



Vesta Management, S. de R.L. de C.V.

Double Materiality Assessment Overview

Advisory

April 2025

KPMG México



Materiality and Double Materiality

Materiality and double materiality are key sustainability concepts. The Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the International Financial Reporting Standards (IFRS) offer useful international reference frameworks for these concepts.

While materiality refers to the identification and reporting of aspects that are most significant for an organization and its stakeholders, double materiality broadens this approach by considering not just the impacts on the organization in its context, but also the impact of the context on the organization.

GRI Standards focus on materiality from the standpoint of the organization and its stakeholders, while the SASB is concerned about financial materiality and environmental, social and governance (ESG) matters.

The IFRS, meanwhile, concentrates on financial accounting, which is evolving to address financial risks as they relate to sustainability.



In today's world there is a growing recognition that sustainability aspects may have a material impact on businesses' profitability and reputation.

Investors and stakeholders are demanding increasing transparency in the disclosure of information about sustainability.



The adoption of standards like GRI and SASB and the incorporation of IFRS sustainability considerations reflect an evolution toward greater accountability and transparency among organizations regarding sustainability.

Double Materiality: Methodology

1

Identification of topics

Identification of preliminary topics based on a variety of public sources, peers, international information from the organization and Vesta's current materiality.

2

Identification of IROs

Comparison and assessment of the impacts, risks and opportunities (IROs) associated with the preliminary topics, to be assessed later on.

4

Weighting, calibration and analysis of topics

Design of the materiality matrix considering environmental, social, and governance impacts for the organization, compared to their financial relevance.

3

Stakeholder Consultation

Consulting with Vesta's stakeholders to assess these topics from the impact and financial perspectives.

Double Materiality: methodology

Identification of topics and IROs

ESG Topics	Descriptions	Related IROs
Climate Change Adaptation	Identification and management of the risks and opportunities associated with climate events that impact real estate assets. The implementation of strategies to improve property resilience, were included.	<ul style="list-style-type: none"> • Vulnerability in operations and projects (R) • Damage to infrastructure and physical assets (R) • Decreased labor productivity (R) • Disruption of services and damage to image (R) • Supply chain disruptions (I) • Increased adaptation and operational costs (I) • Displacement of communities and vulnerable groups (I) • Resilience to physical risks of climate change (O)
GHG Emissions	It addresses the release of greenhouse gas emissions (GHG) and gases that contribute to global warming and climate change, as well as policies, international agreements, and practices for their reduction and mitigation.	<ul style="list-style-type: none"> • Operating costs (I) • Vulnerability to environmental regulations (R) • Loss of investors and customers (R) • Potential litigation (R) • Offering innovative solutions (O) • Carbon offsetting (O)
Energy Management	Efficient and responsible use of energy within processes and developments to reduce consumption and GHG emissions, as well as promoting the use of renewable energy sources.	<ul style="list-style-type: none"> • Power shortages and potential reduction in profitability (R) • Penalties for non-compliance with energy regulations (R) • Increased corporate carbon footprint (I) • Vulnerability to energy price fluctuations (I) • Use of non-renewable sources (I) • Implementation of clean energy (O)
Biodiversity Management	Responsible land use management, biodiversity conservation, and the implementation of practices that reduced the impact on the local environment. This also includes striking a balance between real estate development and ecosystem preservation.	<ul style="list-style-type: none"> • Irreversible damage to ecosystems (I) • Decrease in available natural resources (I) • Poor ecosystem management (I) • Noncompliance with legal requirements (R) • Increased costs for resource extraction and use (R) • Reputational damage (R) • Environmental restoration and conservation initiatives (O) • Attracting investors and customers (O)

Double Materiality: methodology

Identification of topics and IROs

ESG Topics	Description	Related IROs
Water Resources Management	Efficient use and conservation of water resources throughout operations and at the properties, to ensure their availability and quality.	<ul style="list-style-type: none"> • Increased costs (R) • Contamination of water sources and penalties (R) • Responsible consumption (R) • Water shortages and reduced availability (I) • Interruptions due to water problems (I) • Implement technologies (O)
Waste Management	Development and implementation of strategies for efficient waste management, focused on reducing waste generation, maximizing recycling, and responsible disposal of waste generated at operations and properties.	<ul style="list-style-type: none"> • Sanctions and fines for improper waste management (R) • Loss of valuable resources (R) • Increased GHG emissions and pollutants (I) • Contamination of areas by hazardous waste (I) • Damage to corporate image (I) • Implementation of circular economy practices (O)
Sustainable Development and Construction	Design, construction, and operation of environmentally responsible and resource-efficient properties, as well as the creation of spaces that improve the quality of life and foster a productive environment in the community.	<ul style="list-style-type: none"> • Lack of compliance with environmental and construction regulations (R) • Loss of incentives and subsidies (R) • Maintenance and operating costs (R) • Limited sustainable design and mobility solutions (I) • Reduction in tenants (I) • Environmental and local ecosystem deterioration (I) • Reputational damage (O) • Competitiveness (O)
Social Investment	Strengthening relationships with communities through community development initiatives, volunteering, and charitable donations, promoting a positive impact on society and demonstrating a commitment to social responsibility.	<ul style="list-style-type: none"> • Reputation damage due to lack of community engagement (R) • Community conflict (R) • Loss of customer loyalty (I) • Loss of social license to operate (I) • Damage to community relations (I) • Strengthening of business reputation (O) • Development of new partnerships and business opportunities (O) • Community development (O)

Double Materiality: methodology

Identification of topics and IROs

ESG Topics	Description	Related IROs
Human Talent	Promoting an inclusive work environment, fostering professional development, and retaining key talent to foster innovation, progress, and consolidate leadership in the real estate industry.	<ul style="list-style-type: none"> • Negative impact on productivity (R) • Costs associated with employee turnover (R) • Unfavorable work environment (I) • Increased employee turnover (I) • Performance and competitiveness (O) • High levels of productivity (O)
Respect for and promotion of human rights	Respect and promotion of human rights throughout our operations and supply chain, strengthening our reputation as an ethical and socially responsible company.	<ul style="list-style-type: none"> • Deterioration of corporate reputation (R) • Exposure to legal sanctions (R) • Workplace tensions (R) • Generation of a hostile work environment (I) • Increased employee turnover (I) • Reputational damage (I) • Attracting socially responsible investors (O) • Promoting transparency in the business (O)
Occupational Health and Safety	Promoting a safe and healthy work environment to protect our workforce, promoting overall well-being and productivity.	<ul style="list-style-type: none"> • Incidence of occupational accidents and illnesses (R) • Compensation cost burden (R) • Exposure to legal sanctions (R) • Workplace absenteeism (I) • Increase in accidents and illnesses (I) • Reduction in productivity levels (I) • Promotion of a healthier and safer work environment (O) • High levels of productivity (O)

Double Materiality: methodology

Identification of topics and IROs

ESG Topics	Description	Related IROs
Tenant Satisfaction	Attention to and satisfaction of the tenants' needs to maintain investor confidence and strengthen the sustainability of properties.	<ul style="list-style-type: none"> • Loss of tenants (R) • Decreased occupancy rates (R) • Decreased rental income (R) • Deteriorated property values (R) • Breach of contracts (R) • Reduced attractiveness to investors (I) • Loss of customer confidence (I) • Limited business growth (I) • Increased attractiveness to investors (O) • Rental income growth (O)
Diversity, equality and inclusion	Promoting diversity and inclusion at all levels of the company to drive innovation, adaptability, and leadership in diversity management in the real estate industry.	<ul style="list-style-type: none"> • Labor disputes (R) • Risk of legal sanctions (R) • Low levels of talent attraction and retention (R) • Negative brand perception (R) • Improved work environment and creativity (O) • Establishing a more positive work environment (O) • Improved work environment and creativity (O) • Attracting diverse talent (O) • Strengthening reputation and brand (O)
Tenant sustainability management	Adopting sustainable practices to promote energy and water efficiency, as well as waste management, generating long-term value and demonstrating leadership in ESG tenant management.	<ul style="list-style-type: none"> • Additional implementation costs (R) • Resistance to change (R) • Improved energy efficiency and reduced operating costs (I) • Increased tenant demand and value (O) • Compliance with environmental regulations and standards (O)

Double Materiality: methodology

Identification of topics and IROs

ESG Topics	Description	Related IROs
Ethics and anti-corruption	Incorporating standards and practices that ensure ethical business management and compliance with current legislation, establishing and implementing guidelines that promote honest, transparent, and responsible behavior in all the organization's operations.	<ul style="list-style-type: none"> • Exposure to legal sanctions (R) • Loss of investor confidence (R) • Financial and operating costs resulting from litigation (R) • Increased turnover of disgruntled employees (I) • Long-term damage to image and brand (I) • Loss of customers and contracts (I) • Building trust and loyalty among customers and investors (O) • Positive differentiation from the competition (O)
Transparency and accountability	Clearly and transparently report activities and results regarding economic performance and ESG topics to stakeholders, with a commitment to taking responsibility for their actions.	<ul style="list-style-type: none"> • Loss of investor and stakeholder confidence (R) • Damage to corporate reputation (R) • Difficulties in attracting and retaining talent (I) • Lack of community trust and support (I) • Deterioration of relationships with business partners (I) • Improve decision-making based on accurate and transparent data (O) • Set an industry standard and attract more business (O)
Cybersecurity and technology	Technological infrastructure and security protocols that protect the reliability, security, and availability of the organization's information against cyber threats and unauthorized access to corporate data.	<ul style="list-style-type: none"> • Security breaches exposing confidential information (R) • Loss of critical and operational data (R) • Digital extortion (R) • Operational disruptions (I) • Risks to employee privacy and rights (I) • Loss of customer trust (I) • Reducing long-term costs by preventing security incidents (O)

Double Materiality: methodology

Identification of topics and IROs

ESG Topics	Description	Related IROs
Corporate Governance	Guidelines, methods, and procedures that govern and oversee the organization, incorporating the structure of the board of directors, shareholder rights, clarity of the organization's processes, and the responsibility and ethical conduct of senior management.	<ul style="list-style-type: none"> • Poor management and internal fraud (R) • Inefficient decisions due to lack of board diversity (R) • Conflicts and lack of internal commitment (I) • Loss of market competitiveness (I) • Decision-making problems (I) • Attracting investors concerned about good governance practices (O) • Improving the efficiency and effectiveness of decision-making (O)
Sustainable supply chain	Supply chain management, implementing practices that promote sustainability throughout the life cycle of products and services.	<ul style="list-style-type: none"> • Legal penalties for regulatory non-compliance (R) • Reputational damage (R) • Increased operating costs due to inefficiencies (R) • Supply chain disruptions (I) • Loss of tenants due to lack of supply chain responsibility (I) • Negative environmental impacts (I) • Optimizing long-term costs through resource efficiency (O) • Generating a competitive advantage through sustainable practices (O)

Weighting, calibration and analysis of themes

Once the stakeholder consultations and corresponding information analysis were conducted, the ESG Department calibrated the weights assigned to the evaluations for each axis, impact and financial, as well as for the use of contextual information.

The result is the double materiality matrix presented above.

Impact Materiality

ESG topics were evaluated from an impact perspective. Various stakeholders were consulted to understand their perceptions of the IROs associated with each of the ESG topics, as well as how they could impact Vesta's performance if not adequately addressed by the organization.

The evaluation was carried out using an impact scale of 0 to 5 and based on the following questions:

- How much does this issue impact you / affect you at work?
- What significance / importance do you think this topic may have?
- How likely do you think these risks and impacts will occur?
- How easy do you think these risks and impacts could be resolve?

Financial Materiality

ESG topics were assessed from a financial perspective using a severity scale of 1 to 4. Potential IROs were categorized under the value-creating capitals used by the IIRC and EFRAG.

Severity

4	Muy Alto
3	Alto
2	Moderado
1	Menor

Value creation capitals

Financial: Funds available to the organization for use in the production of goods or the provision of services.

Manufacturer: Manufactured physical objects that are available to an organization for use in the production of goods or the provision of services.

Natural: Renewable and non-renewable environmental resources and processes that provide the goods and services that sustain prosperity.

Intellectual: Intangibles based on the organization's knowledge such as intellectual property or organizational capital.

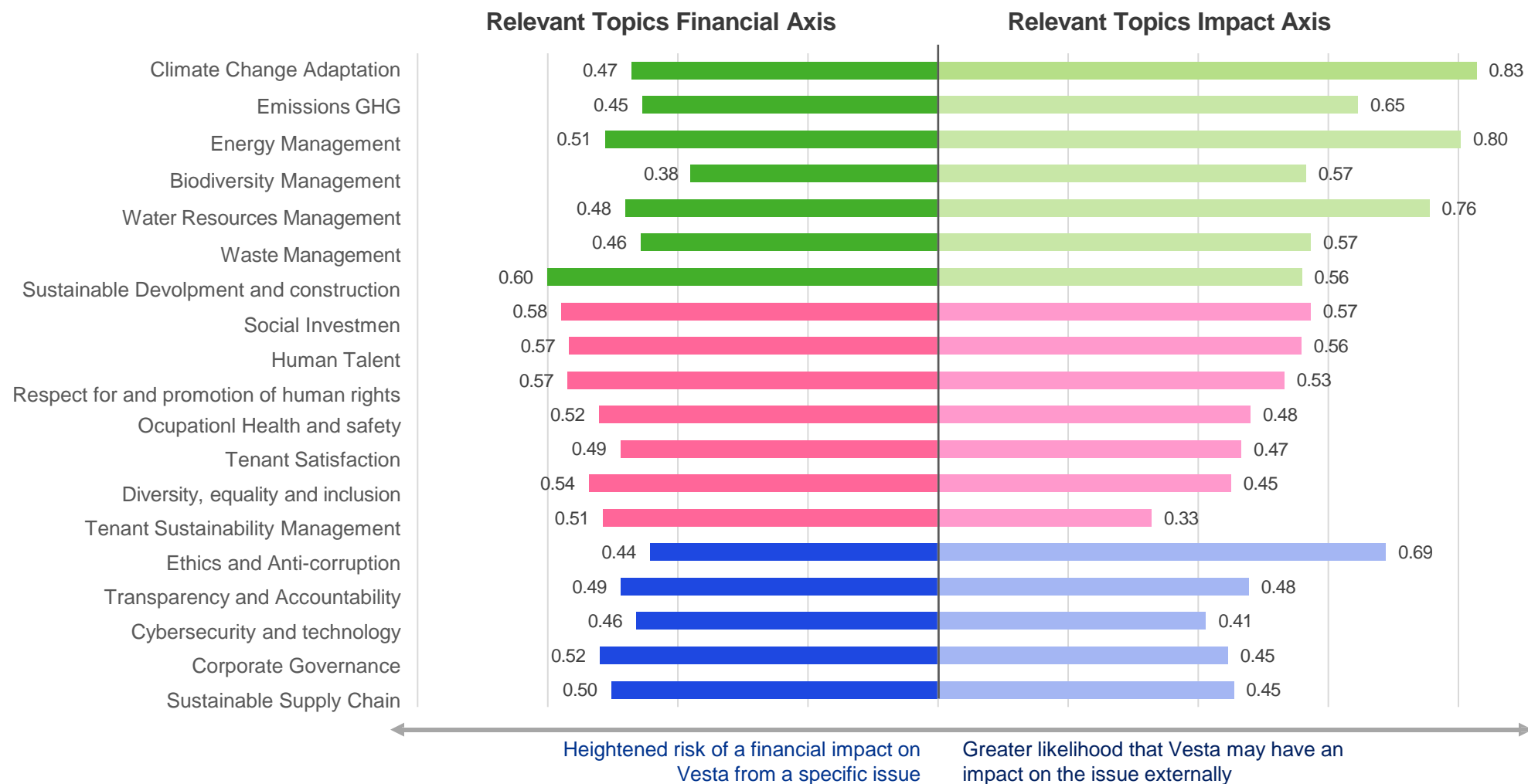
Human: People's skills, abilities and experience, and their motivations to innovate, manage and collaborate.

Social: Shared norms, values, and common behaviors; relationships with key stakeholders; intangibles associated with the brand and reputation.

International Integrated Reporting Council (IIRC). [Marco Internacional de Reporting Integrado](#).
European Financial Reporting Advisory Group (EFRAG). [Materiality Assessment Implementation Guide](#).

Material Topics

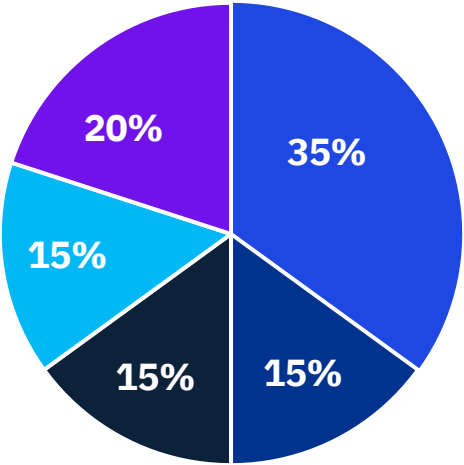
Financial Materiality vs Impact Materiality



Dual Materiality Calibration

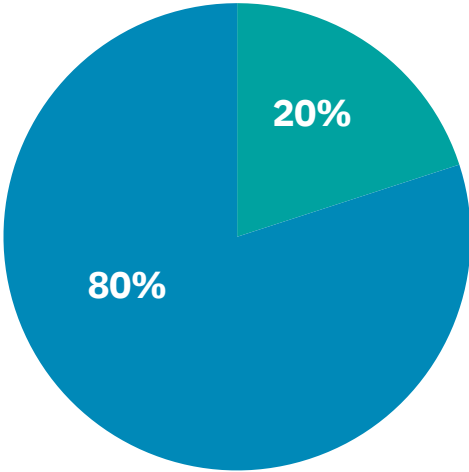
IMPACT AXIS

- Stakeholders
- ESG Standards
- General Standards
- Industry-specific standards
- Benchmark



FINANCIAL AXIS

- Value for Vesta Management
- Strategic vision of senior management and the Board

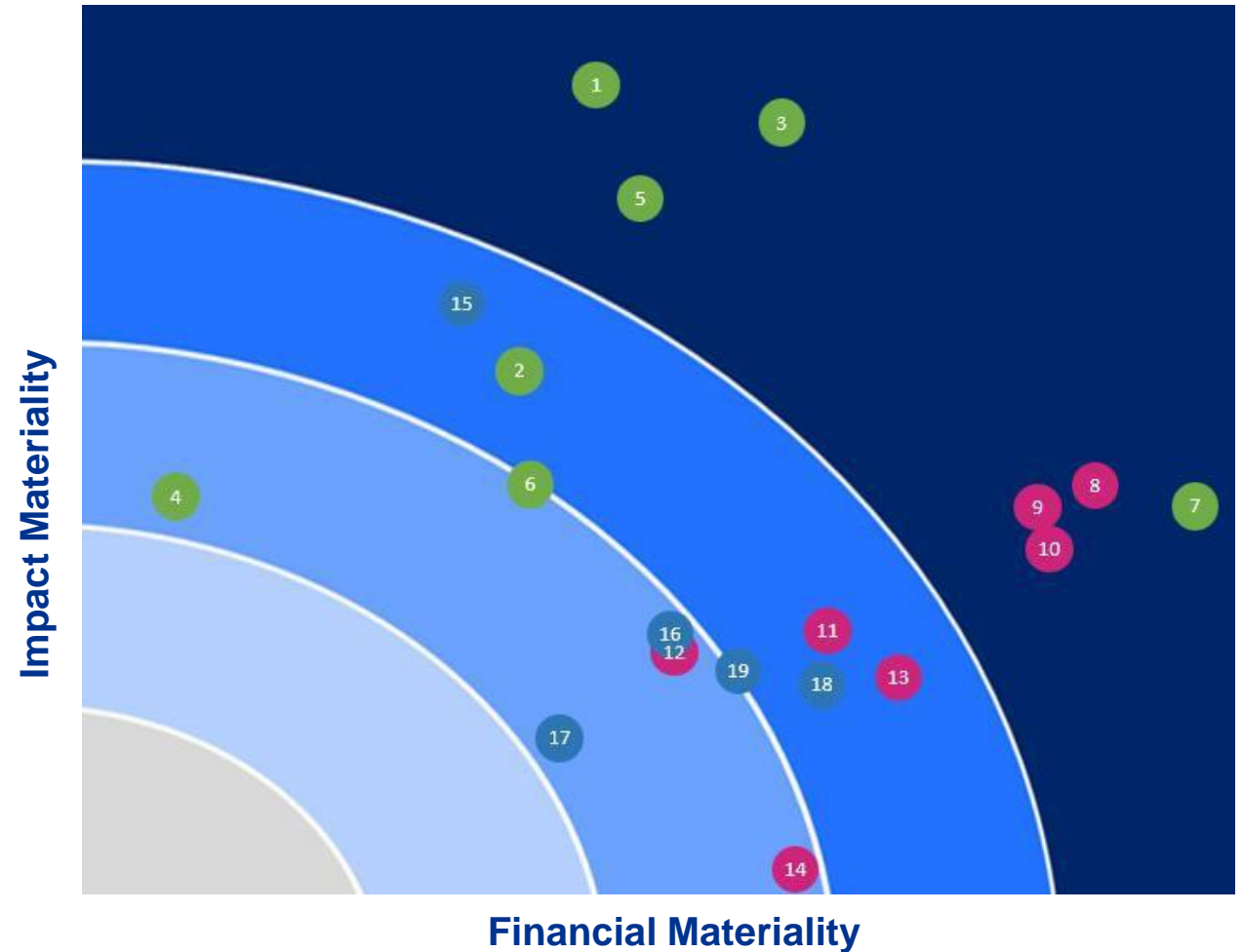


To assign specific weightings, we considered the affinities between the material topics identified for Vesta and its industry and those conceptualized by external arbiters (benchmarks).

Vesta Materiality

The matrix shows the relates the different material topics according to their importance to Vesta from a financial perspective and their importance in terms of impact. The material topics are classified as environmental, social or governance-related, as follows:

Environmental, **Social** and **Governance**.



Vesta Materiality

Environmental

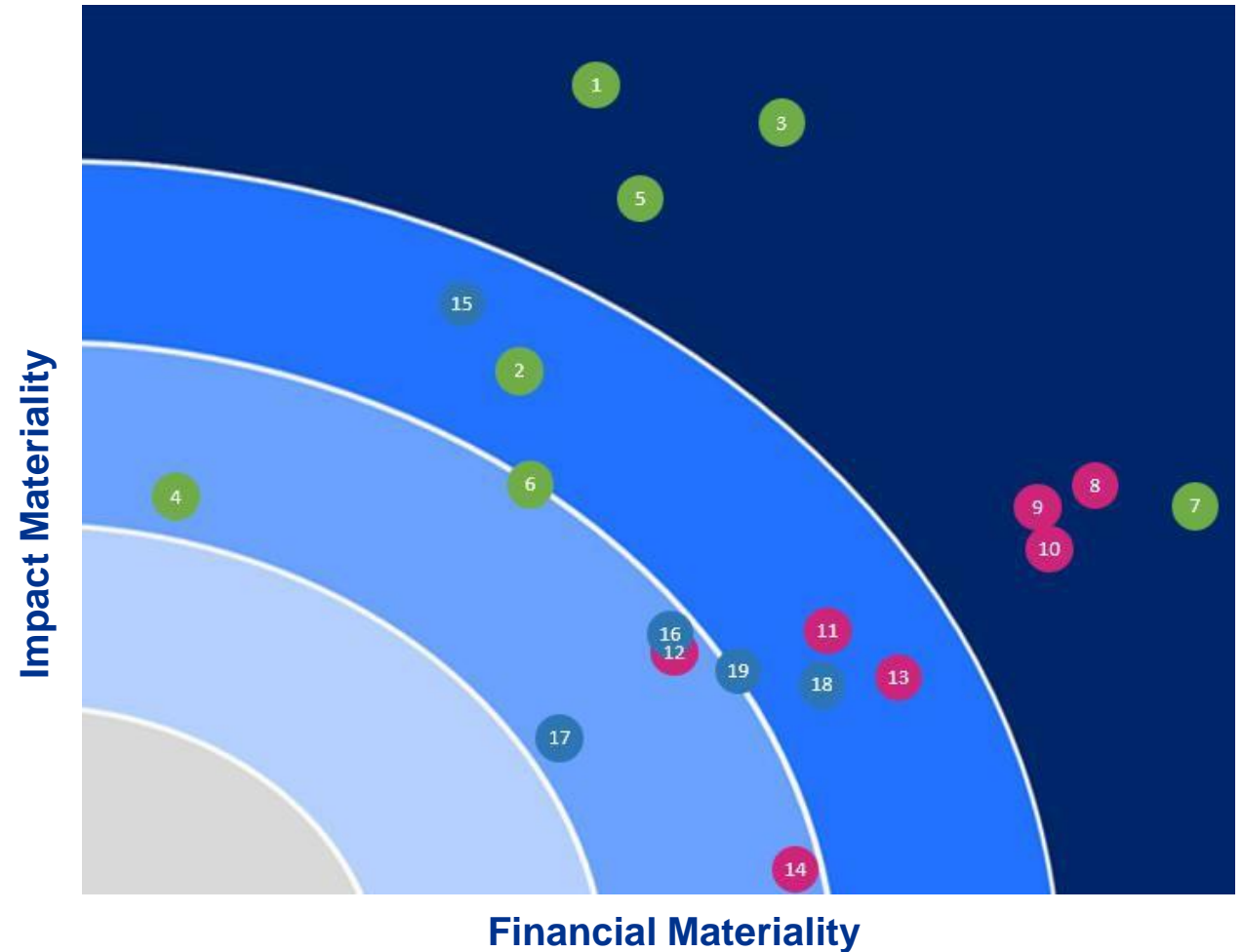
- Climate Change Adaptation (1)
- GHG Emissions (2)
- Energy Management (3)
- Biodiversity Management (4)
- Water Resource Management (5)
- Waste Management (6)
- Sustainable Development and Construction (7)

Social

- Social Investment (8)
- Human Talent (9)
- Respect for and promotion of Human Rights (10)
- Occupational Health and Safety (11)
- Tenant Satisfaction (12)
- Diversity, Equality and Inclusion (13)
- Tenant Sustainability Management (14)

Governance

- Ethics and anti-corruption (15)
- Transparency and accountability (16)
- Cybersecurity and technology (17)
- Corporate Governance (18)
- Sustainable Supply Chain (19)



Classification of Topics

CRITICAL	These issues are of the utmost importance for the organization and its environment. Their impact is profound and direct, with the potential to significantly affect stakeholders, the viability of the business, and its reputation, with a considerable financial impact. These are issues that require immediate attention and concrete actions for their management and mitigation.
SIGNIFICANT	Although not as urgent as critical issues, these issues have a considerable impact on the company and its stakeholders. Handling and addressing them can generate significant long-term benefits or risks. They require constant attention and action plans to manage them effectively.
IMPORTANT	These issues are relevant to the organization and its environment, but their impact is not as immediate or critical as the first two levels. Although they may not pose an imminent threat, proactive management is necessary to prevent them from becoming major problems in the future.
INFORMATIONAL	These issues are relevant, but do not have a direct impact on the organization's strategy, operations or reputation. They are relevant to certain stakeholders or may be related to emerging trends, but are not critical or significant in the current context.
MINIMAL	These issues are of less relevance to the organization and its stakeholders. Although they could be considered, their impact is minimal compared to other aspects of the operation and its environment. They do not require immediate attention or specific actions, but it is important to keep them in consideration in order to understand the big picture.

Materiality Topics for Vesta

Organized by impact and financial relevance

CRITICAL	SIGNIFICANT	IMPORTANT	INFORMATIVE*	MINIMAL*
<div>Energy Management (3)</div> <div>Climate Change Adaptation (1)</div> <div>Sustainable Development and Construction (7)</div> <div>Social Investment (8)</div> <div>Water resource management (5)</div> <div>Human Talent (9)</div> <div>Respect for and promotion of Human Rights (10)</div>	<div>Ethics and Anti-corruption (15)</div> <div>Diversity, Equality and Inclusion (13)</div> <div>GHG Emissions (2)</div> <div>Occupational Health and Safety (11)</div> <div>Corporate Governance (18)</div>	<div>Waste Management (6)</div> <div>Sustainable Supply Chain (19)</div> <div>Transparency and Accountability (16)</div> <div>Tenant Satisfaction (12)</div> <div>Tenant sustainability management (14)</div> <div>Cybersecurity and Technology (17)</div> <div>Biodiversity Management (4)</div>		

*These topics are not presented in this section

Vesta Material Topics

Change from 2023 Materiality Assessment

Increase	↑	Environmental
Declined	↓	Social
Unchanged	=	Governance

2023 Materiality	Change
Water Resources 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 attraction, retention and development (9)	↑
Responsible Investment (21)	↑
Ethics and Anti-corruption (18)	↑
GHG Emissions (2)	=
Tenant and Employees Satisfaction (8)	↓
Community Engagement and Development (12)	↑

2024 Materiality
Energy Management (3)
Climate Change Adaptation (1)
Sustainable Development and Construction (7)
Social Investment (8)
Water Resources Management (5)
Human Talent (9)
Respect and support for Human Rights (10)
Ethics and Anti-corruption (15)
Diversity, equality and inclusión (13)
GHG Emissions (2)
Occupational Health and Safety (11)
Corporate Governance (18)



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