: Energy consumption

Impact area	GRI Standard	INREV Indicator ID	Abbreviation	Units of measure	Indicator		Absolute performance (Abs) 2023	Absolute performance (Abs) 2022	Like-for-like performance (LfL) 2023	Like-for-like performance (LfL) 2022	% change
Energy	GRI Standard 302-1	ENV29	Fuels-Abs, Fuels-LfL	annual kWh	Fuels	Total fuels purchased by landlord	**9,518,271**	13,025,174	**9,518,271**	9,840,803	-3.3%
		ENV31				Total fuels purchased by tenant	**146,858,607**	169,518,092	**145,771,401**	169,518,092	-14.0%
						Total landlord- and tenant- purchased fuels	**156,376,878**	182,543,266	**155,289,672**	179,358,895	-13.4%
		ENV32		No. of applicable properties		Fuels disclosure coverage - No. Assets	**330 out of 350**	301 out of 349	**299 out of 299**	299 out of 299	-
				Covered applicable sqm		Fuels disclosure coverage - %	**97.0%**	96.9%	**99.8%**	99.8%	0.0%
	GRI Standard 302-1/302-2	ENV33	DH&C-Abs, DH&C-LfL	annual kWh	District heating and cooling	Total district heating and cooling purchased by landlord	**-**	-	**-**	-	-
		ENV35				Total district heating and cooling purchased by tenant	**5,774,248**	30,495,244	**5,774,248**	6,674,173	-13.5%
						Total landlord- and tenant- purchased heating and cooling	**5,774,248**	30,495,244	**5,774,248**	6,674,173	-13.5%
		ENV35		No. of applicable properties		District heating and cooling disclosure coverage - No. Assets	**19 out of 133**	89 out of 131	**19 out of 19**	19 out of 19	-
				Covered applicable sqm		District heating and cooling disclosure coverage - %	**15.3%**	72.8%	**100.0%**	100.0%	0.0%
	GRI Standard 302-1/302-2	ENV37	Elec-Abs, Elec-LfL	annual kWh	Electricity	Total electricity purchased by landlord	**6,865,246**	11,834,513	**6,096,115**	6,289,494	-3.1%
		ENV11				Total generated off-site electricity and purchased by landlord	**5,891,642**	11,027,941	**5,196,675**	5,520,214	-5.9%
		ENV8				Generated and consumed on-site electricity purchased by landlord from renewable resources	**973,604**	806,572	**899,440**	769,279	16.9%
		ENV38				Proportion of on-site landlord-obtained electricity from renewable resources of electricity purchased by purchased by landlord	**14.2%**	6.8%	**14.8%**	12.2%	20.6%
		ENV39				Total electricity purchased by tenant	**62,980,821**	67,104,792	**62,504,756**	66,733,910	-6.3%
		ENV12				Total generated off-site and purchased by tenant	**61,343,020**	66,128,099	**60,880,068**	65,762,187	-7.4%
		ENV10				Generated and consumed on-site by third party or tenant	**1,637,801**	976,693	**1,624,688**	971,723	67.2%
						Proportion of on-site tenant or third party-obtained electricity from renewable resources of electricity purchased by tenant	**2.60%**	1.46%	**2.6%**	1.5%	78.5%
						Total landlord- and tenant- purchased electricity consumption	**69,846,067**	78,939,305	**68,600,871**	73,023,403	-6.1%
						Proportion of on-site landlord- and tenant- purchased electricity from renewable resources of total electricity	**3.7%**	2.3%	**3.7%**	2.4%	54.3%
		ENV40		No. of applicable properties		Electricity disclosure coverage - No. Assets	**463 out of 476**	467 out of 474	**458 out of 458**	458 out of 458	-
				Covered applicable sqm		Electricity disclosure coverage - %	**97.4%**	99.0%	**98.3%**	98.3%	0.0%
				Solar panels		On-site solar panels - No.Applicable Assets	**106 out of 106**	72 out of 72	**101 out of 106**	65 out of 66	-

Impact area	GRI Standard	INREV Indicator ID	Abbreviation	Units of measure	Indicator		Absolute performance (Abs) 2023	Absolute performance (Abs) 2022	Like-for-like performance (LfL) 2023	Like-for-like performance (LfL) 2022	% change
	GRI Standard 302-3	ENV1	Energy-Int (all assets)	kWh	Energy consumption	Total energy consumption purchased by landlord	**16,383,517**	24,859,687	**15,614,386**	16,130,297	-3.2%
		ENV2				Total energy consumption purchased by tenant	**215,613,676**	267,118,127	**214,050,405**	242,926,174	-11.9%
		ENV4		annual kWh / sqm	Energy Intensity	(sum of) annual kWh energy consumption	**231,997,193**	291,977,815	**229,664,791**	259,056,471	-11.3%
						(sum of) floor area (m2) - Energy	**2,588,976**	2,853,988	**2,527,239**	2,539,138	-0.5%
		ENV6, ENV7				Building energy intensity	**90**	102	**91**	102	-10.9%
				No. of applicable properties		Energy and associated GHG dislosure coverage - No. Assets	**465 out of 476**	468 out of 474	**460 out of 460**	460 out of 460	-
				Covered applicable sqm		Energy and associated GHG dislosure coverage - %	**86.2%**	95.1%	**87.2%**	87.2%	0.0%
		ENV19		Covered applicable sqm	Total operational energy and associated GHG data coverage	Common area - Energy coverage	**77.5%**	97.4%	**95.7%**	96.4%	-0.7%
						Tenant space - Energy coverage	**83.8%**	93.9%	**89.0%**	89.3%	-0.3%
						Whole building - Energy coverage	**99.3%**	99.3%	**100.0%**	100.0%	0.0%
	GRI Standard 302-3		Energy-Int (assets only 100% data coverage and owned for full reporting year)	annual kWh / sqm	Energy Intensity	(sum of) annual kWh energy consumption	**196,545,758**	276,355,731	**195,353,670**	221,239,628	-11.7%
						(sum of) floor area (m2) - Energy	**2,021,806**	2,659,618	**2,009,685**	2,016,526	-0.3%
						Building energy intensity	**97**	104	**97**	110	-11.4%
				No. of applicable properties		Energy and associated GHG dislosure coverage - No. Assets	**306 out of 306**	378 out of 378	**283 out of 283**	283 out of 283	-
				Covered applicable sqm		Energy and associated GHG dislosure coverage - %	**100.0%**	100.0%	**99.4%**	99.4%	0.0%
Greenhouse gas emissions - Location based	GRI Standard 305-1	ENV14	GHG-Dir-Abs	annual kg CO2e	Direct	LB: Scope 1	**46,628**	45,683	**46,628**	43,164	8.0%
	GRI Standard 305-2 and 305-3	ENV15	GHG-Indir-Abs		Indirect	LB: Scope 2	**11,761,038**	14,830,638	**11,533,395**	12,939,103	-10.9%
		ENV16				LB: Scope 3	**40,515,264**	54,205,699	**40,164,487**	46,337,435	-13.3%
	GRI Standard 305-4	ENV18	GHG-Int (all assets)	kg CO2e / sqm / year	GHG emissions intensity	LB: (sum of) annual GHG emissions - Total operational carbon	**52,322,931**	69,082,021	**51,744,510**	59,319,701	-12.8%
						LB: (sum of) floor area (m2) - GHG	**2,588,976**	2,853,988	**2,527,239**	2,539,138	-0.5%
		ENV20, 21				LB: Building operational carbon intensity	**20**	24	**20**	23	-12.4%
	GRI Standard 305-4		GHG-Int (assets only 100% data coverage and owned for full reporting year)	kg CO2e / sqm / year	GHG emissions intensity	LB: (sum of) annual GHG emissions	**42,582,212**	64,456,608	**42,318,247**	48,554,097	-12.8%
						LB: (sum of) floor area (m2) - GHG	**2,021,806**	2,659,618	**2,009,685**	2,016,526	-0.3%
						LB: Building operational carbon intensity	**21**	24	**21**	24	-12.5%
Water	GRI Standard 303-5	ENV24	Water-Abs, Water-LfL	annual cubic metres (m3)	Water	Total purchased by landlord water consumption	**128,554**	154,034	**113,104**	113,423	-0.3%
		ENV54				Total purchased by tenant water consumption	**1,065,484**	1,958,265	**1,042,671**	1,051,383	-0.8%
		ENV56				Total water consumption	**1,194,038**	2,112,300	**1,155,776**	1,164,806	-0.8%
			Water-Int (all assets)	annual m3 / sqm	Water Intensity	(sum of) floor area (m2) - Water	**1,535,963**	2,515,942	**1,436,055**	1,444,248	-0.6%
		ENV57				Building water intensity	**0.78**	0.84	**0.80**	0.81	-0.2%
		ENV59		No. of applicable properties		Water disclosure coverage - No. Assets	**327 out of 442**	433 out of 441	**315 out of 315**	315 out of 315	-

Impact area	GRI Standard	INREV Indicator ID	Abbreviation	Units of measure		Indicator	Absolute performance (Abs) 2023	Absolute performance (Abs) 2022	Like-for-like performance (LfL) 2023	Like-for-like performance (LfL) 2022	% change
				Covered applicable sqm		Water disclosure coverage - %	**59.4%**	96.9%	**96.6%**	96.6%	0.0%
	GRI Standard 303-5		Water-Int (assets only 100% data coverage and owned for full reporting year)	annual m3 / sqm	Water Intensity	(sum of) floor area (m2) - Water	**1,353,507**	2,476,410	**1,330,962**	1,337,922	-0.5%
						Building water intensity	**0.80**	0.84	**0.80**	0.80	-0.3%
				No. of applicable properties		Water disclosure coverage - No. Assets	**256 out of 256**	419 out of 419	**251 out of 251**	251 out of 251	-
				Covered applicable sqm		Water disclosure coverage - %	**100.0%**	100.0%	**99.9%**	100.0%	0.0%

Annex 8: TCFD disclosure

Topic		Disclosure	Page
Governance	a	Describe board's oversight of climate related risks & opportunities	69-70
	b	Describe management's role in assessing and managing climate-related risks & opportunities	69-70
Strategy	a	Describe the climate related risks & opportunities the organization has identified over the short, medium and long term	32-35
	b	Describe the impact of climate related risks and opportunities on the organisation's business, strategy & financial planning	31, 43
	c	Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	32-35
Risk management	a	Describe the organisation's processes for identifying and assessing climate-related risks	32-33, 69-70
	b	Describe the organisation's processes for managing climate-related risks	32-33, 70
	c	Describe how processes for identifying, assessing, and managing climate-related risks are integrated in the organisation's overall risk management	32-33, 70

Annex 9: External appraisers

Appraisal process for investment properties

The purpose of the appraisal is to gain an accurate and independent valuation of the assets at the end of each quarter. The valuation of the properties in the investment portfolio complies with the relevant legislation and regulations (AIFMD, IFRS and Dutch legislation and regulations).

The appraisal is conducted in accordance with the guidelines and regulations of the Dutch Register of Real Estate Appraisers (NRVT), the prevailing valuation guidelines and valuation models as laid down by the Dutch property index, IPD, and the RICS Appraisal and Valuation Standards, the Red Book (including the International Valuation Standards, IVS) or the Blue Book (including the European Valuation Standards, EVS). The valuations of the properties are conducted using the Reaturn TM valuation system.

The valuation policy for Vesteda's properties complies with the INREV guidelines for property valuations.

In 2023, the valuations of the properties in the investment portfolio were conducted by the following agencies:

- Capital Value;
- CBRE;
- Colliers;
- Cushman & Wakefield;
- Dynamis;
- JLL;
- MVGM;
- Savills.

Valuations are conducted by qualified appraisers from these agencies; the appraisers are registered in the NRVT, which guarantees the initial qualification of the appraiser and their continuous training, and preferably also in RICS. In order to guarantee their independence and objectivity, every appraisal agency is contracted for a maximum period of four years (two in-growth quarters – three base years – two out-flow quarters). The contract is for one year and will be tacitly renewed every year.

The current valuation cycle for appraisers is structured as follows:Two quarters : appraiser A : out-flow quarters and appraiser B : in-growth quarters (slow build up to full valuation)
Four quarters : appraiser B : reappraisal and three quarterly updates
Four quarters : appraiser B : reappraisal and three quarterly updates
Four quarters : appraiser B : reappraisal and three quarterly updates
Two quarters : appraiser B : out-flow quarters and appraiser C : in-growth quarters (slow build up to full valuation)

Each appraisal agency has its own independent part of the portfolio. Once a property has been valued by the same appraisal agency for three years, it is assigned to a different appraisal agency, to guarantee the objectivity of the appraisal. The appraisers value the properties that Vesteda assigns them once every three years, based on a full valuation. For this valuation, the appraiser visits the property in question and incorporates, substantiates and records all the factors relevant to the value of the property in the appraisal. In the remaining two years and quarters, the valuation is an update or a reappraisal of the previously conducted (full) appraisal. For this update or reappraisal, the appraiser does not need to visit the property and will update data and references and adjust the value on the basis of market developments relevant to the property.

The current valuation cycle for the complex is structured as follows:

Four quarters : full valuation and three quarterly updates
Four quarters : reappraisal and three quarterly updates
Four quarters : reappraisal and three quarterly updates

Annex 10: Definitions

AFM	Autoriteit Financiële Markten (Financial Markets Authority).
AIFMD	Alternative Investment Fund Managers Directive.
Business Plan	A strategy document that contains the 5 year strategy of Vesteda.
Core fund	Core fund according to the INREV Style Classification.
CPI	Consumer Price Index.
Development portfolio	Comprises of land and buildings (principally residential properties) under construction with the aim of adding said property to the investment portfolio upon completion.
GDPR	General Data Protection Regulation: a regulation in EU law on data protection and privacy in the European Union (EU) and the European Economic Area (EEA). It also addresses the transfer of personal data outside the EU and EEA areas.
EBITDA	Consolidated earnings before deduction interest charges, tax, depreciation and amortization, excluding result on property sales, and extraordinary items.
ECP	Euro Commercial Paper.
EMTN	Euro Medium Term Note Programme, a programme providing debt instruments.
ESG	The three central factors in measuring sustainability: Environmental, Social and Governance.
FGR	Fonds voor Gemene Rekening: a fund for the joint account of the participants under Dutch law, see Annex 2 of this report.
Financial liabilities	Interest bearing debt minus capitalized financing costs.
FSA	Dutch Financial Supervision Act.
GAV	Gross Asset Value: the value of total assets (balance sheet).
GRESB	Global Real Estate Sustainability Benchmark: industry-driven organisation committed to assessing the sustainability performance of real estate portfolios (public, private and direct) around the globe. The dynamic benchmark is used by institutional investors to engage with their investments with the aim to improve the sustainability performance of their investment portfolio, and the global property sector at large.
GRI	Global Reporting Initiative: international independent organisation that helps businesses, governments and other organisations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others.
Gross initial yield	Theoretical rent (on a given reference date) from a residential complex divided by the total investment in that residential complex.
Gross rental income	Theoretical rent less loss of rent.
Gross/net ratio	The percentage of property operating expenses relative to gross rental income.
High rental segment	Sector of the residential property market for rental properties with a net monthly rent of over approximately €1,200, excluding service charges.
HPO	High Performance Organisation (www.hpocenter.nl).
Interest cover ratio	EBITDA/net interest expenses.
INREV	European Association for Investors in Non-Listed Real Estate Vehicles. Europe's leading platform for the sharing of knowledge on the non-listed real estate industry. Their goal is to improve transparency, professionalism and best practices across the sector, making the asset class more accessible and attractive to investors.
Investment portfolio	All fully-completed and for rent available properties owned by Vesteda.
Investor (or Participant)	Holder of a direct interest in Vesteda Residential Fund.
ISAE 3402	International Standards on Assurance Engagements (ISAE) 3402.
IVBN	Vereniging van Institutionele Beleggers in Vastgoed (Association of institutional property investors in the Netherlands).
KPI (Key Performance Indicator)	Target used to translate strategy in to measurable results.
Leverage	Net debt/total assets (excluding IFRS 16).
Like-for-like rent increase	Comparison of this year's rent to last year's rent, taking into consideration only those complexes that were in portfolio during both time periods.
Loss of rent	Net financial vacancy plus incentives.
LTV (loan-to-value)	Net debt/investment portfolio.
Management expenses	Expenses that cannot be allocated directly to the various properties are regarded as management expenses.
Market rent	Rent of a property according to the market at a certain time.

Market value	Value of a property according to the market at a certain time.
Mid-rental segment	Sector of the residential property market for rental properties with a net monthly rent from the regulated level to approximately €1,200, excluding service costs.
MSCI IPD Netherlands Residential Benchmark	Benchmark to determine the performance of the portfolio in comparison to other Dutch real estate portfolios.
NAV	Value of total assets minus the value total liabilities.
Net debt	Total interest bearing debt minus cash and cash equivalents.
Net financial vacancy	Gross financial vacancy less vacancy charged to results on property sales.
Net rental income	Gross rental income minus property operating expenses and other income.
Liberalised rental segment	Residential properties with rents above the regulation limit (€808.06 in 2023). These properties are in the mid and higher rental sectors.
NR Committee	Nomination and Remuneration Committee.
Occupancy rate	The number of residential properties actually generating rental income as a percentage of the number of properties that could generate rental income.
Other region	Regions that are not primary or secondary.
Participant (or Investor)	Holder of a direct interest in Vesteda Residential Fund.
Primary region	Regions that offer the highest market potential for the non-regulated rental sector. These regions are characterised by a high market potential and low market risks.
Property operating expenses	All expenses that can be directly allocated to the various properties in the investment portfolio.
Redemption Available Cash (RAC)	Cash that the Manager has available to fund redemption requests, amounting to €50 million per calendar year.
Real Estate Expense Ratio (REER)	Total property operating expenses divided by average GAV expressed in basis points.
Regulated mid rental segment	See mid rental segment. In addition, the contract may include additional conditions, such as a maximum initial rental price, a minimum operating period and a maximum annual rental price indexation.
Regulated rental segment	Residential properties with rents below the deregulation limit (€808.06 in 2023).
Return on equity (ROE)	The amount of total comprehensive income divided by opening equity.
Reversionary potential	The difference between market and theoretical rent divided by theoretical rent.
Revolving Facility Agreement (RFA)	Revolving credit facility for medium term debt.
Scope 1, 2 and 3 emissions	Scope 1: direct emissions; scope 2: indirect emissions; scope 3: indirect value chain emissions.
Secondary region	Secondary regions have a lower score than primary regions but have a positive economic and demographic outlook.
Sustainable Development Goals (SDGs)	Set of goals set up by the World Business Council for Sustainable Development (WBCSD), serving as guidance for enterprises to conduct business in a more sustainable way.
Systematic Compliance Risk Analysis (SCRA)	Analysis performed by Vesteda's compliance department in order to identify risks within the compliance framework.
TER (NAV/GAV)	Total Expense Ratio: Total management expenses divided by average NAV or average GAV expressed in basis points.
Theoretical rent	Passing rent for rented units and market rent for vacant units.

Colophon

The Vesteda Annual Report 2023 is published in the English language only.

Please contact us if you have any questions or comments concerning this Annual Report.

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