

Housing with care

Sustainable Finance Framework



August 26, 2021

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1. Introduction

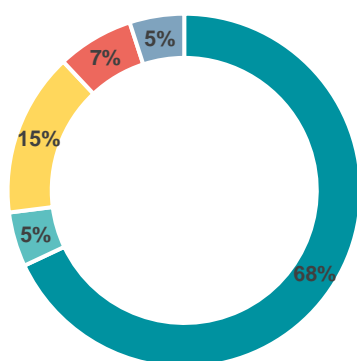
1.1 About Aedifica

Aedifica is a Belgian listed company that specialises in investments in European healthcare real estate, in particular housing for seniors with care needs. For fifteen years, we have followed a successful strategy: a high-quality diverse portfolio that generates recurring and indexed rental income, combined with industry leading long-term partners and an experienced team focused on strong returns, offering our shareholders a reliable and sustainable real estate investment with an attractive yield. At Aedifica, social sustainability is a fundamental driving force: we empower healthcare providers and innovators to care for more people than ever before. We don't just invest in properties, we invest in society.

Aedifica has a proven track record of entering new markets and rapidly creating a platform for future growth. We made ourselves at home in 7 countries: Belgium, Germany, the Netherlands, the United Kingdom, Finland, Sweden and Ireland. Given this diversified geographical spread, Aedifica does not depend on a single social security system and can further diversify its tenant base. In the future, we intend to continue exploring new European markets. We rent out our care facilities to more than 110 groups of professional and specialist care operators (profit and not-for-profit operators, as well as public operators) on the basis of long-term contracts that generate high rental yields. Each care group that operates Aedifica property generates less than 15% of our total rental income, which therefore benefits from a diverse income stream.

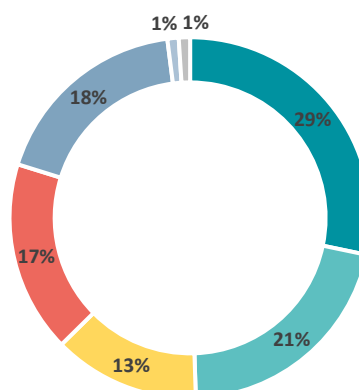
We diversify our investments by asset type. Our primary focus is to meet the growing demand resulting from demographic developments by investing in different types of housing for seniors: elderly care homes for seniors with high care needs, seniors housing for persons who prefer to live independently with on-demand care options, and facilities that combine both types of housing (some facilities combine elderly care with other care functions such as day-care centres, medical centres, etc.). In addition, we invest in real estate for disabled persons and other people in need of specialist residential care or specialist day-care. In the Northern Europe, we also invest in children day-care centres ('preschool'), whether as stand-alone centres or in combination with other care or school facilities, driven by the urbanisation trend in Finland leading to a specific demand for this type of centres.

Healthcare segment breakdown
(per 31-3-2021)



- Elderly care homes
- Senior housing
- Mixed-use elderly care buildings
- Healthcare buildings for other target groups
- Other

Geographical breakdown
(per 31-3-2021)



- Belgium
- Netherlands
- Finland
- Ireland
- Germany
- United Kingdom
- Sweden

1.2 Aedifica Sustainability strategy

As evidenced by our tagline '*housing with care*', the concept of 'care' is deeply embedded in Aedifica's DNA. We believe growing our company goes hand in hand with helping our people and the communities around us thrive, while safeguarding our planet. We are committed to environmentally and socially responsible investment and development in collaboration with our operating partners, all the way from start to finish.

Environmental commitments

Aedifica is committed to reduce its portfolio's environmental footprint by integrating environmental targets in its sustainability strategy and aims to achieve net-zero greenhouse gas emissions (GHG) by 2050. Therefore, we focus on the life cycle assessment of our properties. We analyse our buildings' life cycle before acquisition or in the design stage of new development projects. Moreover, we perform energy audits on the existing properties in our portfolio. This way, we do not only decrease our environmental footprint, we also make our portfolio more resilient to climate change.

Stakeholder engagement

Our approach to stakeholders' engagement focuses on proactively promoting dialogue and good relationships with key stakeholders. Understanding the needs of our diverse stakeholders and engaging with them on the issues they care most about are part of the approach of a long-term and sustainable future for Aedifica. We engage with our stakeholders on a continuous basis through formal and informal contacts.

Good corporate governance

Aedifica pursues a business culture that is characterised by honesty and integrity, a sense of responsibility, strict ethics and compliance with the statutory rules and corporate governance standards. And we expect exactly the same from those who do business with us. To ensure our high ethical business standards, we developed policies regarding Sustainability (amongst others). These policies are available on the Corporate Governance section of [Aedifica's corporate website](#).

Action Plan 2025

In line with our long-term commitment to achieve net-zero GHG emissions in 2050 and our wider social responsibility towards society, we developed an ambitious action with objectives that are to be reached by 2025 at the latest. This action plan sets out the long-term environmental, social and governance objectives that Aedifica intends to achieve. A selection of our key objectives is depicted below.

Environmental	
<i>Towards a net-zero future</i>	<ul style="list-style-type: none"> Achieve EPC coverage of 80% of the portfolio by 2023
<i>Climate change adaptation</i>	<ul style="list-style-type: none"> Reduce landlord emissions with 20% (Scope 1&2) by 2025
<i>Energy management</i>	<ul style="list-style-type: none"> Energy monitoring of 80% of our portfolio in cooperation with our operators by 2025
Social	
<i>Stakeholder relations</i>	<ul style="list-style-type: none"> Ongoing support for specific community engagement initiatives and volunteering initiatives
Governance	
<i>Ethics, diversity, compliance & integrity</i>	<ul style="list-style-type: none"> Implement environmental, human rights & anti-bribery/anti-money laundering policy by 2021



1.3 Contribution to the Sustainable Development Goals

The Sustainable Development Goals of the United Nations are considered a blueprint for a better and more sustainable future for us all. The 17 Sustainable Development Goals and 169 subgoals address the major challenges we face globally. Aedifica applies the SDGs as an overarching framework to shape its sustainability strategy. We selected seven SDGs to focus our efforts on, which are highlighted below along with our key actions to contribute to those SDGs.



1.4 Background and rationale for Sustainable Finance Framework

Aedifica developed its Sustainable Finance Framework (“Framework”) in order to attract specific funding to (re)finance assets and/or investments which contribute to its sustainability strategy and the EU Environmental Objectives of Climate Change Mitigation, Climate Change Adaptation and/or social objectives.

The issuance of specific “sustainable finance instruments” complements and supports our environmentally and socially responsible investments and the goals of the Action Plan 2025. This Framework enables Aedifica to issue “Green”, “Social” and “Sustainability” labelled sustainable finance instruments, including bonds, private placements, medium-term notes and loan facilities.

This 2021 version of the Framework is an evolution of the original Framework published in 2020 to align with the most recent market standards. The Framework provides a clear and transparent set of criteria for sustainable finance instruments issued by Aedifica and is aligned as much as possible with leading market guidance provided by the Green Bond Principles¹, the Social Bond Principles², the Sustainability Bond Guidelines³, the Green Loan Principles⁴, as well as the European Commission proposal for an EU Green Bond Standard⁵ and the EU Taxonomy of sustainable economic activities⁶.

¹ [Green Bond Principles](#) (ICMA, 2021)

² [Social Bond Principles](#) (ICMA, 2021)

³ [Sustainability Bond Guidelines](#) (ICMA, 2021)

⁴ [Green Loan Principles](#) (APLMA/LMA/LSTA, 2021)

⁵ [Proposal for a European Green Bond Standard](#) (European Commission, July 2021)

⁶ [Delegated Act EU Taxonomy for Climate Change Mitigation and Adaptation](#) (European Commission, April 2021)

2. Aedifica Sustainable Finance Framework





The Aedifica Sustainable Finance Framework follows the core components of the voluntary process guidelines of the ICMA Green Bond Principles (GBP) and Social Bond Principles (SBP) and includes the following sections:

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

2.1 Use of Proceeds





Aedifica intends to allocate an amount equivalent to the proceeds of sustainable finance instruments issued under this Framework exclusively to (re)finance, in whole or in part, assets and capital expenditures which contribute to its sustainability strategy (“Eligible Assets”) outlined in the table below. Sustainable finance instruments labelled as “**Green**” focus on green (i.e. environmentally sustainable) assets and investments, “**Social**” instruments focus on social assets and investments, whereas “**Sustainability**” labelled instruments focus on a combination of both green- and social assets and investments.

Eligible Assets are required to meet the categories and related eligibility criteria described in the table below and are mapped to the UN Sustainable Developments Goals (‘SDGs’) as well as the EU Taxonomy of Sustainable Economic Activities.

Category & SDG mapping	Eligibility Criteria	EU Taxonomy mapping
GREEN ASSETS AND INVESTMENTS		
Green Buildings  	<u>Newly constructed and existing buildings</u> The building complies with, or is under development to comply with, any of the following criteria: <ul style="list-style-type: none"> ▪ EPC Label “A” or better ▪ Energy intensity ≤ 100 kWh per square meter⁷ ▪ Primary Energy Demand of at least 10% below the locally applicable nearly zero-energy building (NZEB) requirement 	<ul style="list-style-type: none"> ▪ Construction of new buildings ▪ Acquisition and ownership of buildings
Energy Efficiency  	<u>Renovated buildings</u> The renovated building complies with any of the following criteria: <ul style="list-style-type: none"> ▪ The building renovation achieved a reduction in energy demand of at least 30% ▪ The building renovation results in an energy intensity of ≤ 150 kWh per square meter⁸ 	<ul style="list-style-type: none"> ▪ Renovation of existing buildings

⁷ An energy intensity of ≤ 100 kWh per M² is equivalent to an EPC label “A” or better in most countries where Aedifica has market presence. Due to international differences in EPC label methodologies, this threshold includes EPC labels $> “A”$ in Finland and Sweden. However, this selection criteria ensures that buildings with a similar maximum energy intensity are selected throughout the portfolio of Aedifica.

⁸ Energy intensity threshold of ≤ 150 kWh per M² applies throughout the portfolio, except for the UK and Ireland where a threshold of ≤ 250 kWh per M² for the Renovated buildings category applies.

	<ul style="list-style-type: none"> The building renovation results in an EPC Label “A” or better The building renovation was performed in line with the applicable EU requirements for major renovations 	
Renewable Energy 	<u>Renewable energy projects</u> Investments related to: <ul style="list-style-type: none"> Solar photovoltaic technology Energy storage Geothermal energy District heating & cooling 	<ul style="list-style-type: none"> Electricity generation using solar PV and geothermal energy Energy storage District heating & cooling
Climate Change Adaptation 	<u>Climate adaptation projects</u> <ul style="list-style-type: none"> Water efficiency projects e.g. reducing the water consumption, increasing on-site buffering and recycling, installing wastewater treatment on site, smart irrigation Active and passive cooling systems; overheating prevention measures such as screens, HR++ glass, night ventilation 	<ul style="list-style-type: none"> Installation of energy efficiency equipment
SOCIAL ASSETS AND INVESTMENTS		
Health & care buildings  	<u>Health & Care Buildings and related investments</u> <ul style="list-style-type: none"> Elderly care, children day care, care centres for people with mental disabilities or addictions, and senior housing buildings that provide and/or improve access to essential health & care services for vulnerable groups and people in certain medical conditions Individual investments that improve tenant wellbeing, quality of life, building accessibility and inclusive healthcare 	N/A

2.2 Evaluation & Selection Process

Eligible Assets contribute to the advancement of environmental and/or social sustainability and will be selected based on the Eligibility Criteria set-out in section 2.1. In line with Aedifica’s tagline ‘**housing with care**’, Eligible Assets first and foremost comply with the applicable 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. The relevant policies and standards can be consulted in the Corporate Governance Charter and Aedifica’s Environmental Policy available on [Aedifica’s corporate website](#).

On at least an annual basis, Aedifica’s internal departments will identify and select potential Eligible Assets. Subsequently, the Sustainability Steering Committee of Aedifica verifies whether the proposed Eligible Assets comply with the Eligibility Criteria and applicable environmental and social standards and regulations, and subsequently approves the portfolio of Eligible Assets.

The Sustainability Steering Committee is composed of a diverse group of employees responsible for the sustainability strategy of Aedifica – representing various disciplines and all countries in which Aedifica is represented – including the CEO, the CFO and the COO.

2.3 Management of Proceeds

Aedifica will manage the proceeds of issued sustainable finance instruments on a portfolio basis, using an internal registration system for the portfolio of Eligible Assets. As long as sustainable finance instruments issued under this Framework are outstanding, Aedifica will aim to allocate an amount equivalent to the proceeds of these instruments towards the applicable (sub)portfolio of Eligible Assets.

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

Aedifica intends to fully allocate the proceeds of issued sustainable finance instruments within a timeframe of maximum 2 years after issuance. Pending the allocation of the proceeds to the portfolio of Eligible Assets or in case insufficient Eligible Assets are available, Aedifica will temporarily manage the unallocated proceeds in line with its Treasury criteria.

The allocation of the proceeds of issued sustainable finance instruments towards the applicable (sub)portfolio of Eligible Assets will be reviewed and approved by the Aedifica Sustainability Steering Committee on at least an annual basis, until full allocation.

2.4 Reporting

2.4.1 Allocation of Proceeds Reporting

On an annual basis, until full allocation and thereafter in case of significant changes in the allocation, Aedifica will report on the allocation of the proceeds of issued sustainable finance instruments to its portfolio of Eligible Assets.

The allocation of proceeds reporting provides the following information on an aggregated level:

- An overview of the sustainable finance instruments issued under the Framework;
- The total amount outstanding (in EUR) of issued sustainable finance instruments;
- The allocation of the proceeds of issued sustainable finance instruments towards the applicable (sub)portfolio of Eligible Assets, including information on:
 - The composition of the portfolio of Eligible Assets per use of proceeds category;
 - A breakdown by geographical area (country level);
 - A breakdown of new financing vs. refinancing;
 - A breakdown of the Eligible Assets by nature of what is being financed (assets, capital expenditures)
 - Environmental Objectives supported by the portfolio of Eligible Assets;
- The amount of unallocated proceeds, if any

2.4.2 Impact Reporting

On an annual basis and on an aggregated level, Aedifica will report on the environmental and social impact of the Eligible Assets (re)financed with the proceeds of issued sustainable finance instruments.

Where feasible and available, the reporting will provide environmental and social impact reporting on the predefined impact indicators outlined below. Methodologies and assumptions used to evaluate the environmental and social impact will be disclosed as well.

Category	Potential impact indicators
Green Buildings	<ul style="list-style-type: none"> ▪ Number of eligible green buildings and total size in M² ▪ Distribution of eligible green buildings in terms of EPC Label ▪ Average energy intensity (in kWh/m²) of the portfolio of energy efficient buildings and the related greenhouse gas emission intensity (in kg of CO₂ equivalent per m²) ▪ Energy savings and greenhouse gas emission avoidance (in tonnes of CO₂ equivalent) of the portfolio in comparison to an average reference portfolio ▪ Selected case studies
Energy Efficiency	<ul style="list-style-type: none"> ▪ Number of eligible green buildings and total size in M² ▪ Energy savings (in kWh/m²) throughout the portfolio of refurbished buildings and the related greenhouse gas emission avoidance (in tonnes of CO₂ equivalent) ▪ Selected case studies
Renewable Energy	<ul style="list-style-type: none"> ▪ Installed renewable energy capacity (in MW) ▪ Installed energy storage capacity (in MW) ▪ Selected case studies
Climate Change Adaptation	<ul style="list-style-type: none"> ▪ Water savings in M³ water ▪ Energy savings (in MWh) ▪ Greenhouse gas emission avoidance (in tonnes of CO₂ equivalent) ▪ Selected case studies
Health & care buildings and investments	<ul style="list-style-type: none"> ▪ Number of eligible health & care buildings and total size in M² ▪ Breakdown by medical specialization (elderly care, children day care and senior housing) ▪ Number of beds / capacity ▪ Selected case studies

Both the allocation- and impact reporting will be publicly available to investors and stakeholders on the Investor Relations section of [Aedifica's corporate website](#) and/or the company's annual sustainability report.

2.5 External Review

2.5.1 Pre-issuance verification

Aedifica's Sustainable Finance Framework is reviewed by V.E. who provided a pre-issuance verification in the form of a Second Party Opinion. In the Second Party Opinion report, "V.E. considers that Aedifica's Framework is aligned with the four core components of ICMA's Green Bond Principles 2021, APLMA/LMA/LSTA's Green Loan Principles 2021 and Social Bond Principles 2021". The Second Party Opinion is available on the Investor Relations section of [Aedifica's corporate website](#).

2.5.2 Post-issuance verification

Aedifica will appoint an independent verifier to provide a post-issuance review addressing the allocation of an amount equivalent to the proceeds of issued sustainable finance instruments on an annual basis until full allocation.

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