

# vesta

Materiality Analysis  
Impact & Financial Materiality



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01

# Introduction: relevance and key activities

# Relevance and Key Activities

This analysis was performed in which we incorporated new issues to Vesta's current materiality, by context and sector, in order to assess their impact and financial relevance.

## Main activities:

- **Company analysis and industry trends:** industry ESG trends and Vesta corporate documentation.
- **Analysis of industry peers:** public information on leading companies and benchmarks.
- **Selection and prioritization** of relevant topics.
- **Financial assessment** of relevant topics by Vesta management.

Prioritize relevant issues by context and sector for Vesta and its stakeholders.

Identify trends on environmental, social and governance (ESG) issues.

Provide information to be considered in sustainability and business strategies.

Provide guidance for Vesta's approach to sustainability based on the issues identified.

Show relevant issues as a starting point for a comprehensive risk analysis.

Visualize the position of each issue based on the assessments.

02

# Context and Trends

# Risk Comparison

It is essential that companies integrate a risk management approach into their strategy in order to increase their resilience to crises and events resulting from climate change or other social factors.

## Top risks in 2016



## Risks that may materialize



Probability	Impact
1. Large-scale involuntary migration.	1. Failure of Climate Action.
2. Extreme climate events.	2. Weapons of mass destruction.
3. Failure of climate action.	3. Water crisis.
4. International conflicts.	4. Large-scale involuntary migration.
5. Natural catastrophes.	5. Impact on Energy crisis.

Within the next 2 years	Within the next 10 years
1. Housing cost crisis.	1. Failure to mitigate climate change.
2. Natural disasters and extreme climate events.	2. Failure to adapt to climate change.
3. Geopolitical conflict.	3. Natural disasters and extreme climate events.
4. Failure to mitigate climate change.	4. Loss of biodiversity and ecosystem collapse.
5. Erosión of social cohesion and growing polarization.	5. Large-scale involuntary migration.

# Real estate industry trends

Growing customer expectations regarding safety and hygiene at the sites they visit, along with sustainable construction features, smart cleaning services, etc.

Products are being pushed toward a "customer first" concept. This is achieved through data collection and analysis, sending the right information to more effectively attract customers.

Sustainable construction is a great motivator in various industries, relying on collaboration between various areas. This is because zero-carbon buildings serve as catalysts to generate sustainable construction materials.



Adaptation of energy efficiency measures that encourage reduced spending and emissions. Together with the acquisition of onsite and offsite technologies that help reduce emissions..

72% of companies that use or rent office space are expected to increase or migrate fully to a remote work scheme, reducing demand for these specialized spaces over the next three years.

Adaptive repurposing will become key for making use of underused spaces. The mixed use of spaces already on hand can increase occupancy by 13.9% over single-use spaces.

Net Zero Readiness Index. KPMG, 2021.

Commercial Real Estate Trends And The Call For Creativity. Forbes, 2021.

Real Innovation in real estate. KPMG, 2022.

A game changer: How corporate strategy drivers are elevating the strategic importance of corporate real estate. KPMG, 2022.

03

# Methodology



# Materiality and Dual Materiality

Materiality and dual materiality are key sustainability concepts. They have been addressed by international reference frameworks such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) and International Financial Reporting Standards (IFRS).

Materiality refers to identifying and reporting the most significant issues for an organization and its stakeholders. Dual materiality broadens this approach by considering not only the organization's impacts on the world around it, but also the impacts of the world around it on the organization.

The GRI Standards focus on materiality from the perspective of the organization and its stakeholders, while SASB focuses on financial materiality and environmental, social and governance (ESG) factors.

The IFRS, on the other hand, focuses on financial accounting, which is evolving to address financial risks related to sustainability.

Today there is a growing awareness that sustainability issues can have material impacts on companies' profitability and reputation.

Investors and stakeholders are demanding greater transparency in sustainability disclosure.

The adoption of standards such as GRI and SASB and the integration of IFRS sustainability considerations reflect an evolution towards greater sustainability accountability and transparency of organizations.

This is an exercise in which we identify the most relevant topics for Vesta, based on an analysis of existing documentation and the external context, in order to assess the relevance of the topics for the industry and its stakeholders.

1

## Analysis of external arbiters (trends, standards and frameworks)

Identification of relevant topics and ESG trends for the sector based on the following references:

- Global Reporting Initiative (GRI)
- Sustainability Accounting Standards Board (SASB)
- Task Force on Climate Related Financial Disclosures (TCFD)
- S&P Corporate Sustainability Assessment (CSA)
- Morgan Stanley Capital International (MSCI)
- Global Real Estate Sustainability Benchmark (GRESB)

2

## Analysis of the company

Analysis of Vesta's sustainability management with respect to relevant issues and ESG trends.

Stakeholder surveys.

3

## Peer benchmark

Analysis of **relevance and performance** against the list of ESG issues for the selected companies.

4

## Materiality assessment

Assignment of **specific weighting** to assessed stakeholders and organizational interests.

Analysis of Vesta's **performance** against selected sustainability peers.

5

## Impact materiality

Evaluation of the **impacts, positive and negative**, regarding material issues, based on the impact that the company could have on society, interest groups and the environment.

6

## Financial Materiality

Evaluation of material issues from a **financial perspective, evaluating risks and opportunities for the business** through a consultation process with Vesta executives.

The most relevant initiatives, trends, methodologies, frameworks and tendencies in ESG issues at a general level and for the industry in particular were considered.

- **SASB and GRI:** international organizations that create standards and methodologies for the disclosure of economic, environmental and social information.
- **S&P Corporate Sustainability Assessment:** questionnaire focused on monitoring the ESG performance of companies by industry for decision-making by investors and key audiences.
- **MSCI:** a provider of environmental, social and governance indices designed to help institutional investors more effectively benchmark ESG investment performance.
- **TCFD:** an international organization that aims to create standards on climate change, primarily in the areas of corporate governance, metrics and targets, strategy and risk.
- **GRESB:** an organization that provides real estate investors with information on ESG issues in this sector.


MSCI 


  
**S&P Global**


**TCFD** | TASK FORCE ON  
CLIMATE-RELATED  
FINANCIAL  
DISCLOSURES



This helps us to determine the expectations and needs of ESG standards and trends so that they can be evaluated and capitalized for the strategic management of the organization.

Representative Organizations 

 Press\*

Associations 

## Purpose of the Analysis

- Identify and highlight the most important issues for Vesta's external arbiters, which significantly affect or may significantly affect its activities, products and services.
- The following were analyzed:
  - Reports and recommendations from industry representative bodies.

The documents were considered in terms of perceived performance and internal importance of relevant topics that were subsequently included in the materiality matrix.

\*Note: The press analysis was used only to obtain impacts related to material issues.

Allows for a comparison of Vesta's ESG performance against selected players (direct, indirect, national and international) in its industry.

## Purpose for the Analysis

To evaluate the approach and practices of selected stakeholders to identify best ESG practices.

We analyzed:

- Relevant issues for each company according to the external arbiters, as well as their material issues.
- Main policies, commitments and strategies on these issues.
- KPIs and objectives defined for these topics.
- Best practices.
- Positioning of the company vis-à-vis the companies analyzed



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Materiality reflects the topics that:

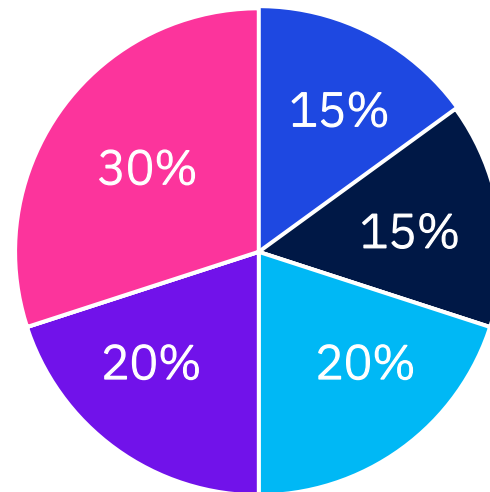
Substantially influence stakeholder opinions and decisions

Express the organization's (industry's) significant economic, environmental and social impacts

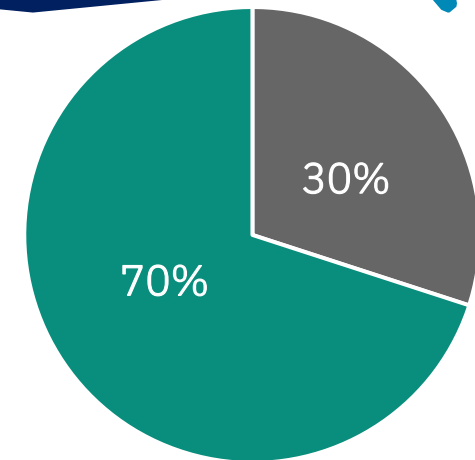
Weighting in stakeholder influence

Weighting in importance of ESG impacts

- Stakeholders relevant to the organization
- ESG standards
- Industry-specific standards
- Industry representation organization
- Benchmark's Value



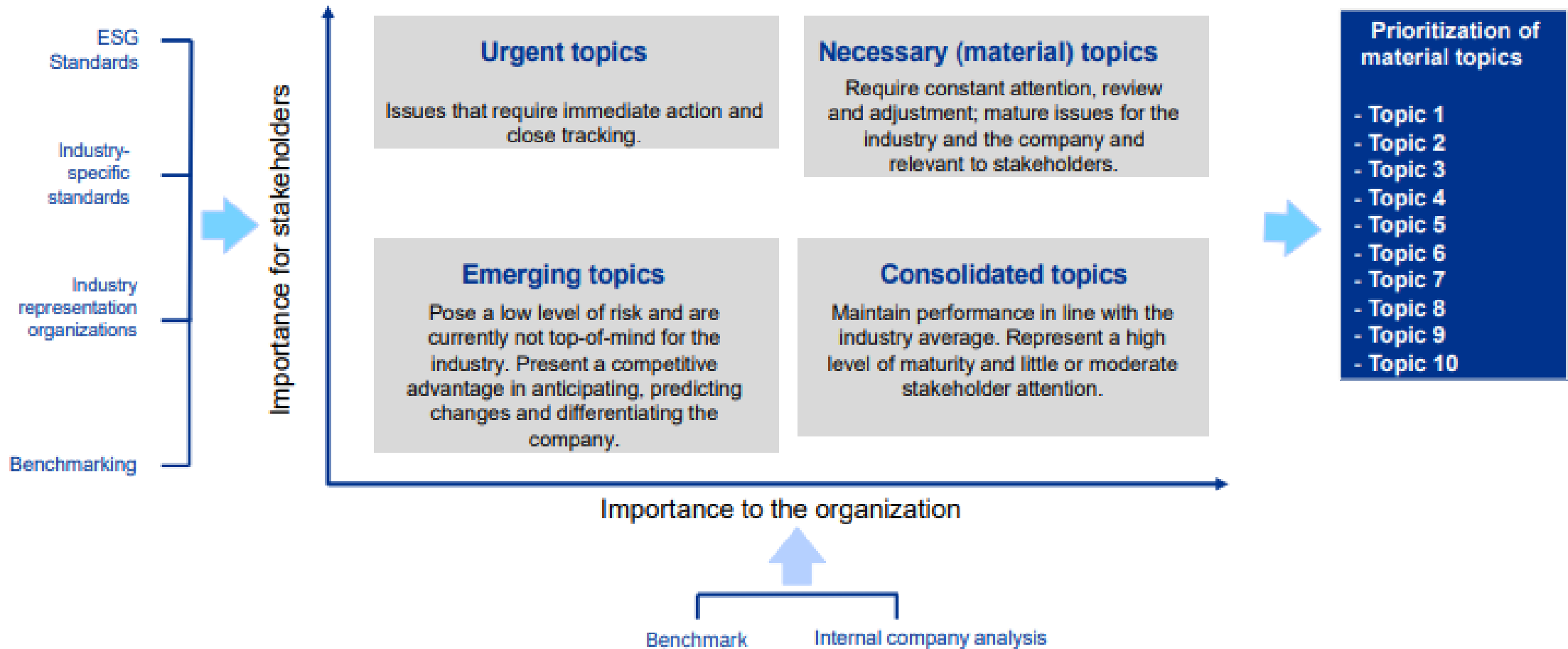
- Value for Vesta's management
- Strategic view of management



Specific weightings were assigned considering the affinities between the material topics identified for Vesta, the industry, and those conceived by external arbiters.

# Materiality Matrix

The matrix shows the relationship between the various topics according to their importance to Vesta and their importance to stakeholders.



# 04 Results



Based on Vesta's current material topics, we asked company executives to evaluate the most relevant ESG topics from a financial perspective.

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Material issues identified in Vesta's current materiality (impact) + new issues by context and sector.

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Design of the new materiality list considering impact vs. financial relevance.

1. Starting point

2. Evaluation

4. Listing

3. Cross-referencing

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Consultation with key stakeholders for an assessment of material topics from a financial perspective.

\*The financial perspective was defined by Vesta..

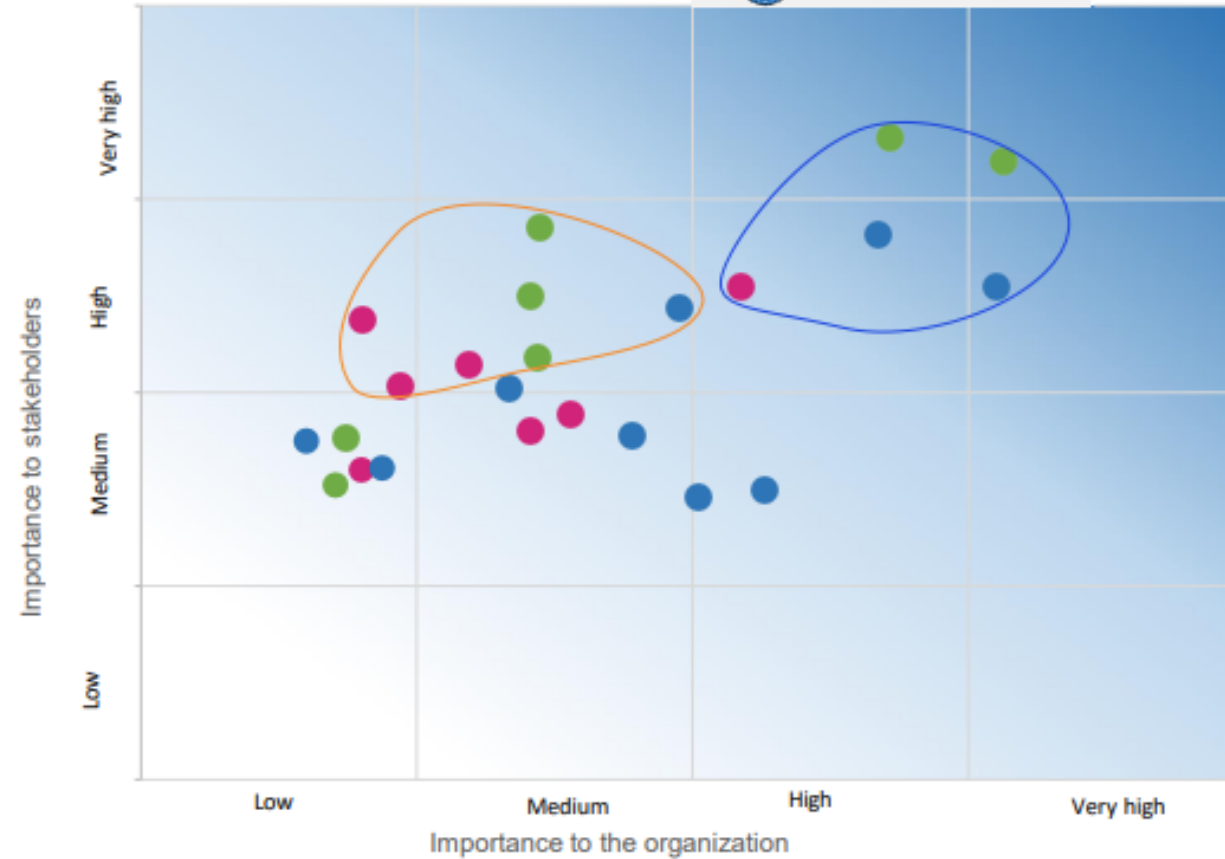
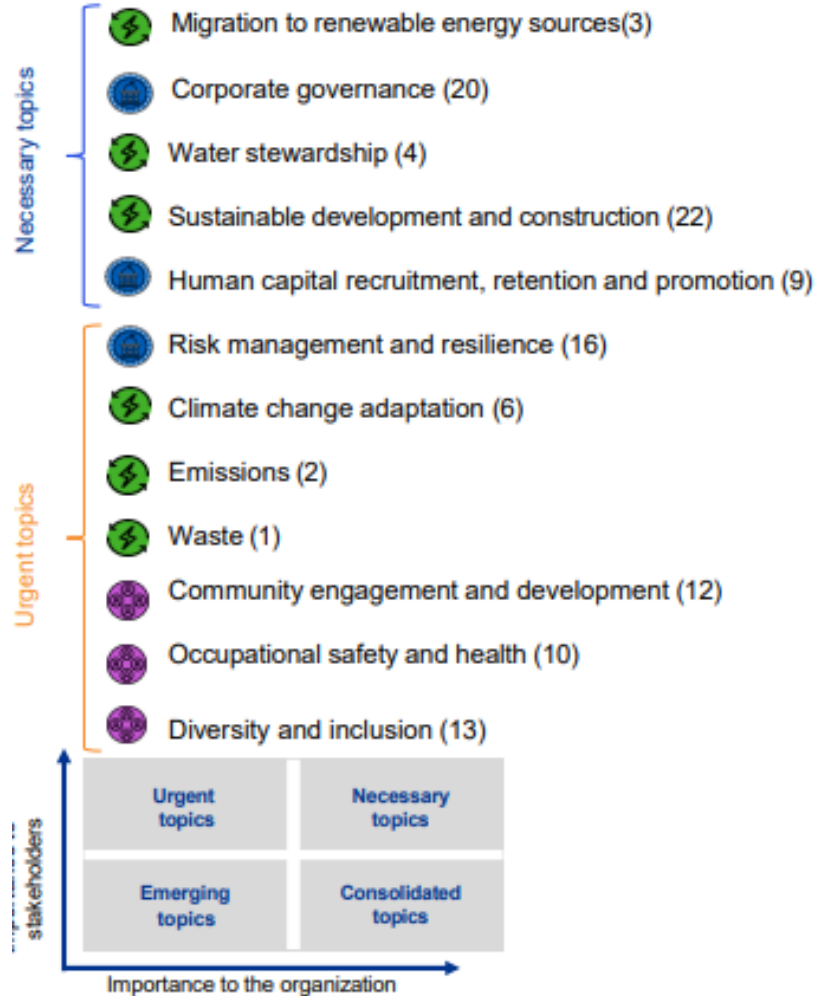
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Cross-referencing of the risk assessment (performed in the previous year) with the financial assessment.

The matrix shows the relationship between the various topics according to their importance to Vesta and their importance to stakeholders. Material topics are classified into the categories of Environmental, Social and Governance.

- Environmental
- Social
- Governance



According to impact and financial relevance:

Critical	Significant	Important	Informational	Minimal
<p>Water Management (4)</p> <p>Migration to renewable energies (3)</p> <p>Corporate governance (20)</p> <p>Sustainable development and construction (22)</p> <p>Risk management and resilience (16)</p>	<p>Climate change adaptation(6)</p> <p>Human capital recruitment, retention and development (9)</p> <p>Responsible investment (21)</p>	<p>Ethics and anticorruption (18)</p> <p>Emissions (2)</p> <p>Tenant and employee satisfaction (8)</p> <p>Community Engagement and development (12)</p> <p>Sustainable Supply chain (15)</p> <p>Cybersecurity and technology (23)</p> <p>Waste (1)</p> <p>Adapting to regulatory changes (19)</p> <p>Tenant sustainability management (14)</p>	<p>Labor practices (11)</p> <p>Human rights (17)</p> <p>Occupational health and safety (10)</p> <p>Inclusion and Diversity(13)</p> <p>Biodiversity impact management (7)</p>	<p>Environmental management system (5)</p>

## Change vs 2022 Materiality

Increase			Environmental
Dropped			Social
Unchanged			Governance

2022 Materiality	Change
Migration to renewable energies (3)	
Corporate Governance (20)	
Water Managment (4)	
Sustainable development and construction (22)	
Human capital recruitment, retention and development(9)	
Risk management and resilience (16)	
Climate change adaptation (6)	
Emissions(2)	
Waste (1)	
Community Engagement and development (12)	
Occupational health and safety (10)	
Diversity and Inclusion (13)	

2023 Materiality
Water Management (4)
Migration to renewable energies (3)
Corporate Governance (20)
Sustainable development and construction (22)
Risk management and resilience (16)
Climate change adaptation (6)
Human capital recruitment, retention and development(9)
Responsible Investment (21)
Ethics and anticorruption (18)
Emissions (2)
Tenant and employee satisfaction (8)
Community Engagement and development (12)

## What is it and what is its objective?

- The evaluation of the materiality in terms of a financial perspective allows us to know those topics with a probability of high risk towards the business.
- Likewise, it allows us to identify possible opportunities ranging from savings in operating costs and cash flow.

## Why is it useful?

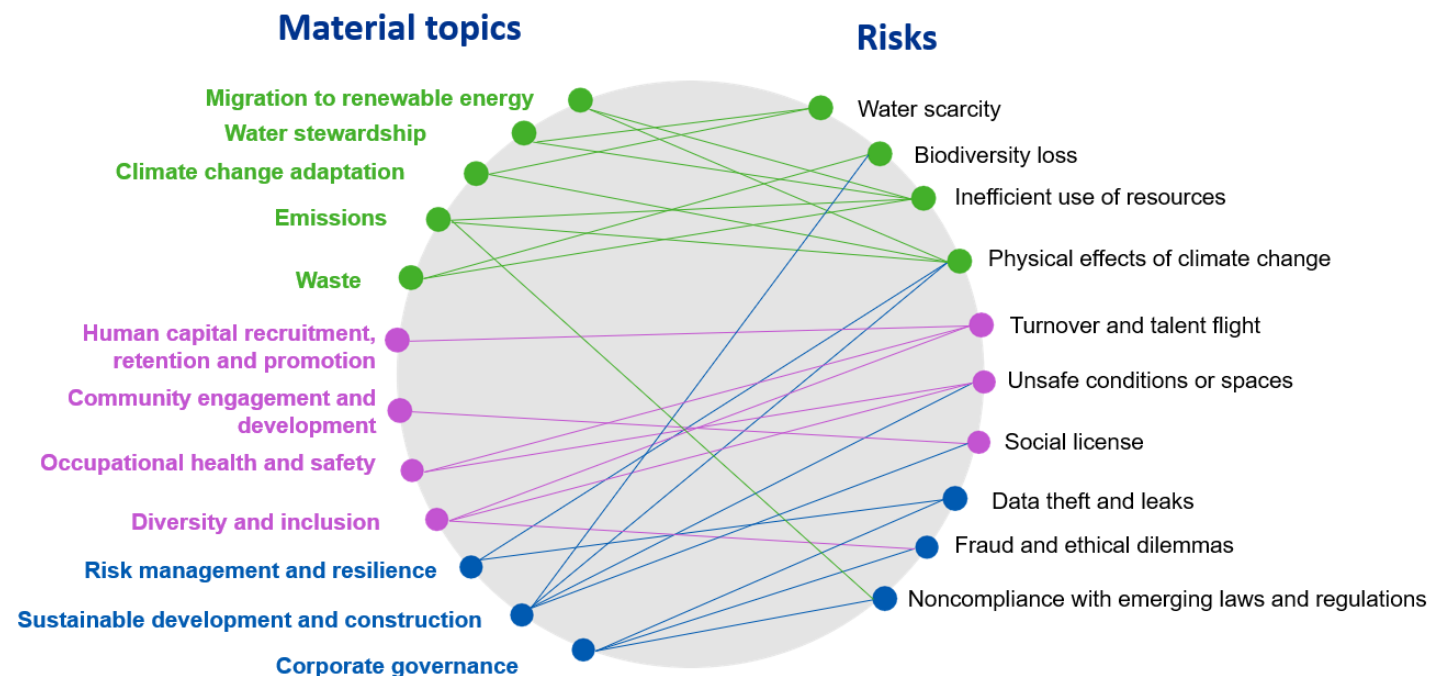
- It allows designing measures to mitigate risks related to sustainability issues for the business. Likewise, it allows us to detect opportunities.
- At the same time, it meets requirements that are mandatory by law in some geographies, such as Europe.
- This regulatory trend is expected to reach other jurisdictions in the short term, mainly impacting listed or public companies.
- Being one step ahead before these obligations arrive will undoubtedly be a competitive advantage in the market.

In keeping with the dual materiality focus described in the GRI Standard recommendations, we conducted an exercise to identify and weight the risks related to the material issues that may be caused directly by Vesta or affect us through the value chain, and which in turn may generate financial, reputational or operational impacts. For material issues, **ten associated ESG risks were identified.**

A group of executives representing different areas of the company participated in a high-level exercise to weigh the issues that, according to their experience and knowledge of operations, could pose a risk to Vesta in terms of their probability and impact..

**Probability:** the likelihood of a given event occurring.

**Impact:** the severity of the effects when the risks materializes.



	Water management	Migration to renewable energy sources	Corporate governance
Business case	Although ours is not a water-intensive operation, water is one of the resources we use at Vesta, in cleaning, sanitation and watering our green areas. We therefore believe it is important to have initiatives to use it responsibly.	Energy is one of the main resources we use at Vesta to operate and administer our parks. We are working to reduce our negative environmental impacts by migrating to the use of renewable energies and away from traditional sources, so we can reduce the amount of GHG emissions we generate.	All decisions and actions made within the company must be carried out with sound corporate governance. Our Board of Directors is the body responsible for managing and leading the business and overseeing compliance with the Vesta Level 3 Strategy; we strive at all times to protect the interests of our stakeholders.
Impact	Risk	Risk	Risk
Strategy	<p>Have real and accurate data on water use in our common areas.</p> <p>Introduce efficiency measures to achieve consumption reduction targets, monitor these metrics from the construction phase through operating activities, based on the Sustainable Construction Manual.</p>	<p>Have real and accurate data on energy use in our common areas.</p> <p>Introduce efficiency measures to achieve consumption reduction targets, monitor these metrics from the construction phase through operating activities, based on the Sustainable Construction Manual.</p> <p>We carried out our first emissions inventory exercise to identify our main sources of emissions and to determine the role of energy in our operations.</p>	<p>Apply the Policy and Responsible Investment Checklist in acquisitions and sales of portfolio, land and parks.</p> <p>Introduce measures to improve diversity in our Board of Directors.</p>
Related target or metric	Reduce water consumption by 20% in Vesta-managed areas*.	Reduce our carbon footprint (Scopes 1 and 2) in Vesta-managed areas by 20%.	<p>100% of our investment decisions made according to the Principles for Responsible Investment.</p> <p>Have three women as regular members of the Board of Directors.</p>

\*The areas managed by Vesta include common areas and offices.

## What is it and what is its objective?

- It is a process that allows identifying the most relevant topics for the company in terms of sustainability and prioritizing them, through the impacts on the company's stakeholders.
- This analysis identifies and prioritizes those environmental, social and corporate governance (ESG) impacts whose management is critical for business continuity and, from which, initiatives and action plans can be strengthened or promoted, to mitigate any negative impact and/or encourage any positive impact generated through our operations.

## Why is it useful?

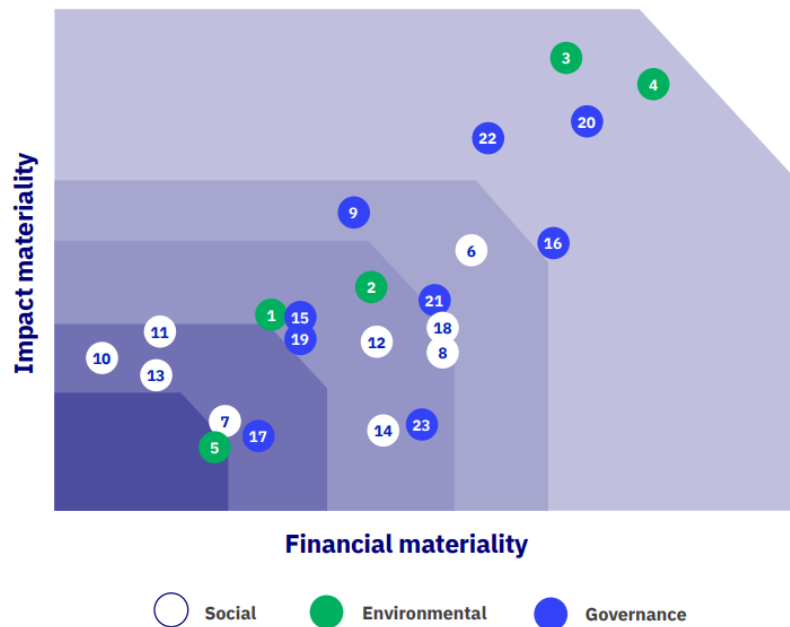
- The material topics serve as the basis for the sustainability management and communication, that is, they are necessary to set a strategy and priorities in the business, regarding ESG topics, as well as to generate sustainability reports that serve for different stakeholders.



## Priority Impacts

Based on the Materiality Analysis, priority impacts were determined based on the most relevant material issues.

For each of the topics, positive or negative impacts were identified.



Material topics with most relevant

2023 Materiality	
Water Management (4)	Environmental
Migration to renewable energies (3)	Environmental
Corporate Governance (20)	Governance
Sustainable development and construction (22)	Governance
Risk management and resilience (16)	Governance
Climate change adaptation (6)	Environmental
Human capital recruitment, retention and development (9)	Social
Responsible Investment (21)	Governance
Ethics and anticorruption (18)	Governance
Emissions (2)	Environmental
Tenant and employee satisfaction (8)	Social
Community Engagement and development (12)	Social

## Positive Impacts

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**Positive impacts** are considered as those impacts that the organization generates through its activities, and contribute positively to its stakeholders, contributing to sustainable development (in environmental, social and governance terms).

## Negative Impacts

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**Negative impacts** are impacts that the organization generates through its activities, and that negatively affect its stakeholders, in addition to contributing negatively to environmental, social and/or governance problems.

# Impacts Definition

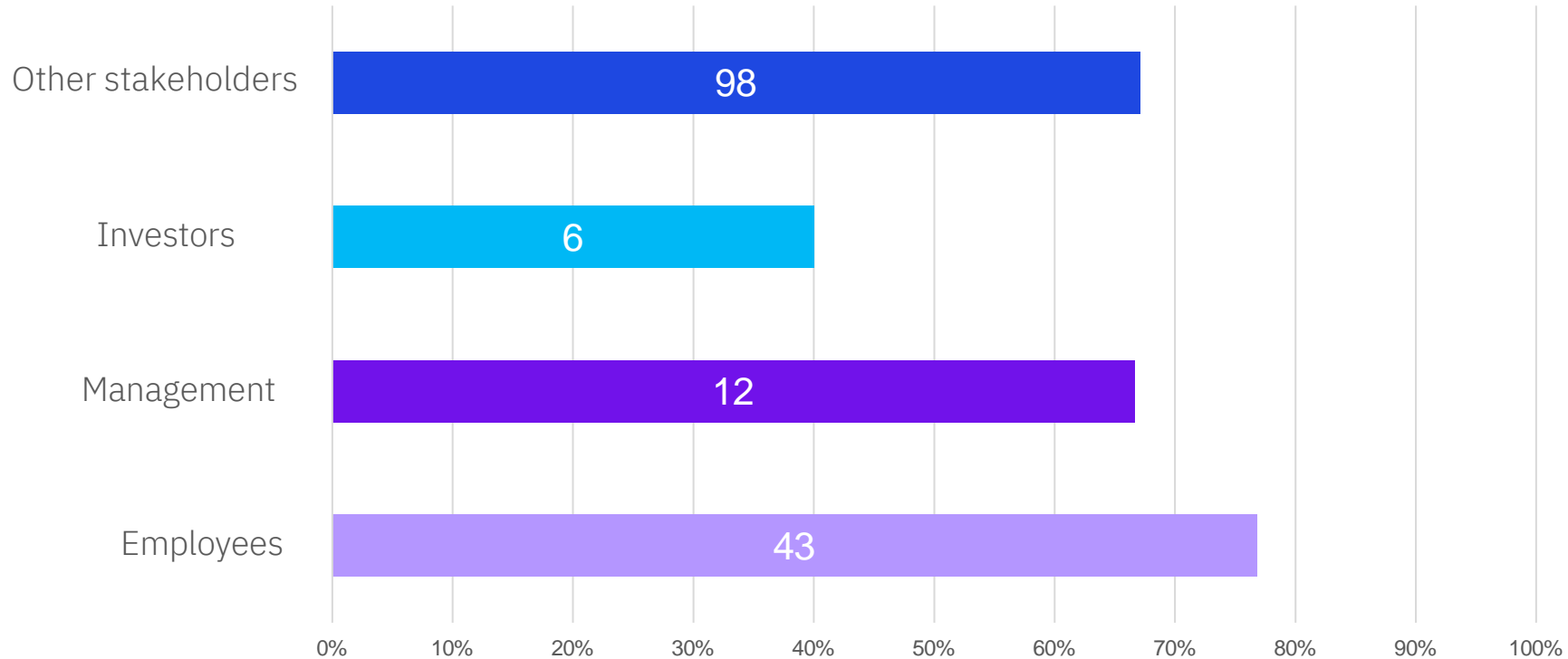
	Impact 1 (Topic: Water Management)	Impact 2 (Topic: Migration to renewable energies )
<p><b>Material issue for external stakeholders</b></p> <p>Specify the material issue that generates a positive/negative impact on external stakeholders.</p>	Water	Energy
<p><b>Cause of Impact</b></p> <p>Specify which part of your company is responsible for the external impact and the coverage of business activity that has been taken into consideration in the assessment.</p>	Operations Not Known	Operations Not Known
<p><b>Stakeholder(s)/external impact area(s) assessed</b></p> <p>Select the stakeholder group or impact areas evaluated.</p>	<ul style="list-style-type: none"> <li>Environmental</li> </ul>	<ul style="list-style-type: none"> <li>Environmental</li> </ul>
<p><b>Relevance of the topic to external stakeholders</b></p> <p>Briefly explain why the assessed external impact is important to external societal or environmental stakeholders. Please also indicate the type of impact assessed along with public disclosure, if available.</p>	<p>Negative Impact</p> <p>Impact: Increase in water consumption in the geographies in which the company operates, in relation to the gross leased area in recent years. The topic is relevant for society and the environment due to the increase in water stress levels in the country and communities surrounding some of the company's facilities.</p>	<p>Positive Impact</p> <p>Impact: Reduction of pollution derived from GHG through the reduction of scope 2 emissions through own energy generation initiatives (installation of solar panels in parks). The issue is environmentally friendly because it contributes to the reduction of emissions in cities with high pollution rates (e.g. Toluca, Aguascalientes and Tlaxcala).</p>

05

# Appendixes

# Stakeholders (Participants)

Surveys were conducted of internal and external stakeholders in order to hear their perspectives on the relevance of the ESG topics analyzed, and to evaluate the perceived maturity of management and communication regarding Vesta's ESG efforts.



## Characteristics

- Duration of approximately five weeks.
- Online questionnaire application.
- Most participants were employees.
- Included stakeholders such as tenants, suppliers, investors and other related groups such as associations, etc.

# Full list of topics analyzed



## Environmental

- Waste (1)
- Emissions (2)
- Migration to renewable energy sources (3)
- Water stewardship (4)
- Environmental management system (5)
- Climate change adaptation (6)
- Management of biodiversity impacts(7)



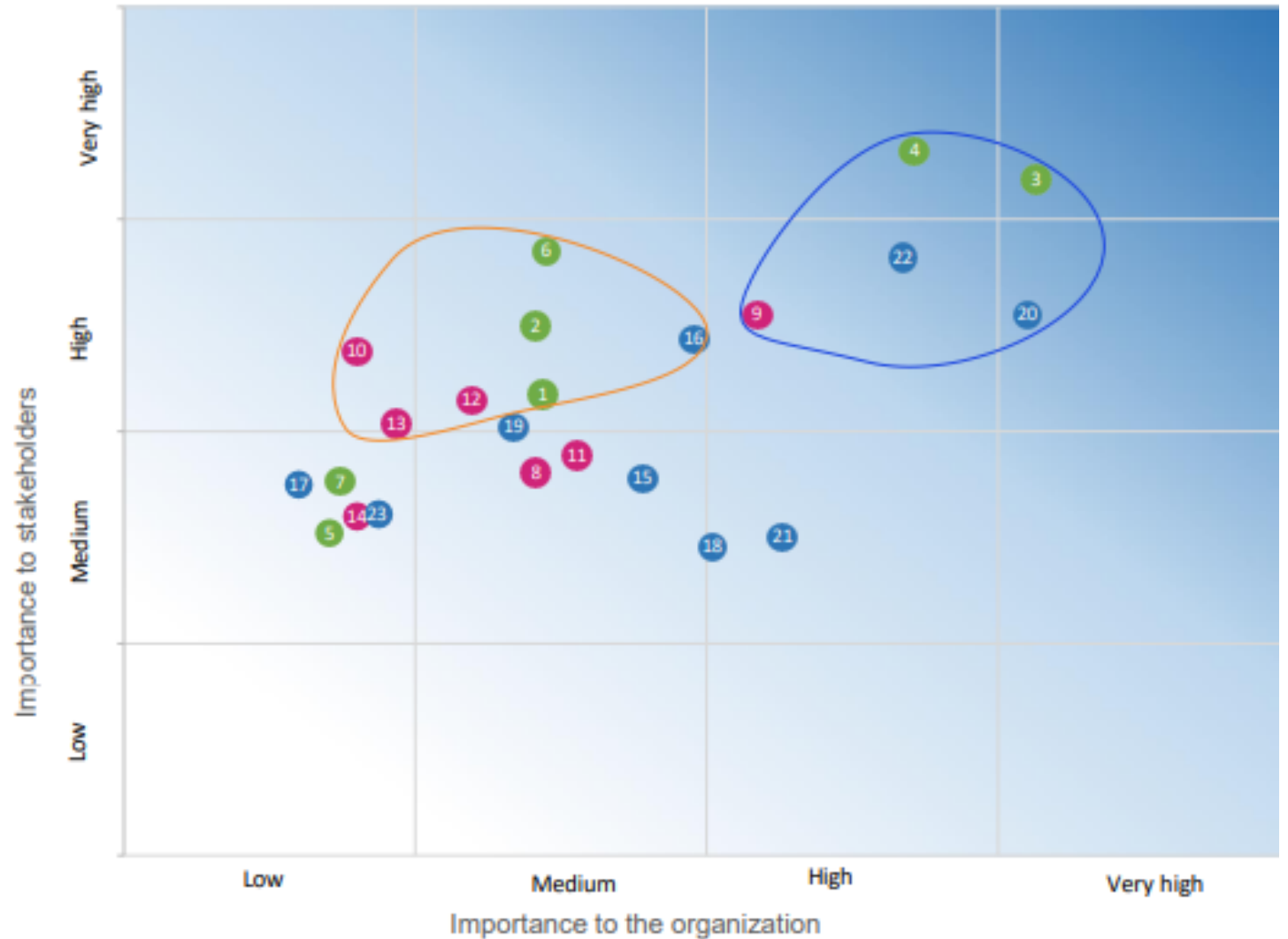
## Social

- Tenant and employee satisfaction (8)
- Human capital recruitment, retention and promotion (9)
- Occupational safety and health (10)
- Labor practices (11)
- Community engagement and development (12)
- Diversity and inclusion (13)
- Tenant sustainability management (14)



## Governance

- Sustainable supply chain (15)
- Risk management and resilience (16)
- Human rights (17)
- Ethics and anti-corruption (18)
- Adaptation to regulatory changes (19)
- Corporate governance (20)
- Responsible investment (21)
- Sustainable development and construction (22)
- Cybersecurity and technology (23)



# Impact by Risk (Financial Materiality)

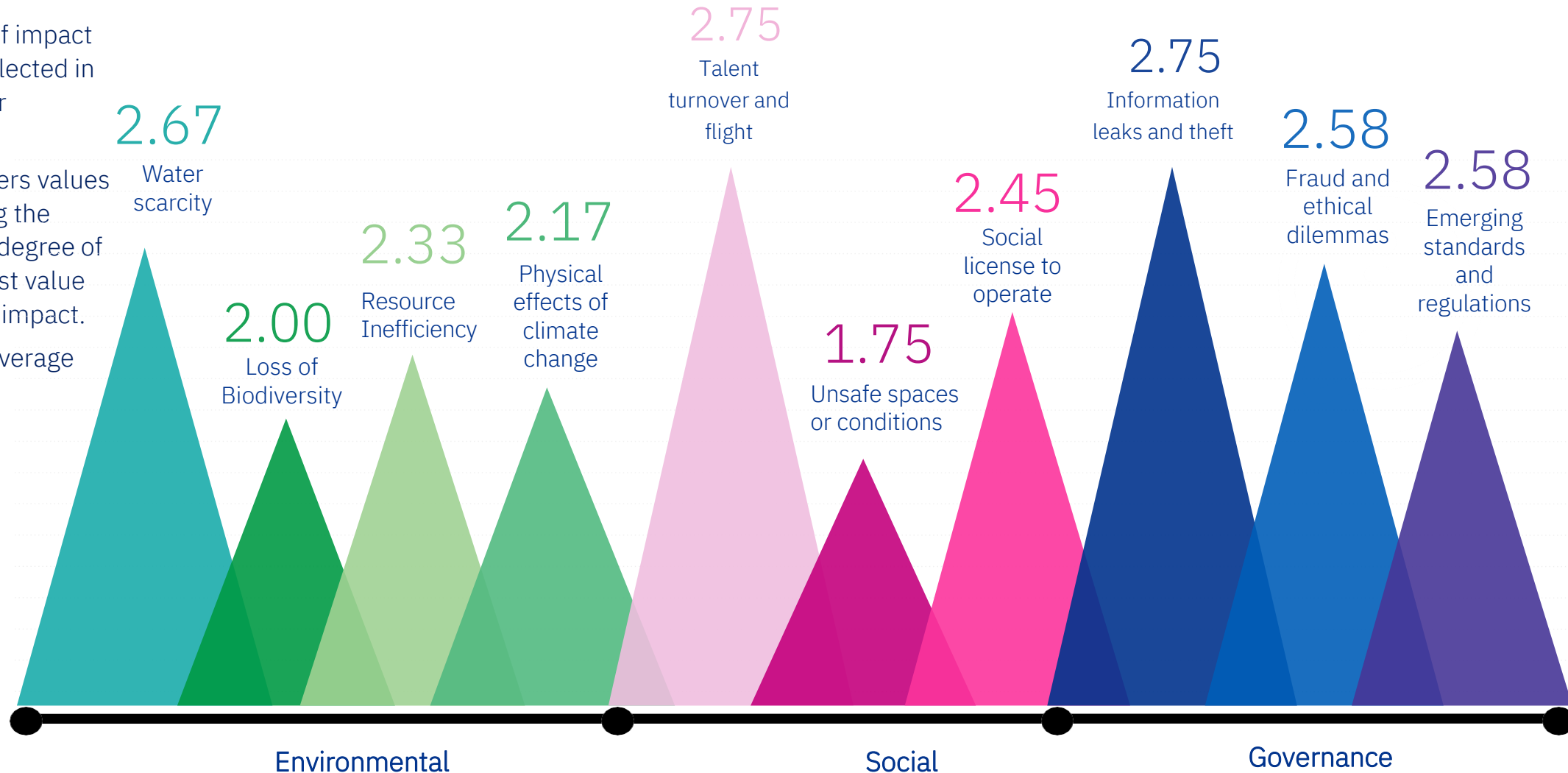
Scale of  
1 to 4

## Impact or Severity

We assessed the level of impact or degree of severity reflected in financial, reputational or operational aspects.

The assessment considers values from 1 to 4, with 1 being the lowest value or a lower degree of impact, and 4 the highest value or a very high degree of impact.

The figures shows the average score for each risk.



# Probability by risk (Financial Materiality)

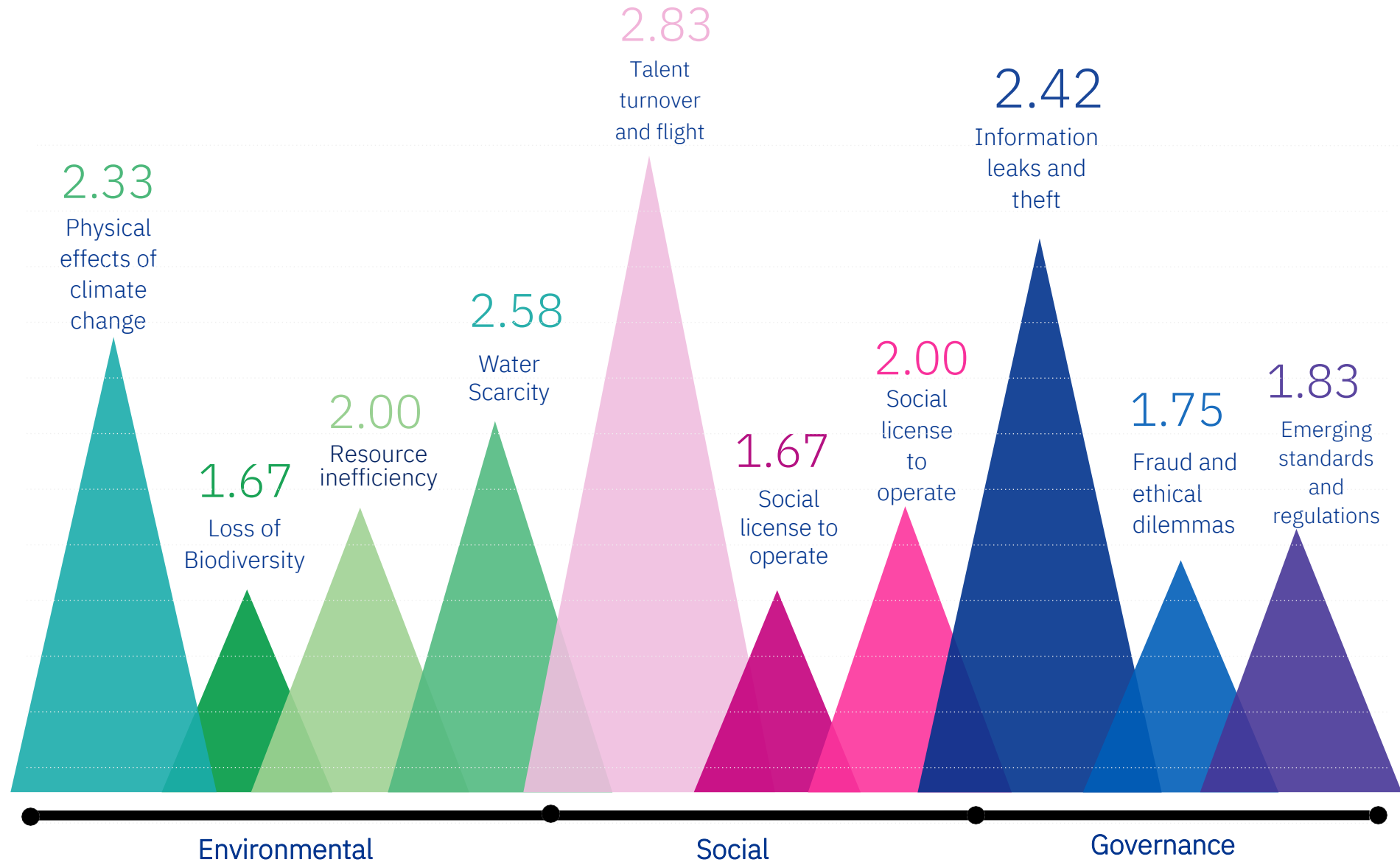
Scale of 1 to 4

## Frequency

We evaluated the level of probability that a risk would have an impact on the organization.

The assessment considers values from 1 to 4, with 1 being the lowest value or most remote likelihood of occurrence, and 4 the highest value or an almost certain probably of occurrence.

The figures shows the average score for each risk.





# Risks Matrix (Financial Materiality)

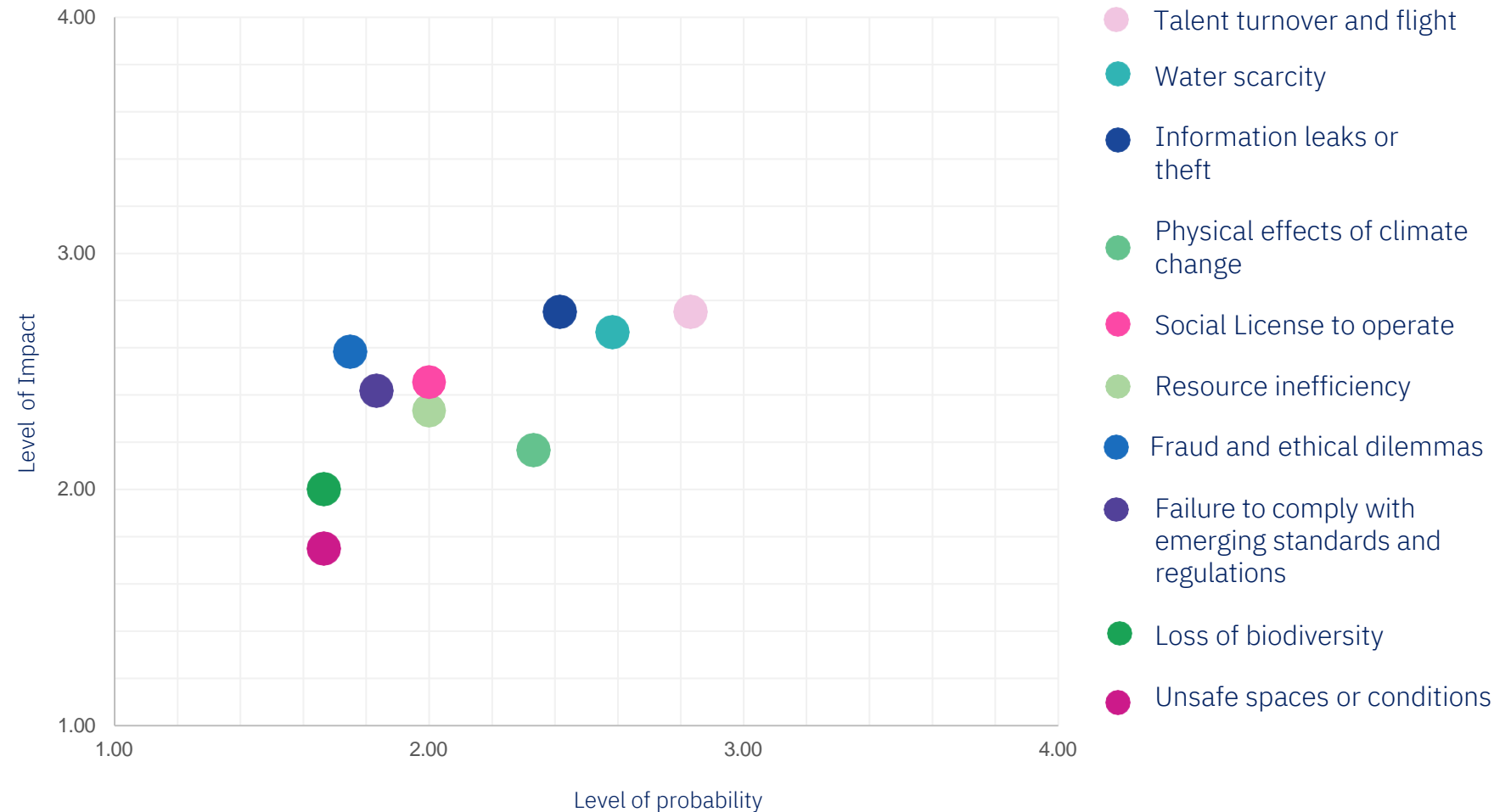
## Risks by relevance

We conducted an assessment of probability and impact for each of the risks associated with Vesta's material topics.

We mapped the topics according to the average value resulting from the ten interviews, with 1 as the least impact and remote probability, and 4 as a very high impact and an almost certain probability.

The three risks with the greatest probability/impact are:

1. Talent turnover and flight
2. Water scarcity
3. Information leaks or theft



# Full list of topics and their description

## Environmental

- **Waste:** Management of waste generated by infrastructure development and construction and tenant operations. Waste management by final disposal (landfill, revalorization, recycling).
- **Emissions:** Methods of reducing the gases listed by the Greenhouse Gas Protocol.
- **Migration to renewable energy:** Sources of energy, generated or purchased, including the fuels to arrive at them, and the migration to sustainable energy.
- **Water management:** Water withdrawals and consumption for operations, analyzing the level of water stress where operations are located, identifying areas at risk of water scarcity. Management of graywater and blackwater derived from operations.
- **Effluent discharge:** Water treatment plants that reduce the water intensity of operations.
- **Environmental management system:** System or systems focused on managing and improving energy use, emissions, and waste reduction.
- **Climate change adaptation:** Preparedness for long-term changes in climatic conditions or climate-related events, including adaptation of infrastructure to withstand extreme weather events.
- **Biodiversity impact management:** Impacts on biodiversity and ecosystems during construction and remodeling of shopping centers. Management of the impacts of buildings located in protected natural areas, conservation zones, near bodies of water, etc.

## Social

- **Tenant and employee satisfaction:** Ensuring conditions that meet tenants' and employees' expectations and needs.
- **Human capital recruitment, retention and development:** recruitment, retention, training and development of employees, personal and professional growth.
- **Occupational health and safety:** Safe spaces and conditions for employees, contractors and tenants.
- **Labor practices:** Favorable working conditions, labor rights, programs that promote the physical and mental wellbeing of employees, benefits above and beyond those required by law.
- **Community engagement and development:** investment, programs and initiatives focused on fostering community development.
- **Diversity and inclusion:** Equal opportunity in hiring and salaries. Ensure diversity and inclusion in development opportunities focused on employees and the community.
- **Tenant sustainability management:** Policies for tenants to manage their ESG impacts at Vesta properties.



# Full list of topics and their description

## Corporate Governance

- **Sustainable supply chain:** Evaluation of practices, policies and processes with ESG criteria for supplier selection and management (development and operations).
- **Risk management and resilience:** Ability to identify and adapt to risks that generate financial or ESG impacts.
- **Human Rights:** Commitment to and assessment of respect for basic human rights, within operations, with tenants, contractors and communities.
- **Ethics and anti-corruption:** Practices, policies and processes focused on promoting ethics, avoiding and mitigating corruption and bribery.
- **Adaptation to regulatory changes:** Ability to identify the degree of compliance with the rules and regulations applicable to the sector. Continuous monitoring of rules and regulations. Identification and adaptation to present and future regulatory changes.
- **Corporate governance:** Definition of responsibilities from the highest governance body (Board of Directors) to oversee and monitor ESG issues.
- **Responsible investment:** Relevance and implementation of evaluation processes in ESG aspects to access investment to or from the organization.
- **Sustainable development and construction:** Practices, policies and processes for evaluating and selecting locations for real estate development and construction.
- **Cybersecurity and technology:** Security of information, systems and locations in the cloud and information.



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