

Sustainable Finance Framework

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1. Introduction

1.1. Aedifica

Aedifica is a listed company that invests in European healthcare real estate, in particular housing for seniors with care needs. For fifteen years, we have pursued a successful strategy to build a diverse high-quality portfolio that generates recurring and indexed rental income, collaborating with industry leading long-term partners. Our experienced team focusses on strong returns thus offering our shareholders a reliable and sustainable real estate investment with an attractive yield.

At Aedifica, both social aspects and sustainability are fundamental driving forces: we empower healthcare providers and innovators to care for people than ever before. We don't simply invest in properties, we invest in society. Our investments respond to the challenges of Europe's ageing population, taking into account the needs of the most vulnerable people. That is why we want to offer our residents innovative real estate concepts that are tailored to their needs and improve their quality of life.

Aedifica has developed a portfolio of more than 450 sites in Belgium, Germany, the Netherlands, the United Kingdom, Finland and Sweden, worth more than €3.3 billion. Approximately 32,000 residents live in our properties. The Group is listed on Euronext Brussels (2006) and Euronext Amsterdam (2019). Since March 2020, Aedifica is part of the BEL 20, the leading share index of Euronext Brussels. The share is also included in the EPRA and Stoxx Europe 600 indices.

1.2. Aedifica and Sustainability

As evidenced by our tagline 'housing with care', sustainability is deeply embedded in Aedifica's DNA. We commit to deliver on that motto in an environmentally and socially responsible way, in close collaboration with



our operating partners. We believe that developing our company coincides with helping our people and the communities around us, while safeguarding our planet.

While Aedifica had been focusing on responsible, transparent, and sustainable real estate investments since its inception, we formalized our sustainability strategy in 2018.

We mapped all the main sustainability issues that are relevant to the healthcare real estate industry and developed an ambitious action plan that will be carried out by 2025, fully assuming our responsibilities towards society. Based on the United Nations' Sustainable Development Goals (SDGs), the action plan sets out the long-term objectives that Aedifica intends to achieve in the areas of environment, social responsibility and governance (ESG).

In our action plan (refer to the annual Sustainability report, available online), we set out how we will deliver on our commitment to reduce our portfolio's environmental footprint, by focusing on the life cycle assessment of our properties, climate change adaptation, efficient energy management and innovation in buildings. In 2019, our environmental commitments were accelerated through, amongst others, the rollout of an energy management system allowing us to monitor the portfolio's energy consumption and by carrying out an energy audit pilot project serving as a basis for the installation of energy-saving infrastructure.

We believe that Aedifica's focus on sustainability will enhance our financial performance, improve our relationship with all our stakeholders and reduce the environmental burden on our planet.

2. Aedifica Sustainable Finance Framework

2.1. Background

Aedifica developed its Sustainable Finance Framework ('Framework') in order to attract specific funding to finance or refinance specific projects and/or assets contributing to its sustainability or social strategy. This Framework enables Aedifica to issue sustainable and social finance instruments (the 'Instruments'), including bonds, convertible bonds, private placements, and sustainable loan facilities.

The Framework provides a clear and transparent set of criteria for sustainable finance instruments issued by Aedifica and is consistent with the voluntary guidelines provided by the Green Bond Principles ('GBP') (ICMA, 2018), the Social Bond Principles ('SBP') (ICMA, 2020) and the Green Loan Principles ('GLP') (LMA/APLMA, 2018). These voluntary process guidelines are developed in multi-stakeholder processes involving issuers, investors, financial institutions and NGO's, with a view to promoting the development and integrity of the sustainable finance market.

Aedifica may further update or expand this Sustainable Finance Framework to align with emerging market standards and best-practices, such as the introduction of the EU Green Bond Standard ('EU GBS') or other relevant standards and guidelines. Aedifica however ensures that material changes to the Sustainable Finance Framework will be externally reviewed.

2.2. Use of Proceeds

Aedifica intends to allocate the net proceeds of the Instruments issued under this Framework exclusively to finance or refinance, in whole or in part, projects and/or assets which contribute to its ESG strategy ('Eligible Assets'). Eligible Assets are required to meet the eligibility criteria described in the table below and are mapped to the UN Sustainable Developments Goals ('SDGs').



Category	Eligibility criteria
Green Buildings	
<p>Green buildings</p> <p>SDG 7 Affordable and Clean Energy SDG 11 Sustainable Cities & Communities SDG 13 Climate Action</p>	<p>Eligible green building projects include the financing of newly constructed or acquired buildings which have received, or are expected to receive, one of the following certifications.</p> <ul style="list-style-type: none"> – <u>For Belgium:</u> A building certificate equivalent to EPC 'A' or corresponding to a Net Primary Energy Demand of maximum 100 Kwh/m² or E-level ≤ 50; or better – <u>For Germany:</u> A building certificate equivalent to EPC 'A' or corresponding to a Net Primary Energy Demand of maximum 100 Kwh/m²; or better – <u>For The Netherlands:</u> A building certificate equivalent to EPC 'A'; or corresponding to a Net Primary Energy Demand of maximum 100 Kwh/m²; or better – <u>For the United Kingdom:</u> A building certificate equivalent to EPC 'B'; or corresponding to a Net Primary Energy Demand of maximum 150 Kwh/m²; or E-level ≤ 70; or better – <u>For Finland:</u> A building certificate equivalent to EPC 'A'; or better – <u>For Sweden:</u> A building certificate equivalent to EPC 'A'; or better – <u>For any other country within the European Union:</u> A building certificate equivalent to EPC 'A'; or better <p>Any new or standing asset with a GRESB Real Estate Reference Guide acceptable building certificate similar to minimum BREAAAM / BREAAAM In-Use 'Good' or GPR '7'.</p>
<p>Green buildings</p> <p>SGD7 SDG9 SDG12</p>	<p>Eligible green building projects include the financing of refurbished buildings which have received, or are expected to receive, one of the following certifications.</p> <ul style="list-style-type: none"> – <u>For Belgium:</u> A building certificate equivalent to EPC 'B' or corresponding to a Net Primary Energy Demand of maximum 150 Kwh/m²; or E-level ≤ 70; or better – <u>For Germany:</u> A building certificate equivalent to EPC 'B'; or corresponding to a Net Primary Energy Demand of maximum 150 Kwh/m²; or better – <u>For The Netherlands:</u> A building certificate equivalent to EPC 'B'; or corresponding to a Net Primary Energy Demand of maximum 150 Kwh/m²; or better – <u>For the United Kingdom:</u> A building certificate equivalent to EPC level 'B'; or corresponding to a Net Primary Energy Demand of maximum 150 Kwh/m²; or E-level ≤ 70; or better – <u>For Finland:</u> A building certificate equivalent to EPC 'B'; or better – <u>For Sweden:</u> A building certificate equivalent to EPC 'B'; or better <p>Any new or standing asset with a GRESB Real Estate Reference Guide acceptable building certificate similar to minimum BREAAAM / BREAAAM In-Use 'Good' or GPR '7'.</p>



Energy efficiency SDG9 SDG12 SDG13 SDG7	Eligible energy efficiency projects include capital expenditure for upgrades designed to delivery at least 100 Kwh/m ² energy savings or minimum of 30% energy efficiency gains.
Renewable energy SDG7	Eligible renewable energy projects represent all investments and expenditures related to onsite renewable energy production. Renewable energy projects can include (but are not limited to): <ul style="list-style-type: none"> – Solar panel installations – (Geo-)thermal energy production – District heating supplied by a renewable energy source
Climate change adaptation SDG13	Eligible climate change adaptation investments represent all capital expenditure projects to address the climate change challenges such as: <ul style="list-style-type: none"> – Energy storage; – Water efficiency projects by e.g. reducing the water consumption, increasing on-site buffering and recycling, installing wastewater treatment on site, smart irrigation, etc.; – Active and passive cooling systems; – Overheating prevention measures such as screens, HR++ glass, night ventilation.
Social Investment Objectives	
Social finance assets SDG3 SDG17	Eligible social finance assets represent investments in <ul style="list-style-type: none"> – Non-ordinary investments in the inside or outside environment of nursing homes, targeting improvements with the goal of increased well-being and life quality; – Existing or new facilities that promote innovative or inclusive healthcare or education concepts – Existing or new facilities that improve accessibility to adequate healthcare or education facilities for vulnerable groups

2.3. Process for Project Evaluation and Selection

Eligible Green Buildings or Eligible Social Investment objectives will be evaluated and selected based on the Use of Proceeds criteria set out in this Framework. Moreover, these Eligible Assets comply with environmental and social laws and regulations, as well as with Aedifica’s stringent policies and standards that aim at reducing the environmental impact of its operations while making a positive impact on the communities in which it is active. These policies and standards can be consulted in the Corporate Governance Charter and Aedifica’s Environmental Policy available on Aedifica’s website.

On an annual basis or at occurrence, Aedifica’s internal departments will identify potential Eligible Projects and/or Assets. These potentially Eligible Projects and/or Assets will then be assessed against the eligibility and exclusion criteria as laid out in section 2.2 of this Framework, as well as against local laws and regulations. The eligibility of the projects and/or assets will then ultimately be approved by the Sustainability Committee, with representation of the CEO, the CFO and the COO.



2.4. Management of Proceeds

Aedifica will establish a Green Project and Social Investment register to record the allocation of net proceeds.

Hence, Aedifica will manage the net proceeds of issued Instruments exclusively on project and assets that comply with the criteria set out in this Framework. Following the selection of the Eligible Projects and/or Assets, a finance instrument under the Framework can be considered as:

- a 'green' finance instrument for which 100% of the selected eligible projects and/or assets are green,
- a 'social' finance instrument for which 100% of the selected eligible projects and/or assets are social, or,
- a 'green & social' (sustainable) finance instrument combining both green and social projects and/or assets.

As long as the Instruments under this Framework are outstanding, Aedifica will aim to allocate an amount equivalent to the net proceeds of these instruments towards a portfolio of Eligible Projects and/or Assets.

If a specific project and/or asset is divested, discontinued or does no longer meet the definition of Eligible Projects and/or Assets as included in paragraph 2.2, it will be removed from the portfolio of Eligible Projects and/or Assets. In such case, Aedifica will strive to replace the project or asset with another Eligible Projects and/or Assets as soon as reasonably practicable.

Aedifica will ensure that the total volume of issued Instruments will not exceed the value of portfolio of Eligible Projects and/or Assets. Also, Aedifica may decide in the future to manage the net proceeds of all its Instruments on a portfolio basis.

Pending the allocation of the net proceeds of issued Instruments to the portfolio of Eligible Assets, or in case insufficient Eligible Projects and/or Assets, Aedifica will temporarily hold the unallocated proceeds in line with its regular treasury criteria and keep the unallocated proceeds on its bank account or invest in short term interest bearing securities until a new Eligible Projects and/or Assets is approved. Under no circumstance unallocated funds will be invested in temporary placements or instruments that finance GHG intensive activities, or activities that face material ESG issues.

The allocation of the net proceeds of issued green, social or sustainable finance instruments to Eligible Assets will be reviewed and approved by the Aedifica's Executive Committee until the end of the Instrument.

2.5. Reporting

2.5.1. Allocation of proceeds reporting

On an annual basis, Aedifica will report on the allocation of the net proceeds of issued green, social or sustainable finance instruments to its specific list of Eligible Projects and/or Assets in its annual Sustainability Report. This allocation reporting will be subject to the annual external audit review.

The report will provide the following information:

- An overview of the sustainable finance instruments issued under this Framework, including:
 - o the total amount outstanding (in EUR) of issued green social or sustainable finance instruments, and
 - o the allocation of the net proceeds of aforementioned instruments to Eligible Projects and/or Assets, including a breakdown by category of Eligible Projects and/or Assets and a breakdown by projects/assets (use and location);
 - o the projects will be briefly described as well as the amounts allocated and their expected impact;



- the ratio between financing and refinancing of Eligible Projects and/or Assets
- the amount of unallocated proceeds, if any.

2.5.2. Impact reporting

Aedifica will report on an annual basis on the green and social impact of the Eligible Projects and/or Assets financed or refinanced with the proceeds of issued green, social or sustainable finance instruments in its Sustainability report. The impact reporting will include environmental and social impact reporting on pre-defined impact indicators. Methodologies and assumptions used to evaluate the environmental and social impact will be included as well. The data of this impact reporting is subject to the external utility consumption and emission review for CSR reporting purposes.

Examples of impact indicators:

- **For Green Buildings:**
 - Number and rating level of **energy certified assets** (EPC labels);
 - Number of energy efficient or refurbished buildings and total size in m²;
 - Energy intensity (in kWh/m²) through the portfolio of energy efficient buildings and the related greenhouse gas emission intensity (in kg of CO₂ equivalent per m²);
 - Energy intensity (in kWh/m²) through the portfolio of **refurbished buildings** and the related greenhouse gas emission intensity (in kg of CO₂ equivalent per m²).
- **For Social Investments:**
 - Number of healthcare real estate assets selected and their size in m² as well as project name;
 - The defined scope/goal of the project; and
 - The adherence to the Eligibility Criteria.

2.6. External review

Aedifica's Sustainable Bond Framework will be reviewed by an independent recognized verifier Vigeo Eiris in order to provide a Second Party Opinion. The Second Party Opinion certifies that the Framework aligns with the four core components of the GBP and SBP. The Second Party Opinion is available on [Aedifica's website](#).

Additionally, as part of the annual audit Aedifica's auditor will confirm that the allocation of the net proceeds of the issued Instruments are in line with the financing documentation on an annual basis until full allocation, or in case of significant changes in the allocation of the proceeds.



For all additional information

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