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Materiality Analysis



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KPMG

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Introduction:

relevance and key activities

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Relevance and key activities



Identify and prioritize relevant issues for the organization, standard-setters and industry.



Identify trends in environmental, social and governance (ESG) aspects.



Provide information to support the strategy.



Focus the organization's sustainability approach on the identified issues.



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



Position each issue according to its relevance for the organization, the assessments and the industry.

Key activities for the materiality analysis

We conducted an analysis of various internal and external sources to assess Vesta's current impact and performance in the area of sustainability.

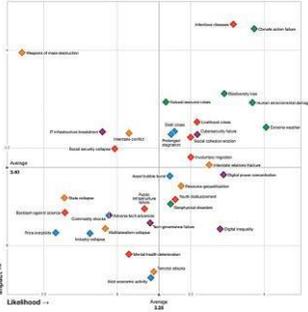
Main activities:

- **Analysis of the company and industry trends:** ESG trends in the industry and Vesta corporate documentation.
- **Analysis of companies in the industry:** public information on leading companies and benchmarks.
- **Selection and prioritization** of relevant issues.

Context and TRENDS



Top risks according to the 2022 Global Risks Report



Today it has become essential for companies to incorporate sustainability into their strategy, operations and approach to risk management, in order to increase their resilience to events and crisis resulting from climate change or social factors like COVID-19.

- Every year, the **World Economic Forum (WEF)** analyzes the risks that are more likely to occur and would have the greatest impact.
- Over time, **economic risks have lost some of their prevalence**, gradually giving way to risks in the environmental, social, technological and political categories.
- In the 2022 report, risks relating to the environment and social cohesion are those classified as having both the **highest likelihood of occurrence and the most severe impact**.



Environmental



Geopolitical



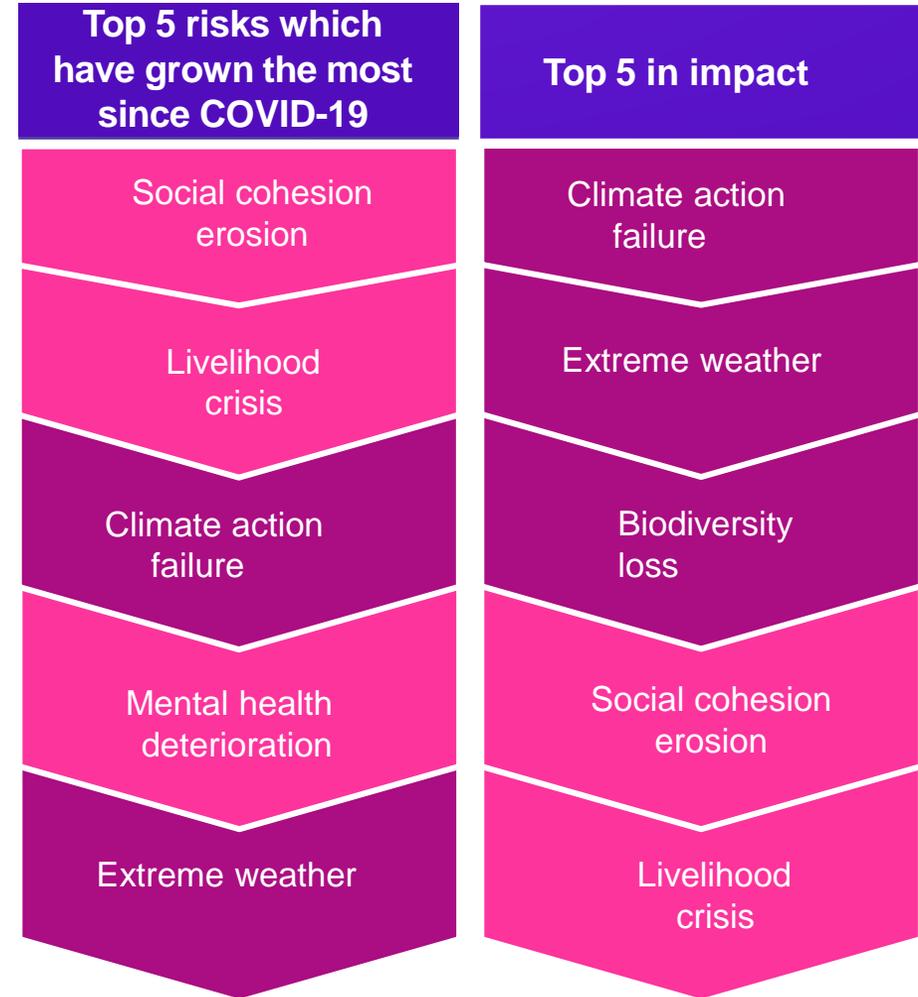
Economic



Social



Technological



World Economic Forum (WEF). The Global Risks Report 2022.

Emerging trends

Staying abreast of global trends and the sustainability activities of other organizations and industry peers allows a company to incorporate decisions on the most pressing topics of the present, those which may at any moment affect its performance.



“Amazon effect”

Organizations are increasingly demanding a net-zero supply chain



Heightened public scrutiny

of private-sector organizations that have become a refuge for carbon-intensive fossil-fuel assets and activities



Financing Climate Adaptation

Increasing demand for investment in actions that mitigate the impact of an organization’s activities.



More reporting, more rules

Although there are various reporting standards, most can be seen to converge around disclosure of climate-related issues, like TCFD.



ESG Ratings

ESG rating agencies are becoming stricter when assessing data from organizations to regarding their adoption of best ESG practices.



Risks and opportunities

Emerging risks: availability of food and biodiversity, new bacterial pandemics, lagging populations, communities and countries.

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.

METHODOLOGY



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Materiality analysis

This involves the identification of the **most relevant issues for Vesta**, based on an analysis of existing documentation and the external context, in order to assess the relevance of topics in the industry and for the organization’s stakeholders.

1

Analysis of standard-setters (trends, standards, frameworks)

Identification of the most relevant topics and ESG trends in the industry, based on recommendations by the following:

- *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 regarding the most relevant ESG trends and topics identified

Stakeholder surveys

3

Peer benchmarking

Analysis of the **level of relevance and performance** regarding the list of ESG topics for selected companies.



4

Materiality assessment

Assignment of a **specific weighting** to the stakeholders evaluated and the organization’s interests.

Analysis of Vesta’s performance against **selected peers** in terms of sustainability.

5

Double materiality

Assessment of risk relating to the material topics depending on the **impact** they may have on the company and the **likelihood** of occurrence.

Analysis of standard-setters (trends, standards, frameworks)

Includes the most relevant ESG initiatives, trends, methodologies, and frameworks, in general and for the industry in particular.

- SASB and GRI: international organizations that set the standards and develop methodologies for disclosing economic, environmental and social information.
- S&P Corporate Sustainability Assessment: a questionnaire focused on monitoring ESG performance by companies in the industry, for decision-making by investors and key audiences.
- MSCI: a supplier of environmental, social and governance indexes, designed to assist institutional investors in more effectively comparing the performance of ESG investments.
- TCFD: an international organization whose purpose is to create standards in the area of climate change, primarily in issues of corporate governance, metrics and targets, strategy and risk management.
- GRESB: an organization that supplies real-estate investors with information about ESG issues in the industry.



Analysis of importance for standard-setters

Examines the expectations and needs of ESG standards and trends so that they can be evaluated and applied to the organization's strategic management.

<p>Representative organizations </p> <p> Press*</p> <p></p>	<h2>Purpose of the analysis</h2> <p>To identify and highlight the most important issues for Vesta's standard-setters, which significantly affect or may affect its activities, products and services.</p> <p>We analyzed:</p> <ul style="list-style-type: none">• Reports and recommendations of representative industry organizations. <p>The documents were considered in terms of perceived performance and internal importance of relevant issues that were later included in the materiality matrix.</p>
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*Note: Press analysis was used only to obtain impacts relating to material topics

Peer benchmark

Allows for a comparison of Vesta's ESG performance against that of selected peers (direct, indirect, domestic and international) in the industry.

Purpose of the analysis

Evaluate the approach and practices of the selected peers to identify best ESG practices.

We analyzed:

- Relevant issues for each company according to the standard-setters, as well as their material topics.
- Main policies, commitments and strategies in these issues.
- KPIs and targets for these issues.
- Best practices.
- Vesta's positioning against the selected peers.



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Materiality assessment

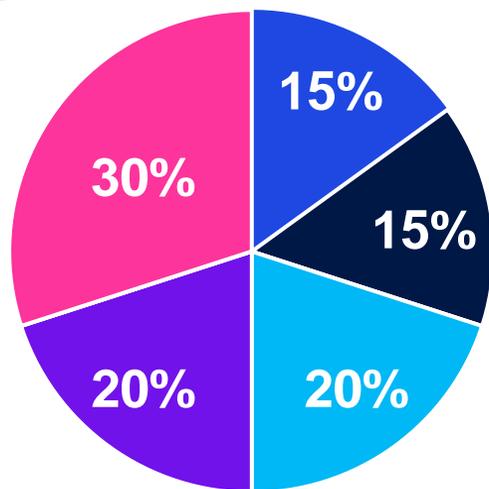
Materiality reflects the issues that:

Substantially influence stakeholder decisions and assessments

Weighting in **stakeholder influence**



- Stakeholders relevant to the organization
- ESG Standards
- Industry-specific standards
- Industry representation organizations
- Benchmark value

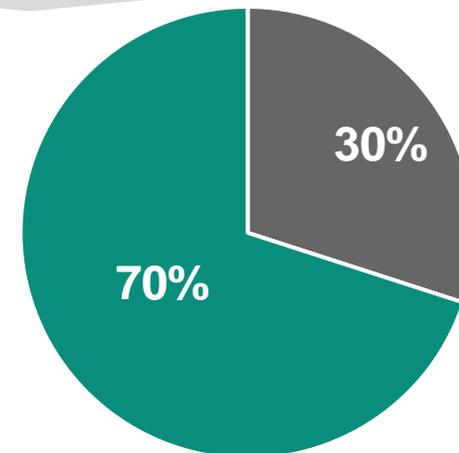


Reflect the significant economic, environmental and social impacts of the organization (industry)

Weight in the **significance of ESG impacts**



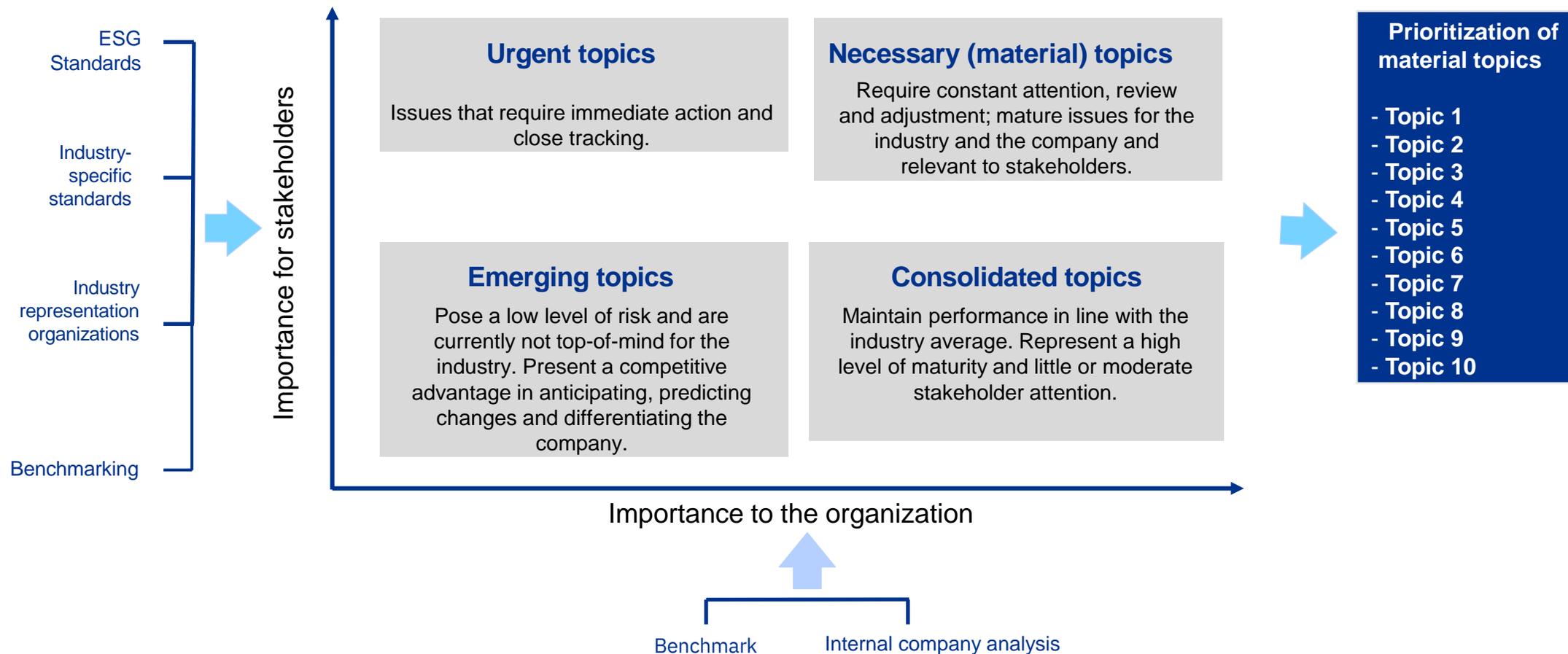
- Value for Vesta management
- Strategic vision of senior management



To assign specific weightings we considered affinities between the material topics identified for Vesta, the industry, and those conceptualized by standard-setters.

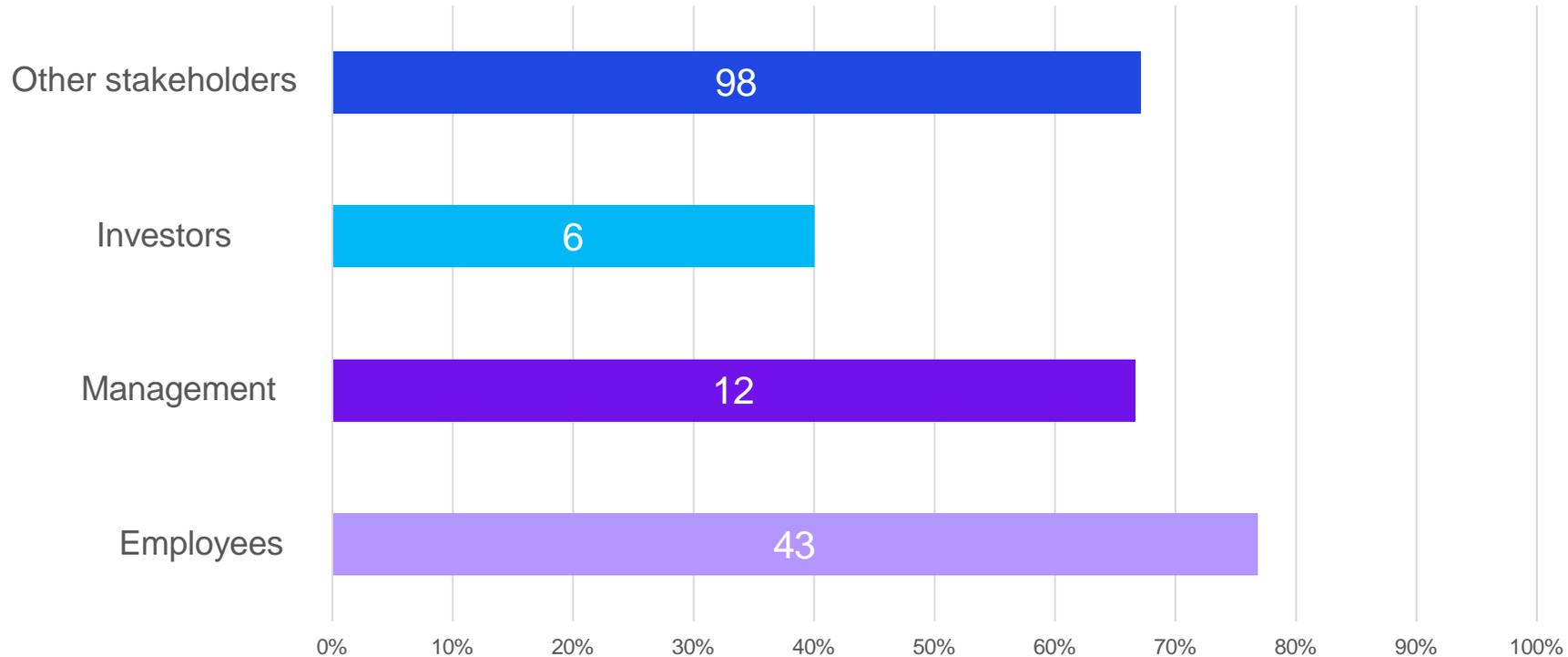
Materiality matrix

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



Stakeholders

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.

Results



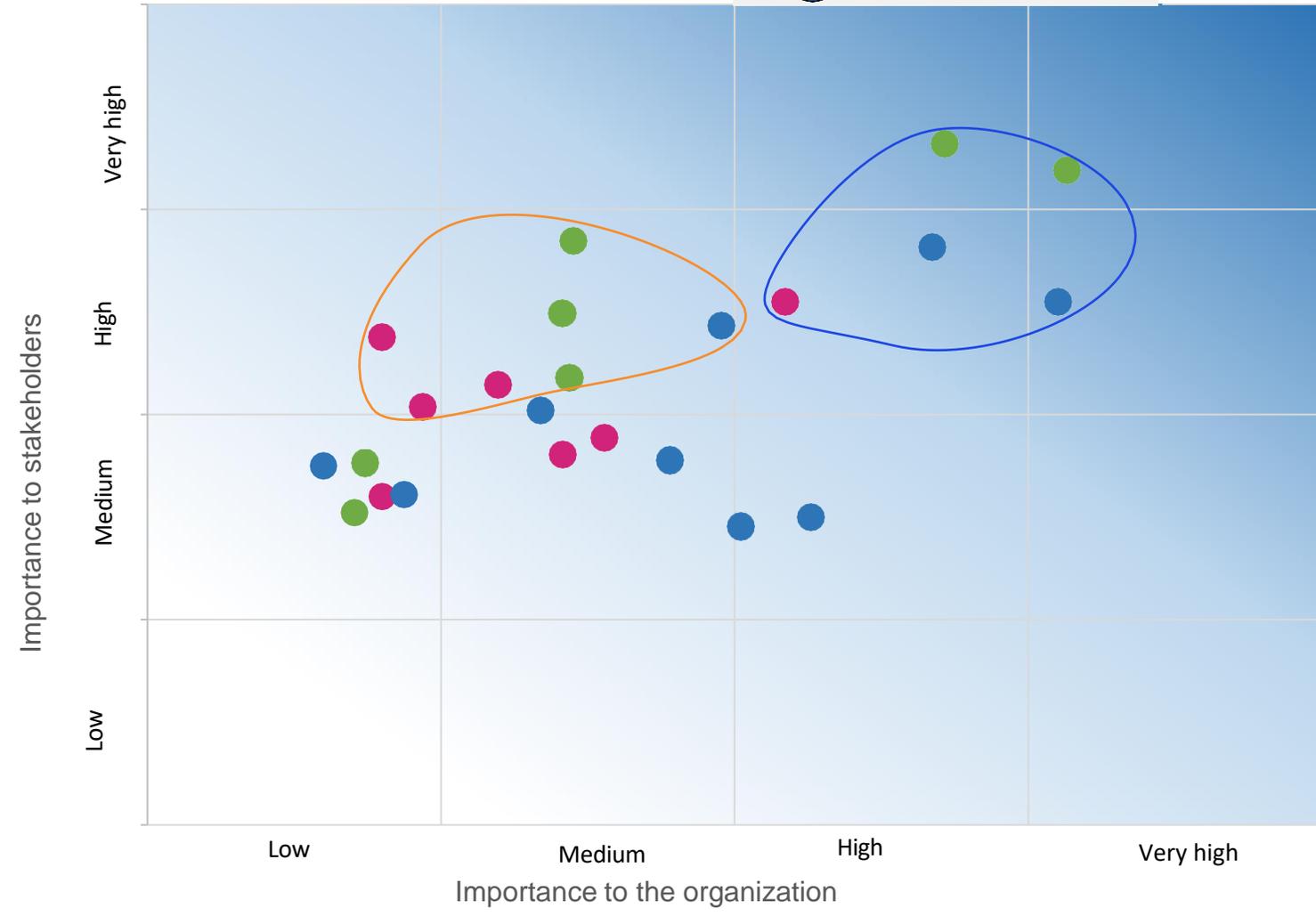
Vesta materiality

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

- Necessary topics**
-  Migration to renewable energy sources(3)
 -  Corporate governance (20)
 -  Water stewardship (4)
 -  Sustainable development and construction (22)
 -  Human capital recruitment, retention and promotion (9)

- Urgent topics**
-  Risk management and resilience (16)
 -  Climate change adaptation (6)
 -  Emissions (2)
 -  Waste (1)
 -  Community engagement and development (12)
 -  Occupational safety and health (10)
 -  Diversity and inclusion (13)



Vesta material topics



	Topic	Description
	Migration to renewable energy sources (3)	Energy sources, generated or purchased, including fuel used to reach those sources, and migration to sustainable energy.
	Corporate governance (20)	Definition of responsibilities from highest governance body (Board of Directors) for oversight and monitoring of ESG matters.
	Water stewardship (4)	Management of consumption and treatment of effluents and discharges.
	Sustainable development and construction (22)	Practices, policies and processes to evaluate and select locations for property development and construction.
	Human capital recruitment, retention and promotion (9)	Employee recruitment, retention, training and promotion personal and professional growth.
	Risk management and resilience (16)	Capacity to identify and adapt to risks that generate financial or ESG impacts.
	Climate change adaptation (6)	Preparedness for long-term changes in climate conditions or climate-related events, including adaptation of infrastructure to withstand extreme meteorological phenomena.
	Emissions (2)	Methods for reducing the gases listed in the greenhouse gas protocol.
	Waste (1)	Management of the waste generated by infrastructure development and construction and tenant operations. Waste handling by final disposal (landfill, monetization, recycling).
	Community engagement and development (12)	Investment, programs and initiatives focused on promoting community development.
	Occupational safety and health (10)	Safe spaces and conditions for employees, contractors and tenants.
	Diversity and inclusion (13)	Equal opportunity in hiring and pay. Guaranteeing diversity and inclusion in promotion opportunities.

Full list of topics analyzed

Environmental

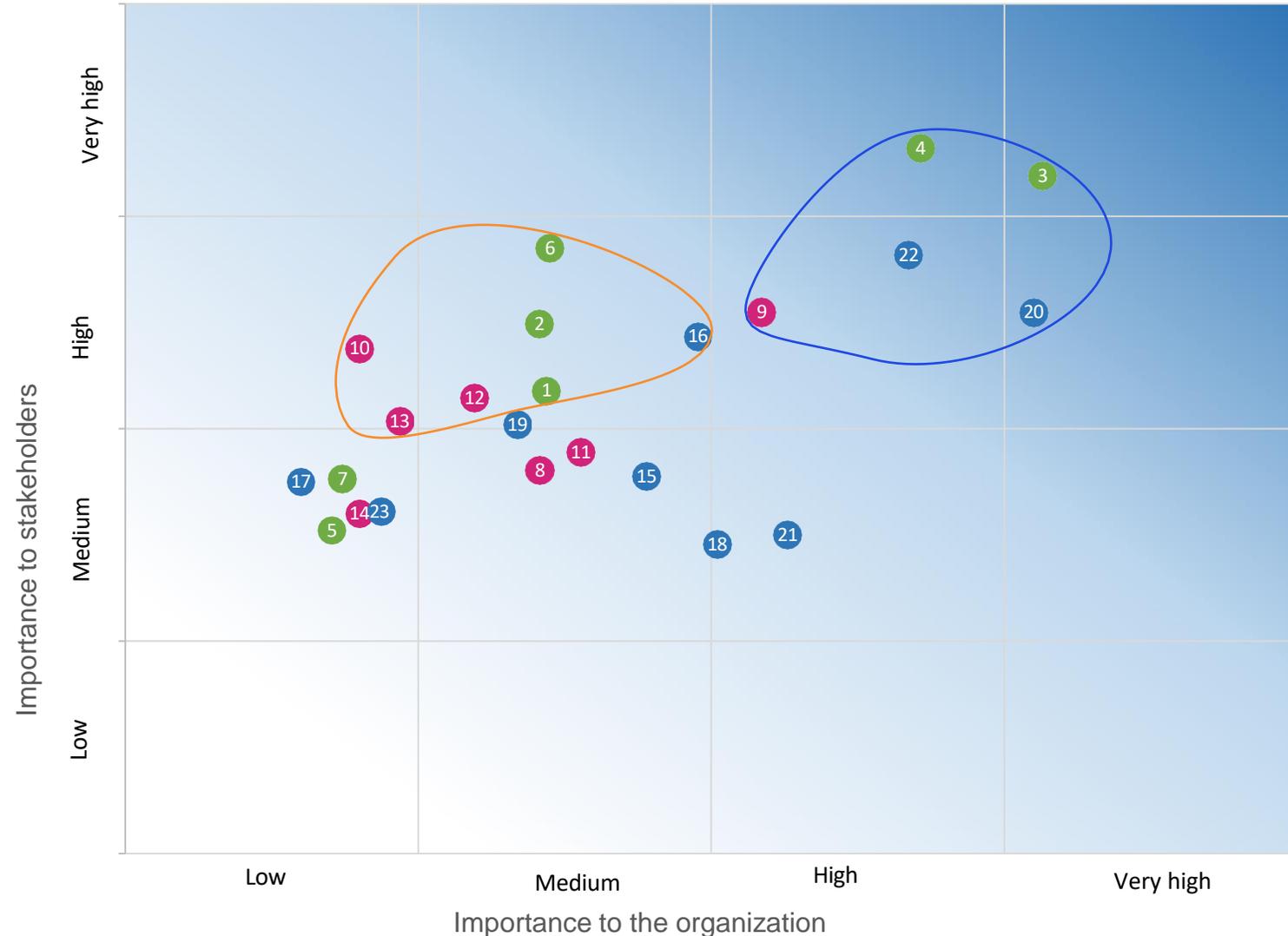
- Waste (1)
- Emissions (2)
- Migration to renewable energy sources (3)
- Water stewardship (4)
- Environmental management system (5)
- Climate change adaptation (6)
- Management of biodiversity impacts(7)

Social

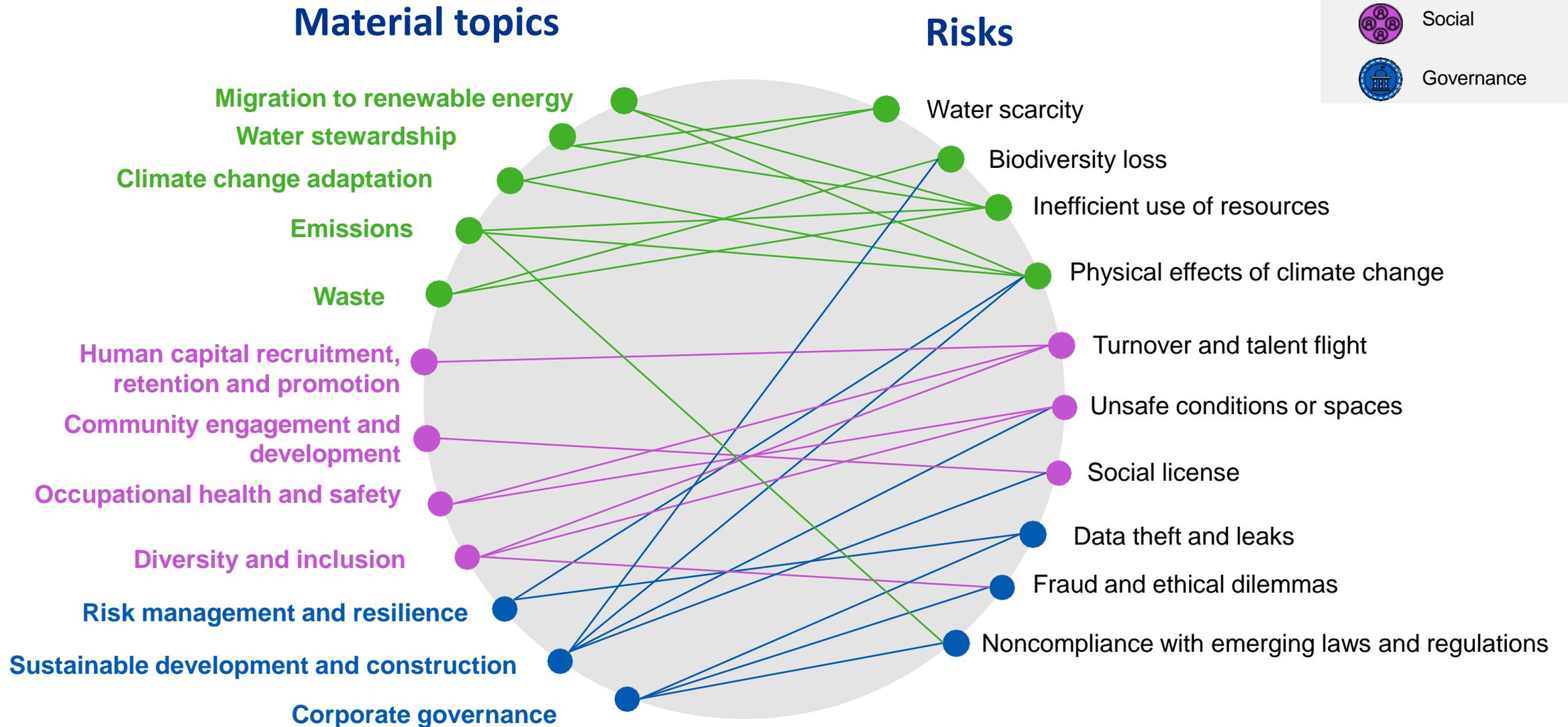
- Tenant and employee satisfaction (8)
- Human capital recruitment, retention and promotion (9)
- Occupational safety and health (10)
- Labor practices (11)
- Community engagement and development (12)
- Diversity and inclusion (13)
- Tenant sustainability management (14)

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)



Risk assessment



Risks by impact

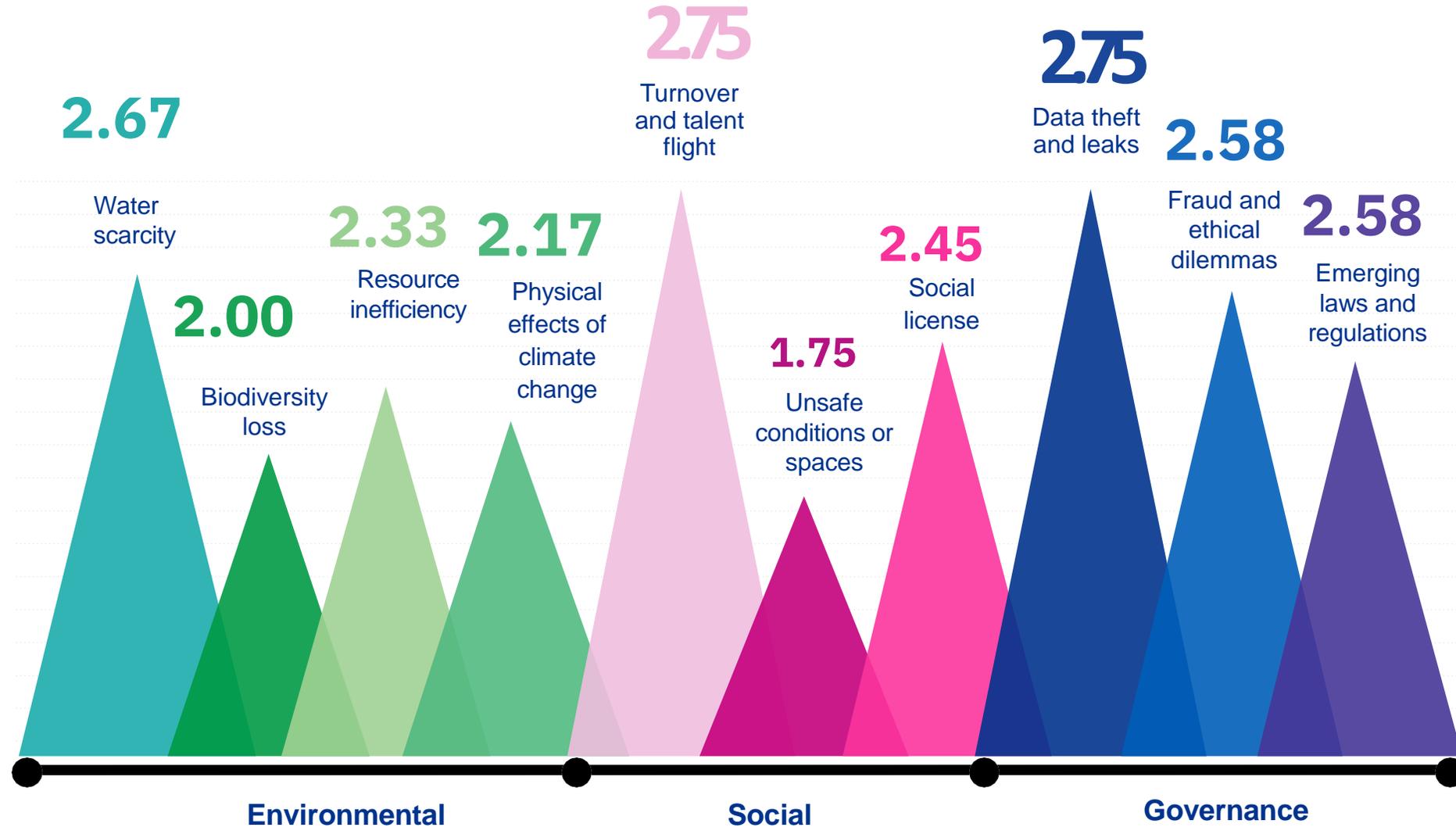
Scale of
1 to 4

Impact or severity

We evaluated the level or degree of severity with which the impact would be reflected in financial, reputational or operational aspects.

Our assessment assigned values from 1 to 4, with 1 being the lowest value or “low” impact, and 4 the highest, or “very high” impact.

The chart shows the average result for each risk.



Risks by likelihood

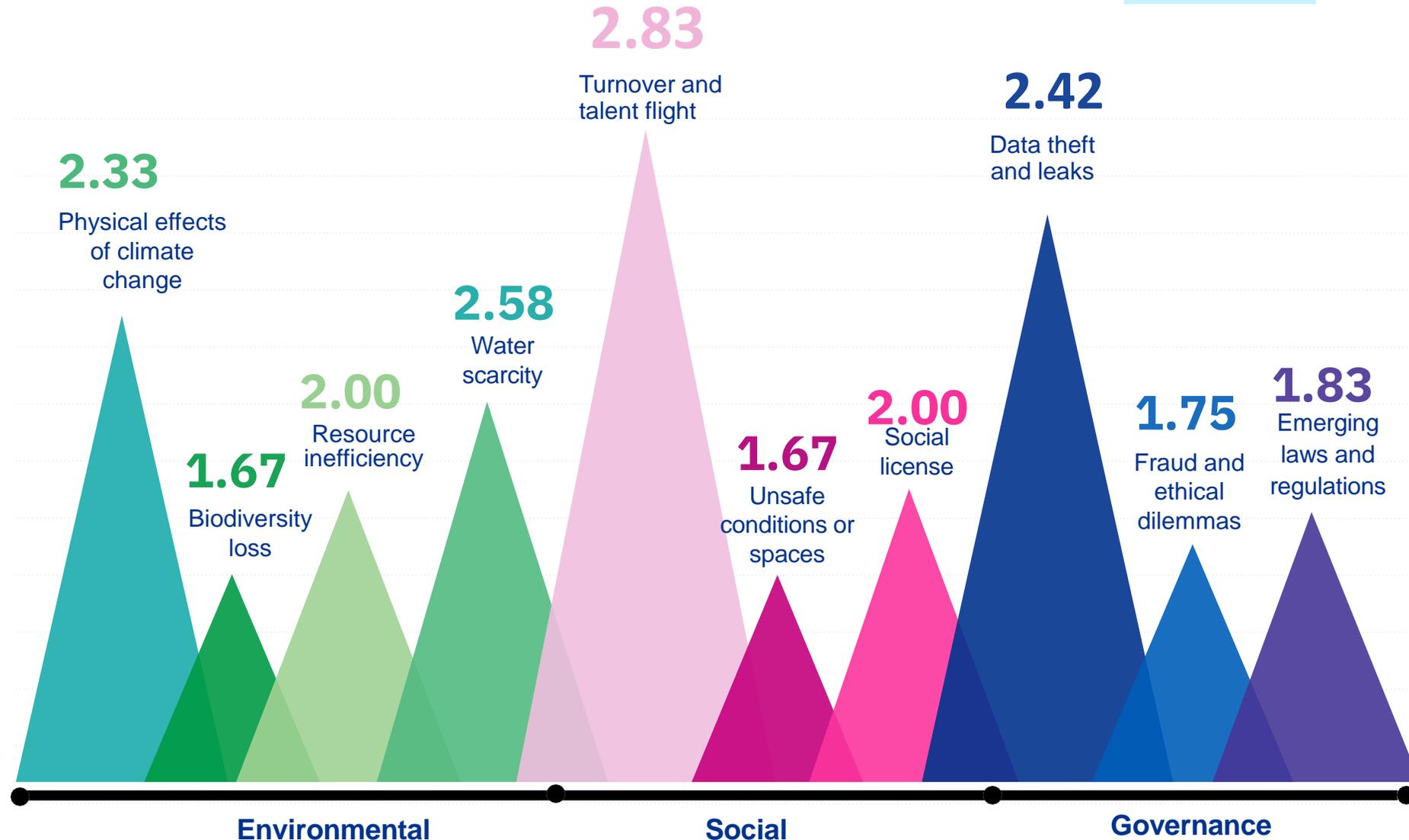
Scale of
1 to 4

Frequency

We evaluated the likelihood that a risk would have an impact on the organization.

We assigned each risk a value from 1 to 4, 1 being the lowest or *most remote* degree of probability, and 4 being the highest, or an *almost certain* degree of probability.

The chart shows the average result for each risk.



Risk matrix

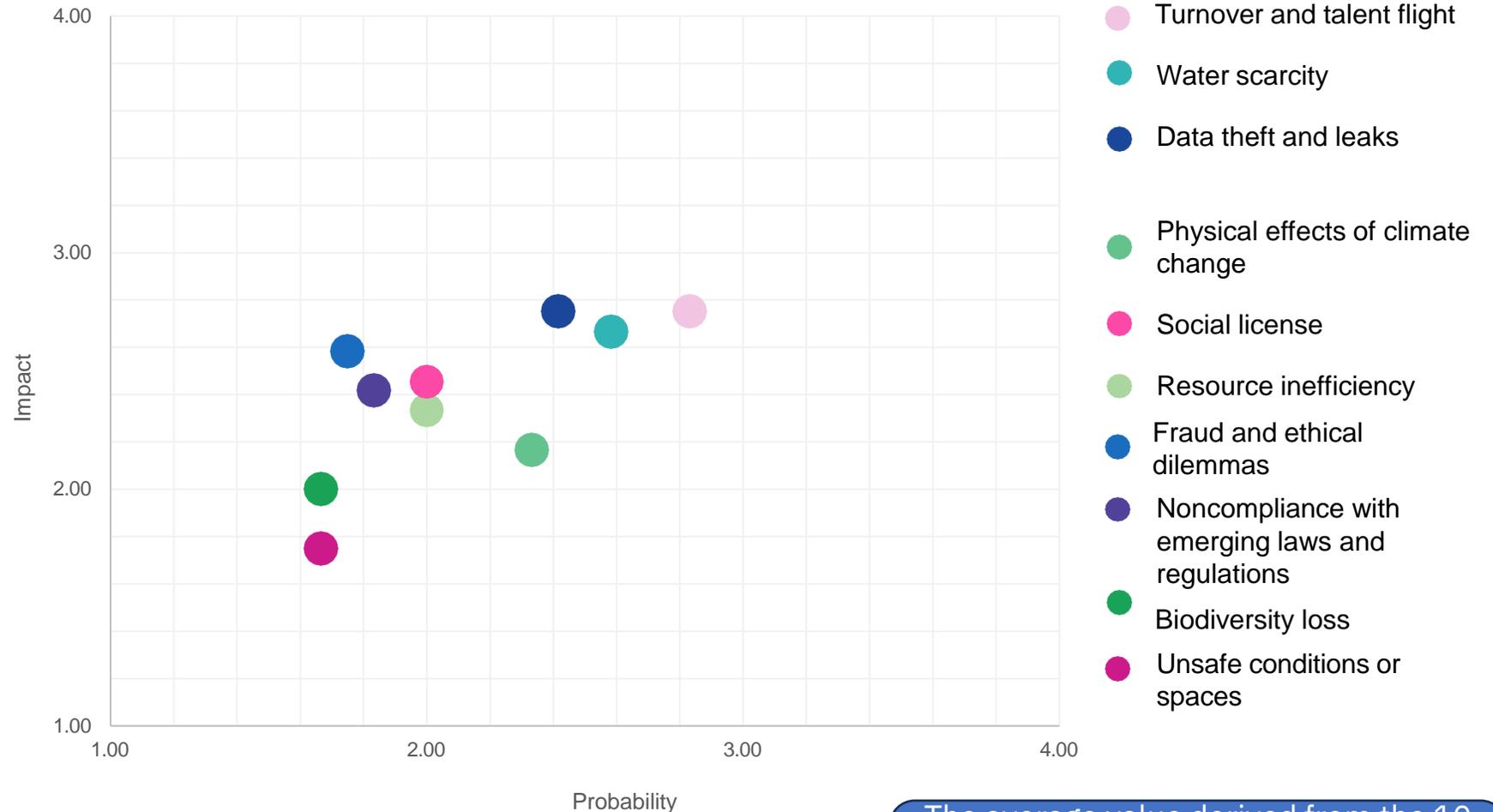
Relevance by risk

We assessed the **likelihood and impact** of each of the risks associated with Vesta's material topics.

The chart shows the average value resulting from the **10 interviews**. A value of 1 indicates *minor* impact and *remote* probability; while a 4 indicates *a very high* level of impact and an *almost certain* probability of occurrence.

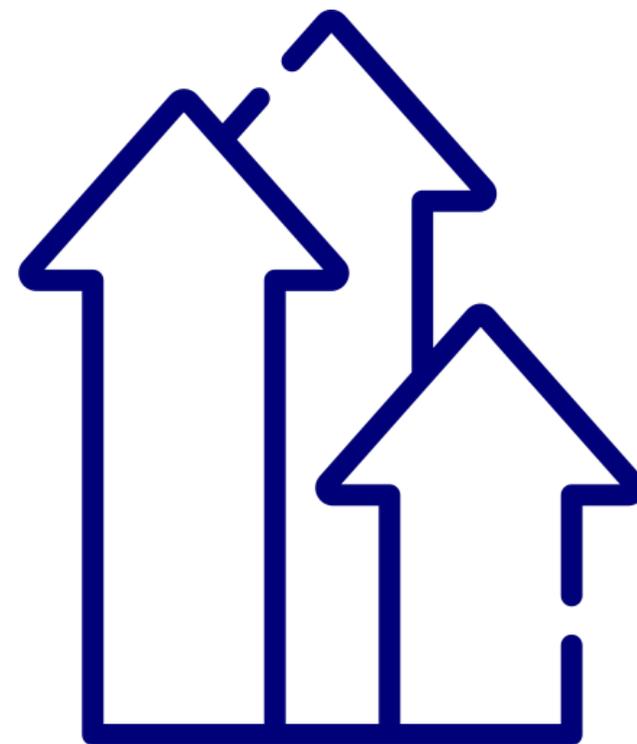
The three risks that combine the highest degree of likelihood and impact are:

1. **Turnover and talent flight**
2. **Water scarcity**
3. **Data theft and leaks**



The average value derived from the 10 interviews in which the management team participated is shown in the following matrix.

Conclusions



Conclusions and next steps



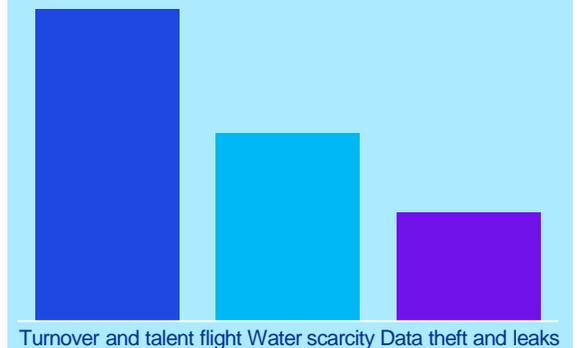
This materiality exercise allows Vesta to identify the most relevant issues for its organization, for the industry and for leading standard-setters, so that these can be considered in its strategic management and business goals. It also provides a comprehensive up-to-date view of ESG risks and opportunities (double materiality).

Vesta's ESG performance is in an intermediate-advanced stage. It has taken important steps toward meeting industry standards and trends which have become increasingly exacting and competitive. There are various areas of opportunity to further maturity in some of the main issues based on a comparison against the leading competitor and industry average. It is also important to **formalize and strengthen Vesta's ESG management and involve the entire organization** in fortifying and extending the foundations for a sustainable business strategy.

Designing a **solid base of policies and procedures** applicable to Vesta operations, based on the material topics, with an ESG strategy that will enable the company to comprehensively track and monitor all its **strategies, targets and current metrics**.

Defining **channels for communication on progress**, on management of material topics, is fundamental for improving **transparency and trust** for all stakeholders.

Top risks associated with Vesta material topics



Overview

For Vesta's materiality analysis, we reviewed various sources in order to evaluate the company's current impact and performance in terms of sustainability.

Main activities:

- Analysis of internal context: corporate documentation and public information on Vesta, stakeholder surveys.
- Analysis of external context: ESG trends in the industry (standard setters) and key Vesta competitors (industry benchmarking).
- Selection and prioritization of relevant issues.

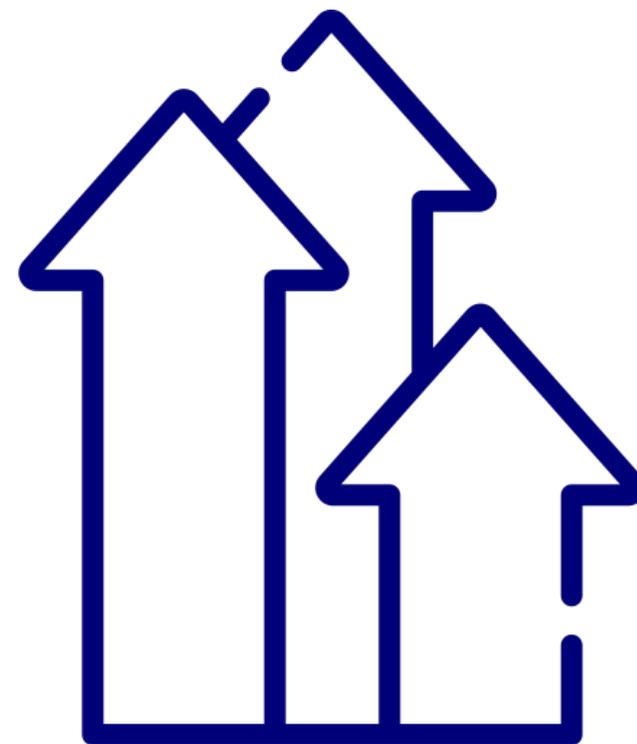
External analysis

- Vesta must continue joining efforts to work toward best practices and initiatives in the areas of social, environmental and governance issues.
- The topics presented in the materiality analysis can be understood as areas of opportunity that require work to come up to the requirements and areas involved in ESG standards, and to keep up with or surpass competitors.

Internal analysis

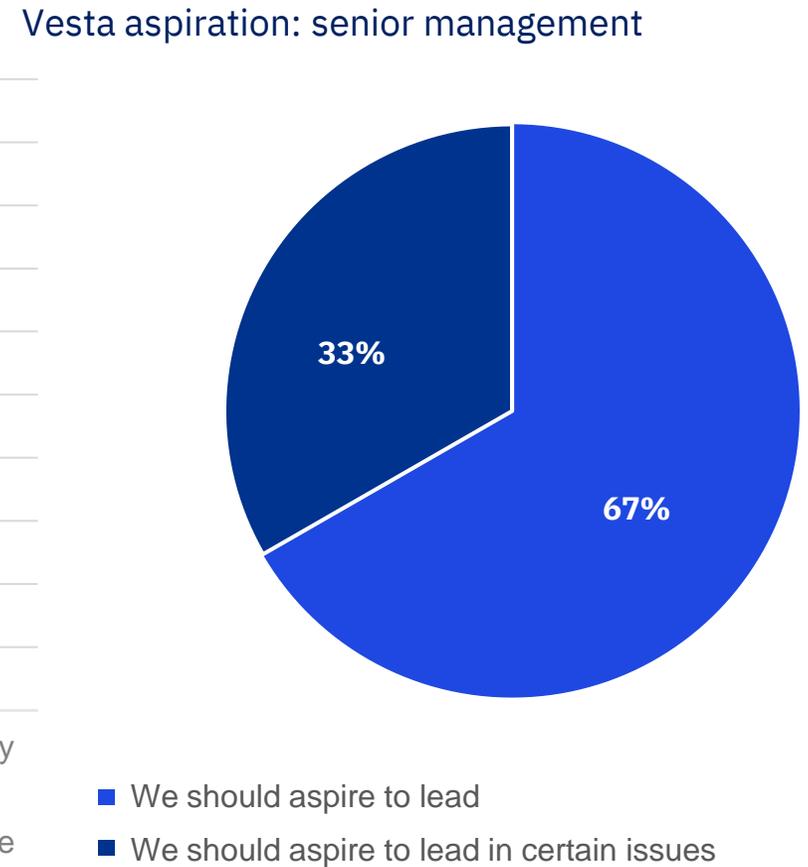
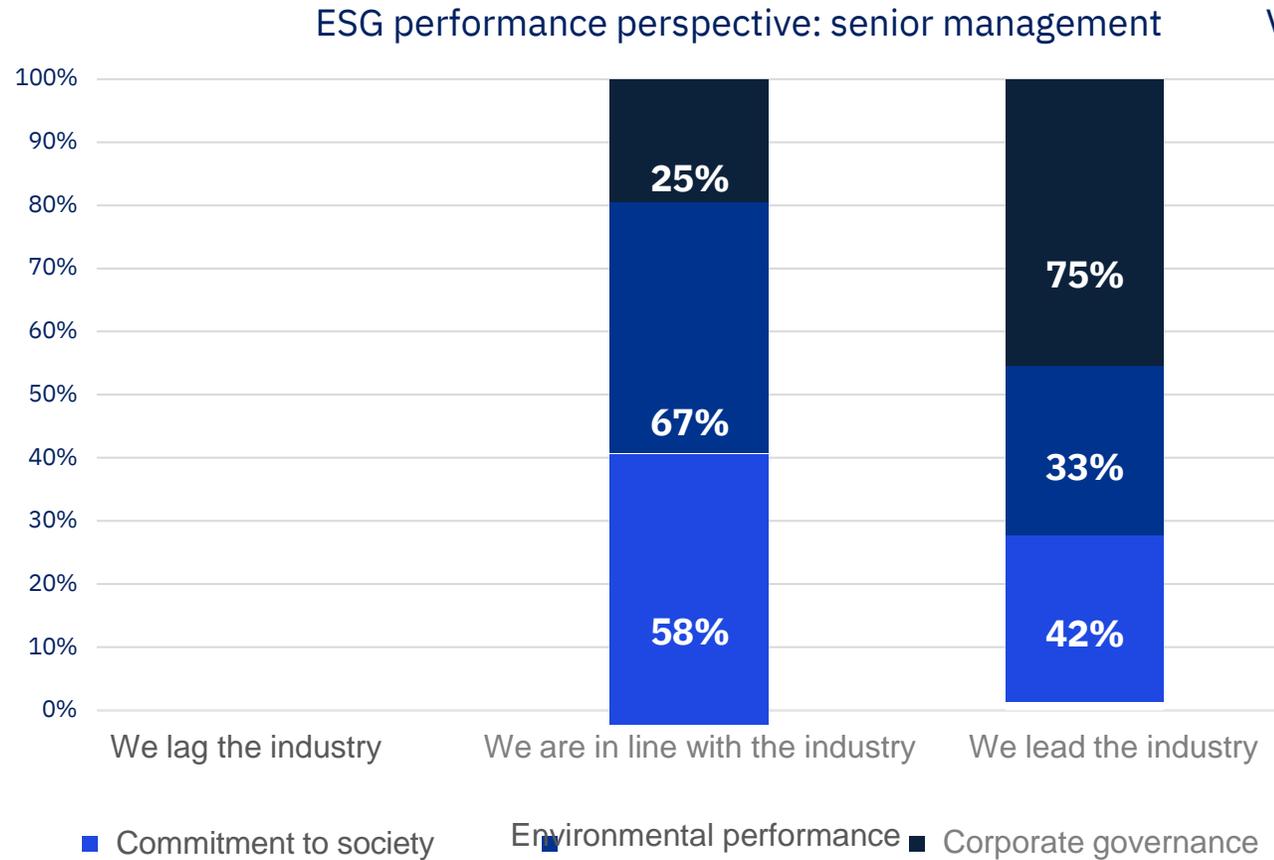
- We analyzed the most important issues for Vesta by reviewing internal documentation on the ESG matters that are most relevant for stakeholders, the industry and competitors.
- It is important to continue addressing the relevant issues shown in the materiality matrix in order to meet the requirements of stakeholders, aligning Vesta's current ESG strategy.

Surveys



Senior management

On a scale of 1 to 10, where 10 is not at all mature and 10 is very mature, senior management assessed Vesta's level of maturity in sustainability matters at 7, indicating a medium-high level of maturity.



Senior management

- Environmental
- Social
- Governance

Tree map showing the issues most frequently mentioned and most relevant for senior management.

Perspectiva directores: Riesgo



Senior management

- Environmental
- Social
- Governance

Tree map showing the issues most frequently mentioned and most relevant for senior management.

Perspectiva directores: Impacto

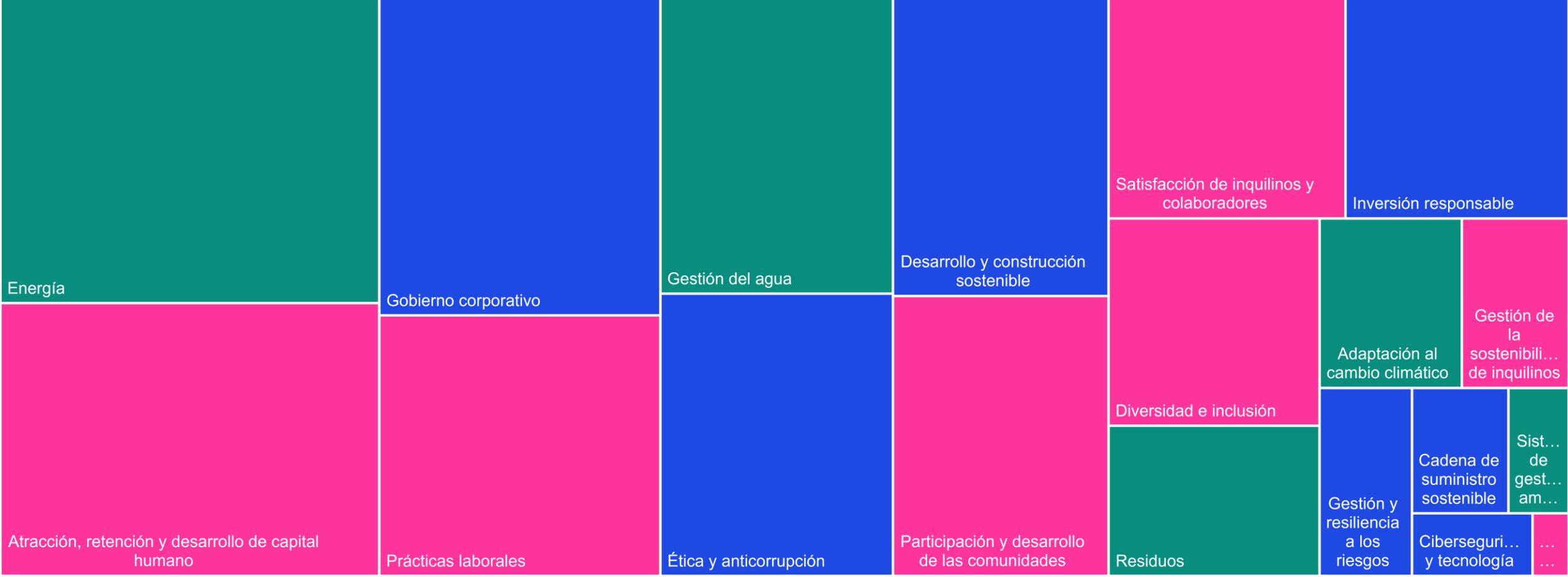


Senior management

- Environmental
- Social
- Governance

Tree map showing the issues most frequently mentioned and most relevant for senior management.

Perspectiva directores: Oportunidad

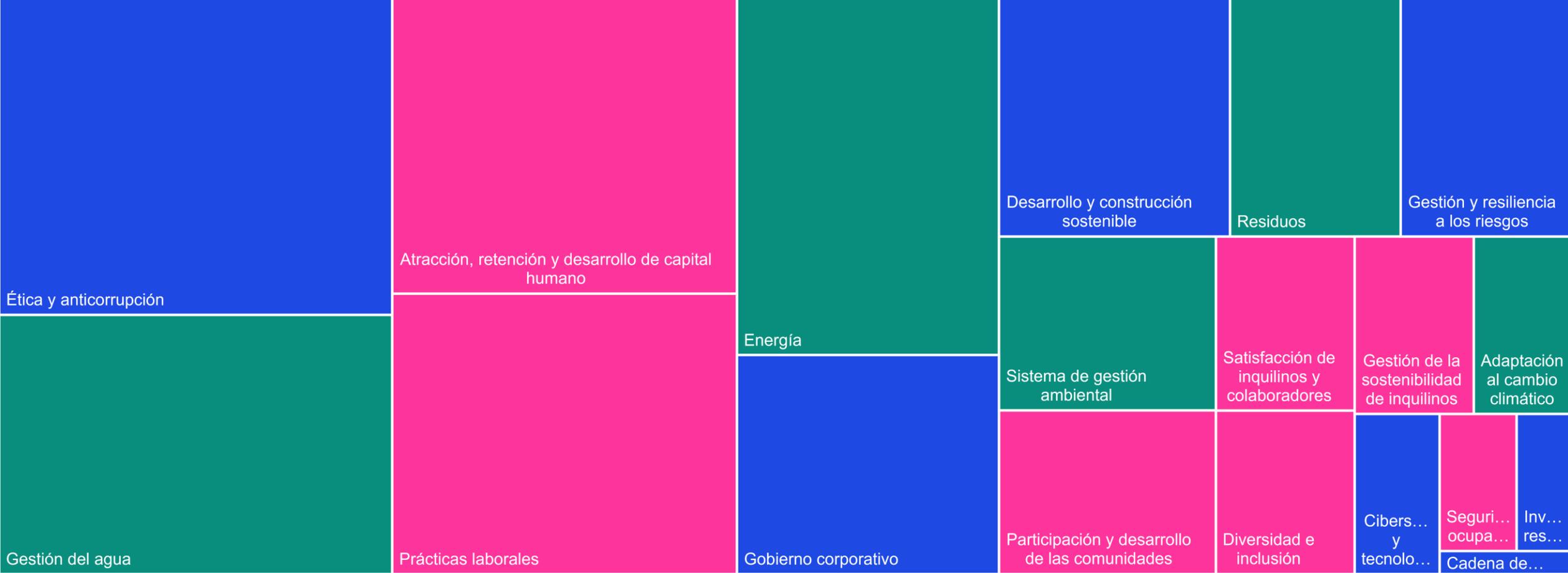


Senior management

- Environmental
- Social
- Governance

Tree map showing the issues most frequently mentioned and most relevant for senior management.

Perspectiva directores: Gasto



Senior management

- Environmental
- Social
- Governance

Tree map showing the issues most frequently mentioned and most relevant for senior management.

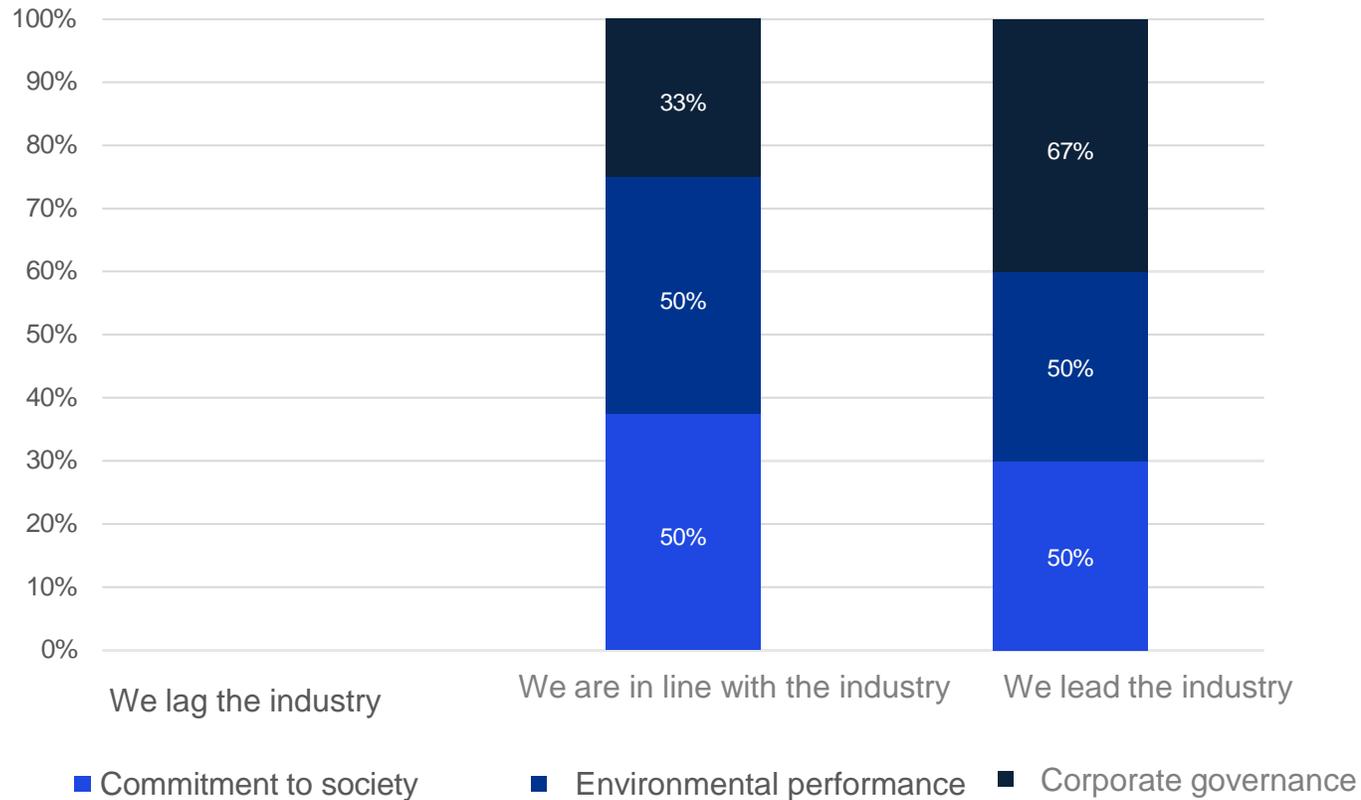
Perspectiva directores: Ahorro o ganancia



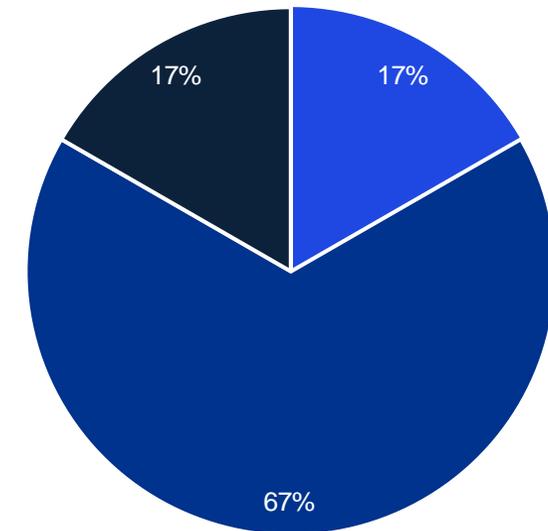
Investors

On a scale of 1 to 10, where 1 is not at all mature and 10 is very mature, investors assessed Vesta's level of maturity in sustainability matters at 5.8, indicating a medium-high level of maturity.

ESG performance perspective: Investors



Vesta aspiration: Investors



- We should aspire to lead
- We should aspire to lead in certain issues
- We should aspire to be average

Investors

Tree map showing the issues most frequently mentioned and most relevant for investors.



Perspectiva inversionistas: Riesgo

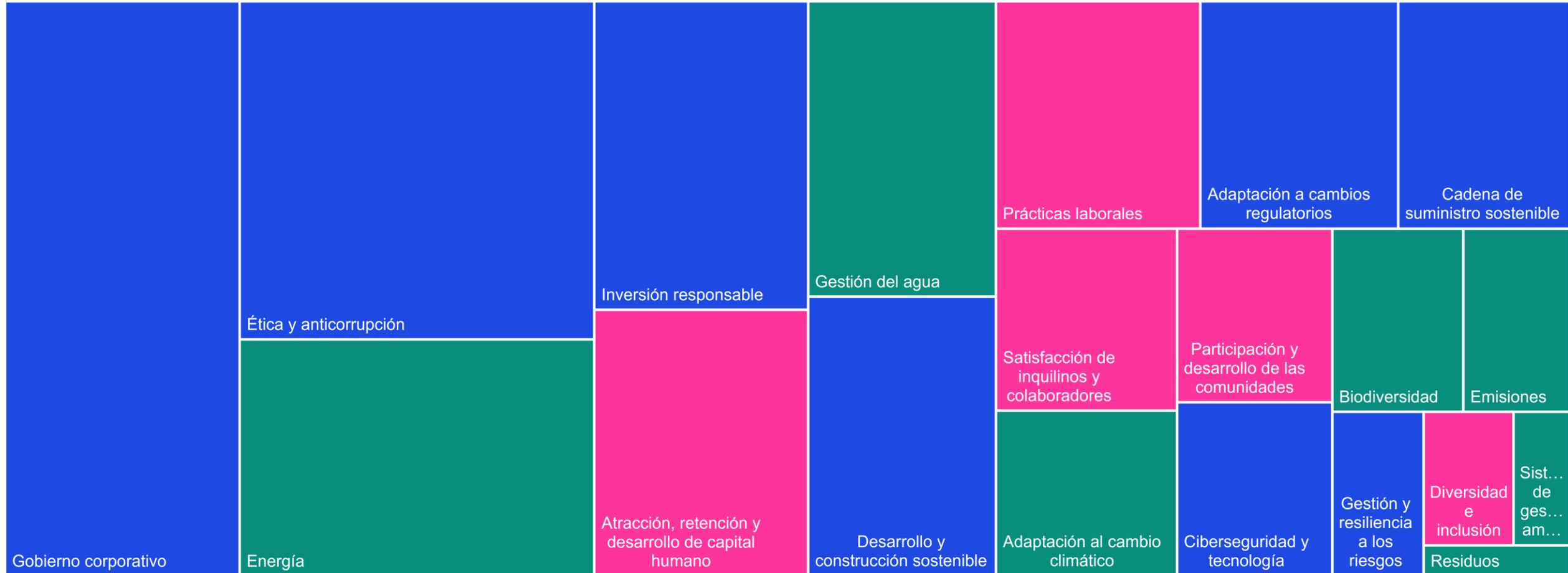


Investors

Tree map showing the issues most frequently mentioned and most relevant for investors.



Perspectiva inversionistas: Impacto

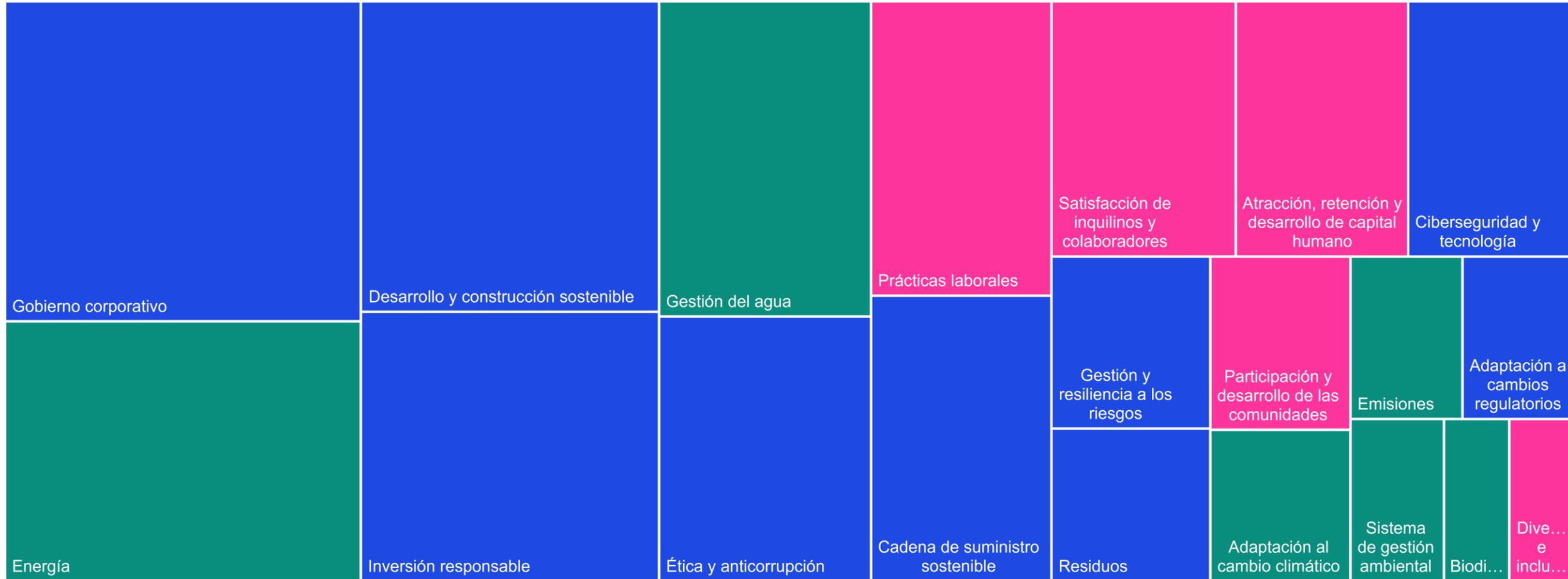


Investors

Tree map showing the issues most frequently mentioned and most relevant for investors.



Perspectiva inversionistas: Oportunidad



Investors

Tree map showing the issues most frequently mentioned and most relevant for investors.



Perspectiva inversionistas: Gasto

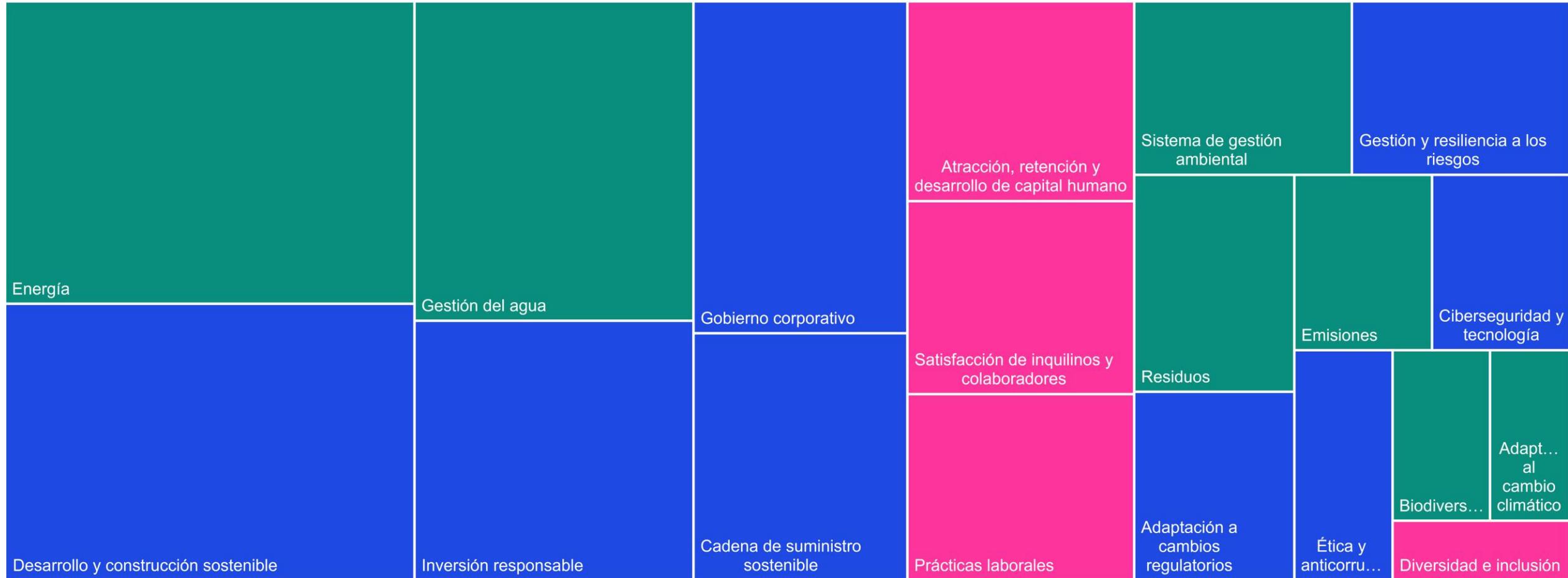


Investors

Tree map showing the issues most frequently mentioned and most relevant for investors.



Perspectiva inversionistas: Ahorro o ganancia



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