

vesta

Risk Management Analysis



Vesta has a portfolio made up of 214 industrial buildings located in five key regions of Mexico: [Northeast](#), [Northwest](#), [North Bajío](#), [South Bajío](#) and [Central](#).

For each of these regions, we have classified a series of financial, legal, market, technological, environmental and social risks according to the probability and impact of their occurrence.



214

Properties

187

Clients



3.5



million square meters of industrial assets in the North, Bajío and Central regions of Mexico.



- At Vesta, we work to prevent and mitigate different types of risks, both business and process. This year, with the support of an independent third party, we have strengthened our methodology for identifying the process risks.
- In the following slides, we detail the management and responsibilities we give to these two approaches. This document has two sections:
 - Business risk management
 - Process risk management
- In each of them we explain how they are governed within the organization, responsibilities, their methodology and the main risks identified.

Principal Business Risks

At Vesta, we strive to prevent and mitigate financial, market, regulatory, legal, technological, environmental and social risks. Since 2019, we have been working on a strategy and action plan to manage risk across all levels and areas of the organization, and above all in our rented industrial bays.

This risk analysis covers all of Vesta's properties and operations.

The risk identification process is managed by the internal audit department, working together with each area of the company, being validated by the Board of Directors. Likewise, to strengthen and to promote a culture of risk management, these are aligned with the variable compensation of managers and directors (shown in the next slide).

The risks described below are those that we currently believe could have an adverse effect on our business, financial condition or results of operations. To identify these risks, specific interviews were carried out with the corresponding areas of the company. Subsequently, controls and mitigation activities were established to manage them, thus ensuring an effective response to possible adverse impacts.

In addition to the risks we have listed, there may be additional risks that do not merit inclusion as risk factors because:

- We may be unaware of them
- We may not consider them relevant at present
- We may not actually assign them such a high level of importance

Generally speaking, if any of the risks described below were to occur, it would adversely and significantly affect our business, financial condition or operating results, and/or the price or liquidity of our shares.

This risks are explained in greater detail in our 2022 Annual Report to the Mexican Stock Exchange, which [is available on our web page](#).

Risks Related to Compensations

Top Management

Short Term Bonus (STI)*	
Operating Metrics: Revenues	<ul style="list-style-type: none"> • Threshold Revenues • Target Revenues • Maximum Revenues
Operating Metric: Portfolio Stabilized Occupancy	<ul style="list-style-type: none"> • Threshold Occupancy • Target Occupancy • Maximum Occupancy
1 – YR Relative Total Return	<ul style="list-style-type: none"> • <i>Stock Performance @ Threshold</i> • <i>Stock Performance @ Target</i> • <i>Stock Performance @ Max</i>

Management

Short Term Bonus (STI)*	
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**Paid in Cash no later than 30 after the Shareholder meeting approves Vesta 's audited Statements*

Risks

Annual Report

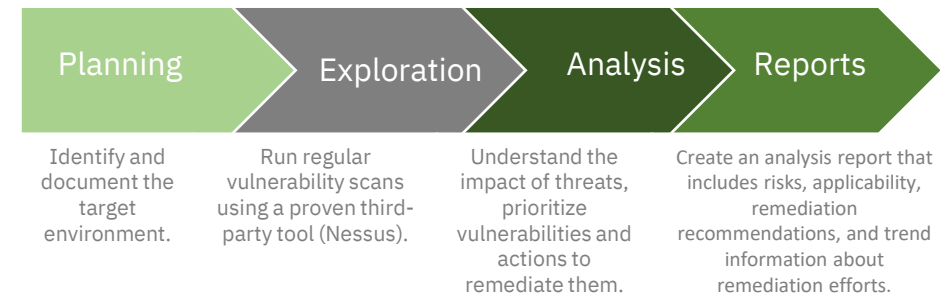
#	Risk	Likelihood	Impact	Inherent risk	Risk Appetite	Control/mitigation plan	COSO Goal	COSO Component	Category	Risk level
1	Generalized reduction in rents or less favorable terms in rental agreements or renewals of existing agreements	Unlikely	Low	2	Low	Our portfolio has been developed according to an analysis of strategic locations with the communications infrastructure and access roads that make them attractive to prospective clients. We also have a close relationship and excellent service with our clients in which we help them with their growth needs.	Operational	Monitoring activities	Financial	Low
2	Decline in the value of the properties that make up our portfolio	Probable	Low	2	Low	Vesta's portfolio has been developed by suppliers that stay on top of the latest trends in construction. In 2021 we began a process of obtaining certification for currently operating properties (EDGE, BOMA Best and LEED O+M). Since 2020, 100% of the new properties built are LEED certified. We have a Sustainable Construction Manual which includes the minimum standards under which Vesta industrial parks and bays will be built.	Operational	Control activity	Financial	Low
3	High vacancy levels or inability to rent properties under favorable conditions	Probable	Low	2	Low	Our buildings are constructed in strategic regions where there is high demand for industrial spaces or bays among prospective clients. This has kept the company's vacancy rate at reasonable levels.	Operating Efficacy and Efficiency	Control activity	Control activity	Low
4	Inability to collect rent from current tenants	Probable	Low	2	Low	All our commercial relationships are formalized through a lease agreement between Vesta and the client, which establishes payment terms and conditions. The lease is signed by both parties in token of their agreement, so Vesta is even entitled to proceed in court to collect rent if necessary.	Operational	Control activity	Operational	Low
5	Reduced demand for industrial spaces and bays and changing client preferences regarding available properties	Probable	Low	2	Moderate	We have market studies that keep us up to date about trends and needs for space, technologies and specific needs of our current and prospective clients. Since 2020, 100% of the new properties built have been LEED certified.	Operational	Control activity	Strategic	Low

Risks

Annual Report

#	Risk	Likelihood	Impact	Inherent risk	Risk Appetite	Control/mitigation plan	COSO Goal	COSO Component	Category	Risk level
6	A rise in vacancy rates in our properties, resulting in an excess supply of industrial bays, or the availability of more appropriate spaces in the areas where we operate.	Probable	Low	2	Low	The contracts that Vesta signs with its tenants are long-term agreements, at least 5 years. The contracts include penalties for early termination. Most clients exercise their right to renew the agreement and usually extend it for another 5 years. We regularly analyze our properties to evaluate the possible level of vacancy during the current year.	Operational	Control activity	Operational	Low
7	Higher interest rates, higher leasing costs, reduced availability of financing, less favorable credit conditions and reduced availability of lines of mortgage credit and other funding sources, all of which increase our costs, limit our capacity to acquire properties and limit our capacity to refinance liabilities	Probable	Low	2	Low	The financial debt we acquire with banks is taken out at fixed interest rates, to avoid fluctuations that might be to our disadvantage. When we acquire commitments in foreign currency or at floating rates, we take out at swap hedge to limit our exposure to fluctuations.	Operating Efficacy and Efficiency	Risk Assessment	Financial	Low
8	Increase in our expenses, including but not limited to insurance, labor, electrical energy, property assessments, taxes, and the costs of complying with laws and regulations	Probable	Low	2	Moderate	The most representative expenses are individually analyzed to make sure that prices are aligned with market levels. Expenses are budgeted and monitored each month to promptly identify any deviations.	Operating Efficacy and Efficiency	Monitoring activities	Financial	Low
9	Government policies and restrictions on our capacity to transfer expenses to our tenants	Probable	Medium	3	Low	At least once a year we monitor new government provisions on various regulatory, tax and civil matters, so we can promptly identify regulatory changes that may affect our business.	Operational	Control activity	Compliance	Medium

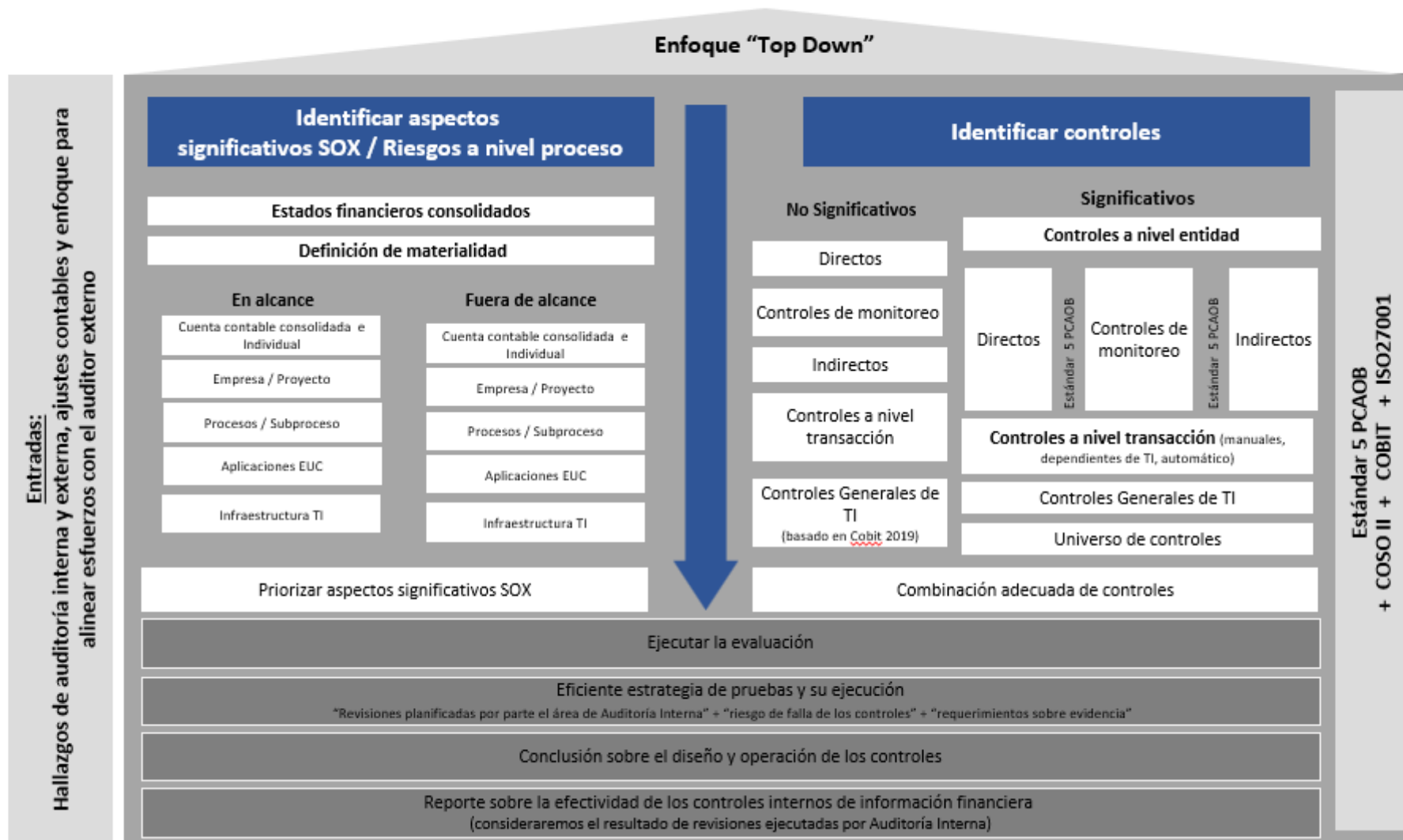
Cybersecurity	
Risk Description	Vesta operates in an industry where sensitive information, both of its assets and of its clients, is safeguarded. The company must improve its security measures in line with emerging threats.
Potential Impact	Unauthorized access, data breaches or interruptions of critical IT operations.
Mitigation Actions	In 2024, a vulnerability analysis process will be carried out in the company's infrastructure, thus prioritizing possible risks and taking actions to remedy them.



Operational Risks Management

- The 2023 risk project “Evaluation, design and implementation of Internal Control over financial information” was approved by the Audit Committee in its July 2023 session. This initiative addresses the new regulations to which Vesta is subject by the “SEC” (Security and Exchange Commission).
- The objective was to carry out a risk assessment at the company's process level, as well as design the controls that mitigate these risks in conjunction with the corresponding areas. The Internal Audit area was designated by the Audit Committee to lead the project, reporting on a quarterly basis the status, progress and scope of the project. It is also responsible for carrying out design and effectiveness tests on the controls involved in the financial information generation process. The control evaluation process will be carried out recurrently each year.
- The process risk identification methodology is explained in detail in the diagram on the next slide. In summary:
 - Various interviews were carried out between EY and the Internal Auditor, with the owners of the processes and their teams, to know step by step what is done by each department.
 - Posteriormente, se elaboró un diagrama de cada uno de los procesos, el cuál fue analizado para identificar tanto riesgos como controles, existentes en los procesos.
 - Subsequently, a diagram of each of the processes was prepared, which was analyzed to identify both risks and controls existing in the processes.
 - These risks and controls are concentrated in a Risk and Control matrix.
- The president of the Audit Committee, CPC Javier Solla Hernández, meets regularly with the CFO and the Director of Internal Audit to share project expectations aligned with his experience. The president of the Audit Committee, is a member of the company's Board of Directors, so through him, he keeps the Board of Directors informed about the progress of the project.
- During 2023, the Audit Committee had in-person access to training on risk issues, including those considered by the Sarbanes Oxley Law. This LAB was taught by Deloitte USA by professionals who are experts in the topics. Likewise, training for collaborators was provided with two sessions on the SOX language, the first session taking place in August 2023 and the second session on March 12, 2024.

Metodología basada en el enfoque "top-down" del PCAOB AS 5 el cuál busca asegurar que los riesgos del negocio y el reporte financiero sean mitigados de una forma eficaz y eficiente.



Main process risks identified

At Vesta, the identification and management of process risks is crucial to maintaining the integrity and sustainability of our operations. Listed below are the main process risk categories we monitor:

- Ethical Policies and Processes in the Company
- Governance and Supervision
- Evaluation and Training of Employees
- Planning and Strategic Objectives
- Fraud and Compliance
- Security and Cybersecurity
- Financial and Accounting Processes

Conclusions

2024:

Business Risks:

- Continuation of the detailed risk identification process at the company level (ERM).
- Transfer it to review by the corresponding governing bodies.

Operational Risks:

- Monitoring of the process of operational effectiveness of controls, with the external auditor.

2025:

For both business and operational risks, the stabilization process will begin, promoting the professionalism of the team.



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