

# ANNUAL ESG REPORT 2023



**VARIA**  
US PROPERTIES



202095  
NY NY PORTFOLIO LLC  
(316 52)

2 STORY  
244 N ALLU  
3 492

2 1/2 STORY  
200 N ALLUAB  
2 892

100 E 2000  
SPACES  
48 4 0 E

ED AREA  
(ALL ROAD TES)

244 N ALLUABAL  
PARCE  
4 33  
188.65 S

ASPHALT C SURFACE

WOOD BLDG  
OUGH STREET  
50 SQ FT

77.9

6 SPACES

C/L 20 BAND POW  
SPECIAL EXCEPTION

MENT SPECIAL EXCEPTION NO 13

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# INTRODUCTION



# ABOUT THIS REPORT

Welcome to the third edition of the Varia US Properties AG Annual Environmental, Social, and Governance (ESG) Report!

We are proud to present this comprehensive annual ESG report, which highlights Varia US's continued commitment to integrating ESG into our operations and business practices. This report builds on the foundation established in our previous editions and provides an update on our progress in implementing a practical ESG strategy, building effective partnerships, and the efforts we're making to support the achievement of our ESG goals for the purpose of creating added value to all stakeholders.

In 2023, Varia US achieved several key milestones. For the first time, Varia US created and published a comprehensive carbon accounting report which includes all material categories of scope 3 emissions. Varia US also set 2023 as its base year (meaning future progress toward decarbonization will be measured relative to 2023), established Science Based Targets for decarbonization, and committed to achieving Net Zero by 2050. Additionally, Stoneweg US, on behalf of Varia US, established a portfolio Emissions Reduction Plan (ERP), demonstrating its proactive and professional approach to understanding, managing and mitigating climate-related transition risk.

Varia US's 2023 GRESB benchmark score and rank improved significantly year over year, reflecting the company's dedication to continuous improvement. Stoneweg US also achieved a remarkable milestone in data collection, with comprehensive building environmental performance data now accessible for the majority of Varia US's portfolio. This maturity in data collection processes is rare in US multifamily and sets a new high standard for the industry.

In 2023, we launched an ESG project management initiative, where projects targeted at improving building performance are logged and tied to the actual meters related to the improvements. This initiative creates a positive feedback loop for Asset Managers and Site Teams, promoting continuous improvement and accountability in a tangible way.

With the data collection process now largely matured, Stoneweg US expects to capture nearly all Varia US building performance data going forward. Stoneweg US is now pivoting to leveraging low-cost and high-impact technology to automate and capture this data in real-time.

In 2023, Stoneweg US became a Signatory of the United Nations-supported Principles for Responsible Investment (PRI). The results of the 2023 PRI benchmarking are included in this report, reflecting our commitment to responsible investment principles.

Our alignment with the Task Force on Climate-Related Financial Disclosures (TCFD) continues, with GRESB TCFD-related reporting integrated into our annual benchmarking. We have included these results in this report, demonstrating our commitment to transparent and consistent climate-related financial disclosures.

This year, we continued using the SASB standard index to accompany this report. Stoneweg US, on behalf of Varia US, is actively engaged with the evolving landscape of ESG compliance and reporting standards, ensuring that our disclosures remain relevant, proactive and investor-grade.

Looking ahead, Stoneweg US and Varia US both recognize the growing importance of building performance benchmarking and comprehensive data collection. Access to building performance data is quickly becoming an asset in itself, creating clarity around the current state of investments respective to decarbonization goals and various current and future regulations.

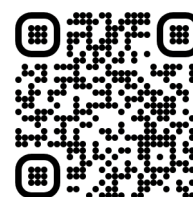
Our aim with this report is to provide transparent and valuable insights into all aspects of ESG relevant to Varia US's operations. We remain dedicated to integrating ESG considerations into all our business practices and look forward to sharing our progress with you in future reports.

# EXECUTIVE SUMMARY

Varia US is firmly committed to embedding Environmental, Social, and Governance (ESG) principles into our operations. We seek to offer sustainable real estate investment opportunities yielding measurable ESG outcomes for residents, investors, partners, and the planet.

Varia US' ESG strategy aligns with the United Nations Sustainable Development Goals (UN SDGs) and seeks to adhere to the GRESB framework for industry best practices. This commitment extends from the company's

Board of Directors to all employed on our behalf at the portfolio and asset-level, creating a comprehensive "Top-Down Approach" and "Bottom-Up Approach" to ESG integration.



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## OVERVIEW OF ESG PERFORMANCE

Below is a high-level summary of ESG key performance indicators (KPIs)\*

Environmental KPIs				
Parameter	2022	2023	Data Coverage 2023	Long-term goal
Total Energy Consumption (MWh)	63,155	87,218	Collected 84% whole building electricity data for 26 out of 31 properties, 98% whole building natural gas data for common area and owner-paid utilities across 31 of 31 properties in our portfolio.	Achieve a 20% improvement by 2033 in energy efficiency on a same store basis versus 2023 as the base year.
Total GHG Emissions (MT CO <sub>2</sub> e)	22,196	26,723	Based on energy data collected.	Achieve a 50% reduction on a same store basis versus 2023 as the base year.
Total Water Consumption (m <sup>3</sup> )	2,015,773	1,791,948	Captured 95% of whole building water data for 31 out of 31 properties.	Achieve a 20% improvement in water use efficiency on a same store basis versus 2023 as the base year.
Total Waste Production (MT)	11,014	15,572	100% whole building data for 31 out of 31 properties.	Achieve a 10% reduction in total waste production on a same store basis versus 2023 through waste diversion and reduction efforts.

\*2023 increases primarily attributed to improved and nearly comprehensive actual data coverage achieved in 2023.

Social KPIs				
Parameter	2022	2023	Data Coverage 2023	Long-term goal
Resident Satisfaction	3.45	3.74	I-5 scale, 5 being highest. 100% of Survey Responses as provided by Kingsley, a Grace Hill Company.	Meet or exceed the Kingsley Index (KI) score annually on a portfolio basis for "Overall Satisfaction". The KI overall satisfaction benchmark is set by Kingsley on an annual basis. The 2024 KI score goal is 3.97.
Lease Renewal Rate	58%	57%	100% of Lease Activity, as provided by RealPage BI	Outperform market competitors on an annual basis.
Employee Satisfaction	84% Satisfied,	84% Satisfied,	100% of employees received the survey and 95% responded as provided by Great Place to Work®.	Score in the top quintile of employee satisfaction on an annual basis.
Green Leasing	12% of leases.	18% of leases.	Share of units in the portfolio where a "Sustainable Living Addendum" is required.	Incorporate "green leases" where permitted by state law and standardized by the National Apartment Association by the end of 2024.

Governance KPIs				
Parameter	2022	2023	Data Coverage 2023	Long-term goal
GRESB	64	83	Per the 2023 GRESB Standing Investments Benchmark Report	Achieve and sustain a top three peer ranked score of annual performance.
Certifications	4 Green Globes & 8 ENERGY STAR Performance Certifications	4 Green Globes & 21 ENERGY STAR Performance Certifications	Per the Green Building Initiative and ENERGY STAR Portfolio Manager Dashboards	Seek sustainable building certifications for at least 10% of the portfolio in terms of gross square footage on an annual basis.
Diversity	Demographics disclosed on page 136 of this report.	Demographics disclosed on page 148 of this report.	Per calculations made by Stoneweg US HR as of December 31, 2023.	Disclose material demographics on an annual basis.
Disclosure	2022 ESG Annual Report published with SASB table, TCFD Alignment Report, Active GRESB membership, Third-Party Assurance of 2022 asset-level data.	2023 ESG Annual Report published with SASB table, TCFD Alignment Report, Active GRESB membership, Third-Party Assurance of 2023 asset-level data.	ESG Annual report written by Stoneweg US, reviewed and approved by the Board of Directors ESG Committee. SASB table completed with the assistance of an expert consultant. TCFD Alignment Report provided by GRESB, GRESB membership status active, Third-Party Assurance letter provided in the Reporting & Disclosures section of this report.	Produce annual ESG report that includes SASB table and TCFD Alignment Report provided by GRESB. Keep GRESB membership status active. Conduct annual third-party assurance.

**SUMMARY OF PROGRESS TOWARDS ESG GOALS**

We're pleased to report substantial progress in implementing systems to accurately and efficiently collect, monitor, and report on ESG performance measures, while also acknowledging the continuous improvement required to meet our ambitious disclosure goals and drive progress towards targets.

**Environmental KPIs:** In 2023, we achieved 84% whole building electricity data coverage and 98% whole building natural gas data coverage, significantly surpassing our previous targets of 30% whole building energy data coverage for 2023. This comprehensive data collection enabled us to better estimate and monitor Energy Consumption and relative Greenhouse Gas (GHG) Emissions. 73% of our portfolio's energy came from electricity and 27% from natural gas. Our efforts have led to capturing 95% of whole building water data and 100% of waste production data for all 31 properties. These improvements set a solid foundation for future performance enhancements.

**Social KPIs:** In 2023, Resident Satisfaction increased to 3.74, although the Lease Renewal Rate slightly decreased by 1 percentage point, still outperforming market competitors by 200 basis points. While we did not meet the Kingsley Index of high performance across the entire portfolio, 14 of our communities did exceed this score, and we remain committed to achieving this benchmark in 2024. Employee Satisfaction remained steady, indicating a sustained positive work environment.

**Governance KPIs:** Our GRESB Score saw a significant increase, reaching 83 and being recognized with 4-star performance in 2023. We also obtained four additional Green Globes certifications and achieved 21 ENERGY STAR Performance Certifications. Green Leasing coverage improved modestly to 18% of all leases. We have published our 2023 ESG Annual Report, including a SASB table, TCFD Alignment Report, and Third-Party Assurance of asset-level data, demonstrating our commitment to transparency and accountability. Stoneweg US, LLC, on our behalf, is an active member of the Principles for Responsible Investment (PRI) and will submit to PRI for the second time in 2024.

**Climate Risk and Resilience:** We have employed an emissions reduction plan informed by a physical climate hazard assessment to prioritize investments. This strategy underscores our dedication to understanding environmental impact and building business resilience amidst climate challenges.

## FUTURE GOALS AND OUTLOOK

### Summary of the company's plans for future ESG initiatives

Looking ahead, Varia US aims to leverage our comprehensive data coverage to drive improvements in energy and water efficiency. In 2024, we plan to make strategic capital investments, including low-cost and high-impact energy and water efficiency technology systems, and execute a pilot program for extensive programmatic mechanical system replacements to enhance energy performance and reduce the portfolio's carbon footprint.

On the social front, we will roll out sustainable living guides for our residents and deepen our engagement with local communities. While there are no new policies planned for diversity, inclusion, and equity, we will continue to uphold our current standards and values in these areas.

In terms of governance, we will seek BREEAM and Fitwel certifications in 2024, further affirming our commitment to the highest sustainability standards. We are also planning to incorporate more robust risk management strategies to address ESG-related risks, utilizing our newly published comprehensive carbon accounting report and Science Based Targets.

In summary, Varia US is dedicated to emerging as a leader in sustainable multifamily real estate investment. We are excited about the progress we've made so far and are enthusiastic about the strides we plan to make in the coming years. Our future ESG initiatives will strengthen our commitment to responsible and sustainable operations, and we look forward to sharing our progress with all our stakeholders.



# LOOKING AHEAD

Looking forward to 2024 and beyond, Stoneweg US has adopted an opportunistic approach to advancing Varia US's ESG initiatives. Our ESG commitment will continue to remain closely tied to creating added value for all stakeholders, especially our investors, through prioritization, a thoughtful approach to making investments, and enhanced engagement

## STRATEGIC PRIORITIES

Our primary strategic focus for 2024 is the introduction of low-cost, high-impact technologies designed to innovate, automate, and generate positive feedback loops to enhance investment performance. A key example of this is the cost and use of capex project analysis piloted in 2023 and rolled out across our portfolio in 2024. Every capex project aimed at improving building environmental performance is logged, linked with appropriate meters, and continuously tracked. This process creates accountability for the outcome of our investments, promotes learning as we adopt new practices, and allows for timely and valuable course correction when necessary.

## ENVIRONMENTAL GOALS AND INITIATIVES

In 2024, Varia US will continue striving toward its short and long-term Science Based Targets and the US Department of Energy's Better Climate Challenge commitment, using 2023 as our baseline. Transitioning to a cleaner energy economy is a long-term endeavor and we are dedicated to making strategic investments to achieve steady progress.

Previously considered too costly or complex, advanced metering and building automation technologies are now becoming viable retrofit investments. For example, JRG Lofts in the Cincinnati MSA is piloting a whole-building energy shadow metering system in 2024. This proof-of-concept project aims to demonstrate the feasibility of real-time, whole-building energy data capture on a retrofit basis for existing buildings. The insights from this data will enable better operational decisions, creating significant value for all stakeholders by improving efficiencies and driving more informed decision-making.

## SOCIAL INITIATIVES AND COMMUNITY ENGAGEMENT

On behalf of Varia US, Stoneweg US is dedicated to fostering new positive feedback loops with residents and site staff across all Varia US communities. We are now working to draft a resident sustainable living guide covering best practices in energy, water, waste, transportation, green cleaning, health, and wellbeing. Additionally, in the future we plan to offer quarterly community-level sustainability updates, including building performance information, ongoing projects, recycling reminders, and sustainable living tips.

## GOVERNANCE ENHANCEMENTS AND RISK MANAGEMENT

In 2024, Varia US will participate in the Carbon Disclosure Project (CDP) disclosure for the first time. Furthermore, our portfolio-level Emissions Reduction Plan (ERP), developed in 2023, will complement our existing Environmental and Sustainability Management Systems (ESMS), adding sophistication to our decarbonization strategy.

## CERTIFICATIONS AND BENCHMARKS

We aim to achieve four sustainability certifications in 2024: two BREEAM and two Fitwel certifications. Following our 2023 GRESB improvement plan, we are confident in the continuous enhancement of our fund-level ESG performance score, even as the GRESB benchmark becomes more rigorous.

**SUSTAINABILITY AND ASSET LEVEL DATA**

Stoneweg US recognizes the intrinsic value that comprehensive sustainability and asset-level data bring to our properties. By establishing detailed building performance plans and systematically collecting and logging data, we create an intellectual property package that enhances the overall value of our investments. This data package, coupled with a well-defined business plan for each property, can be seamlessly transferred to potential buyers, offering them a clear roadmap to continue emissions reduction efforts and sustainability objectives. The transparency and insights provided by these plans not only reduce investment risk but also highlight the value created through our sustainability initiatives. This long-term approach ensures that the sustainability gains and operational efficiencies we achieve today are preserved and built upon by future owners, reinforcing the attractiveness and resilience of our assets in the market.

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**10****PARTNERSHIPS AND COLLABORATIONS**

Stoneweg US is exploring the United Nations Global Compact and considering joining as a member to continue making progress in terms of leadership in public and private real estate and responsible investment practice collaborations. We are also actively following developments from the International Sustainability Standards Board (ISSB) and their new standards for sustainability-related financial disclosures.

## COMPANY PORTRAIT

- Varia US Properties AG is a Swiss-based real estate company, exclusively investing in the US multifamily market. It focuses on secondary and tertiary markets that are characterized by strong population and employment growth.
- Established in September 2015 as a Swiss company, Varia US Properties AG offers an alternative to the Swiss real estate market. In addition to the attractive return perspectives of the US real estate market, investors also benefit from the US Swiss double tax treaty.
- Varia's unique setup – characterized by an experienced Swiss team, a dedicated US staff and a broad network of highly qualified local partners, all backed by a majoritarian non-executive, independent Board – allows Varia US Properties to successfully take advantage of the opportunities the US real estate market is offering.
- The Company's asset manager is Stoneweg SA, a Geneva-based, international real estate asset manager with over USD 4.5 billion of real estate assets under management.
- In the US, Stoneweg US LLC is in charge of strategy definition, acquisitions, asset management and disposition of assets.
- Stoneweg US leads the effort of Varia US on its ESG journey.

# PORTFOLIO SUMMARY

as of December 31, 2023

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## PORTFOLIO VALUE

2022: USD 1,704 million

USD million **1,300**

## NUMBER OF PROPERTIES

2022: 41

**31**

## NUMBER OF UNITS

2022: 11,042

**8,518**

## AVERAGE MONTHLY RENT PER UNIT

2022: USD 1,134

USD **1,223**

## LOAN-TO-VALUE

2022: 55.41 %

**62.92%**

## GROSS POTENTIAL INCOME\*

2022: USD 169.2 million

USD million **141.8**

## AVERAGE MARKET VALUE PER UNIT

2022: USD 154,297

USD **152,619**

## OCCUPANCY RATE

2022: 93.1 %

**92.2%**

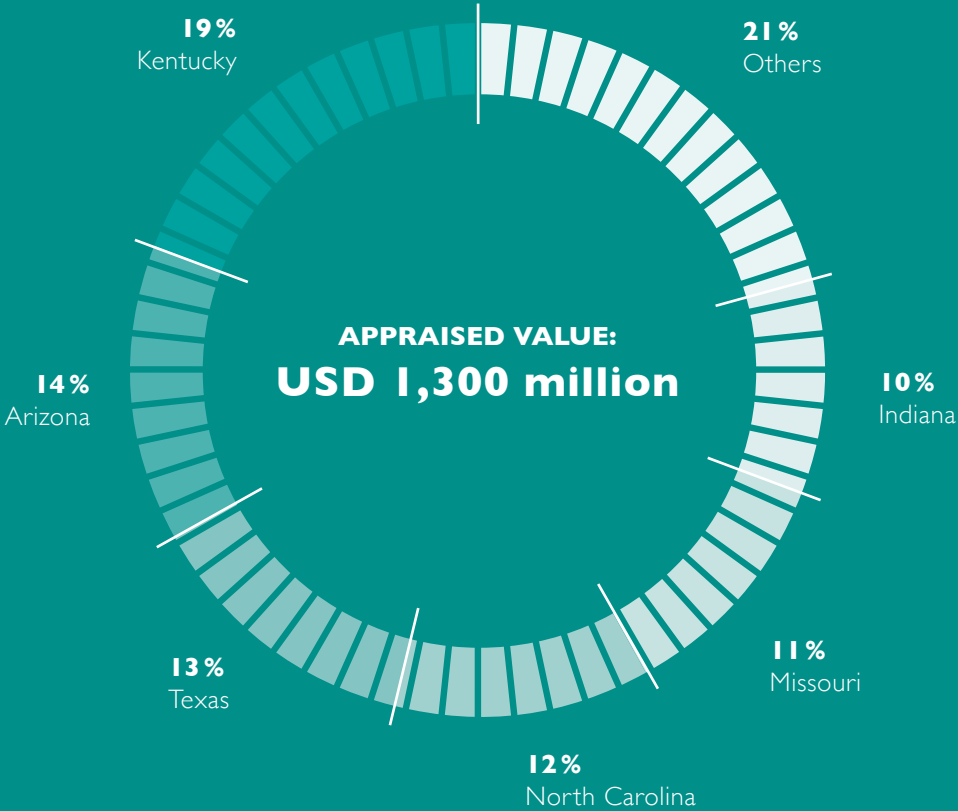
## EFFECTIVE GROSS INCOME\*

2022: USD 158.1 million

USD million **132.7**

# GEOGRAPHIC BREAKDOWN

In 2023, Varia US Properties sold 10 properties. By the end of 2023, the portfolio comprised 31 properties spread across 13 states and representing 8,518 units or apartments.





**AVOIDING OBSOLESCENCE, SAVING ON OPEX, CREATING NEW REVENUE STREAMS AND ADDING VALUE ON THE SHORT- AND LONG TERM ARE THE BENEFITS OF A WELL THOUGHT-OUT AND RIGOROUSLY EXECUTED ESG STRATEGY.**

**ESG IS CURRENTLY THE BEST INVESTMENT FRAMEWORK THAT NOT ONLY REDUCES RISKS, BUT ALSO INCREASES REVENUES AND LONG TERM VALUE.**

Dany Roizman



# DEAR STAKEHOLDERS,

Over the years, the concept of Corporate Social Responsibility at first, and then ESG have evolved significantly. It started as a good idea to become a better citizen. At the beginning of the 21<sup>st</sup> century, people started to understand the depth and the scope of the three letters of this abbreviation. The first international definitions and standards appeared. A lot of work was done to improve performance and results in these three dimensions.

Later, ESG became a political theme, especially in the US, and some started to push back. Time has come to understand that ESG is currently the best investment framework that not only reduces risks, but also increases revenues and long term value.

Comparing Europe and the US, it is interesting to witness how ESG practices have become a no-brainer and part of European investment decisions and operations. In the US, it is often best not to mention any of the ESG vocabulary, and to insist on good business sense, on demonstrating value creation and economic profitability. The results are the same, and it has to be, as we are all stewards of the money that our respective investors trusted us with.

Thanks to its capacity to collect comprehensive and accurate data, and to a profound sense of accountability, Stoneweg US, acting on behalf of Varia US, is able to demonstrate its progress, year over year, in terms of building performance, social impact and reporting capacities. It is also able to demonstrate opex savings, creation of new revenue streams, increase of Net Operating Incomes (NOI), as well as short- and long-term value creation.

As of today, we are at a pivoting point where we can establish that our investment strategy benefits all stakeholders in the value chain, including the investors, the residents, the property managers, the community at large as well as our direct employees. This is the result



of years of work, as well as of a better comprehension of what ESG means at the end of the day.

Avoiding building obsolescence, generating alpha, this is the outcome of this holistic approach of the built environment, that is responsible for almost 40% of the global GHG emissions. Working on decarbonization, in order to achieve a net zero target in 2050, is a challenging, yet

very rewarding project. As our Managing Director of Sustainability, Thomas Stanchack, is saying, this is about contemplating a cathedral thinking, where we put together in 2024 the data package, the business plan, and the intellectual property that will be used in the decades to come by the various owners of our assets, until they achieve the targeted goals. In a nutshell, we are all part of a global project that expands over many years, and we have the opportunity to do what we believe is right that will benefit all our stakeholders. We are working today thinking of where the market will be in 5, 10 and 20 years. Our job is to anticipate investors', regulators', insurers', lenders' and residents' expectations in the years to come. It is absolutely sure that if we don't start now, we will miss the boat, or it will cost exponentially more to get on board.

We are blessed and grateful for the chance we have to address the issues we are facing, and we are proud of publishing today this report that presents very transparently a further step in our journey.

Thank you for your trust and confidence,

Dany Roizman  
Chairman of ESG Committee, Member of the Board of Directors of Varia US Properties AG

# SUSTAINABILITY DEFINITION AND VISION STATEMENT

Varia US and its asset manager Stoneweg US are dedicated to incorporating sustainability practices into all aspects of our operations, from adding greater context to our investment decisions, improving community level environmental performance and implementing portfolio management strategies, recognizing the positive financial benefits these actions bring. We understand that addressing climate change and managing climate-related physical and transition risks is crucial for long-term success.



Residences at Echelon, Lee's Summit, Missouri



We take a pragmatic and practical approach towards sustainability, emphasizing continuous improvement and the implementation of established best practices within our industry. We firmly believe in the cumulative nature of sustainability, recognizing that each progressive step we take builds upon the foundation we have established and supports our overarching goal of delivering the best possible value to our investors.

By integrating environmental, social, and governance (ESG) considerations, we aim to deliver value not only to our investors but also to residents, employees, partners, and the communities where we operate.

We prioritize proactive utility management, investing in appropriate retrofits, seizing opportunities to lower operating costs, and address residents' needs to improve equitable environmental, social, and financial outcomes.

Our focus is on creating enjoyable, safe, sustainable, health- and wellness-oriented properties that add value for all stakeholders.

Through sound corporate governance, a collaborative workplace, and community engagement, we aim to enhance the long-term value of our assets while striving to be leaders in sustainability. By integrating ESG considerations into every aspect of our business, we are dedicated to making continuous progress, achieving sustainable outcomes, and growing the value of investments.



We address the 2023 ESG Objectives success criteria in the Achievements section of this report. On the next page please find our refined ESG Objectives for 2024.

# OUR APPROACH TO ESG – OUR 2024 OBJECTIVES



## ENHANCE RESIDENT LIFE

Through education, communication and information sharing, we seek to consistently and effectively engage and motivate residents and asset/community management teams in understanding and supporting ESG efforts. We do this to promote continuous improvement in terms of creating a living environment that is safe, healthy, comfortable, and socially connected for the residents of our communities.

**We will measure our impact through the following success criteria:**

Continue our ambitious goal to meet the Kingsley Resident Survey Overall Satisfaction Index\* score across our portfolio by the end of 2024.

Implement resident sustainable living guides for regular distribution to residents and quarterly sustainability updates for the residents at the asset level across the portfolio by the end of 2024.

1.



## INTEGRATE SUSTAINABILITY AT PORTFOLIO LEVEL

Continuously refine and implement our comprehensive sustainability strategy across the entire portfolio. Our aim is to reduce the environmental impact of our communities while also improving their financial performance and enhancing their value to residents and investors. We seek to achieve this goal by actively pursuing innovations that support human comfort, utility savings, safety, and efficiencies at every community where we invest.

**Our primary success criteria for this objective will be the following:**

Seek sustainable building certifications for at least 10% of the portfolio in terms of gross square footage on an annual basis.

Fully operationalize the ESG capex project “cost and use” analysis system in 2024 to create accountability for the outcome of our investments, promote learning as we adopt new practices, and allow for timely and valuable course correction when necessary.

2.

\*The Kingsley Index™ is the most comprehensive performance benchmarking database in the real estate industry. Compiled from 30 years of analyzing the performance of industry leaders, their proprietary index is the standard for measuring resident satisfaction. <https://kingsleyassociates.com/the-kingsley-index/>



### IMPLEMENT A CLIMATE RESILIENCE PROGRAM

Implement initiatives and strategies to help residents and communities withstand and mitigate the impacts of climate change through enhancing their durability of the portfolio’s real estate, promoting preparedness for extreme weather events, and the adoption of sustainable practices that reduce greenhouse gas emissions.

**Our main success criteria are:**

- Evaluate physical climate risk assessments for the portfolio on a regular basis.
- Incorporate climate resilience into the investment and portfolio strategy.
- Evaluate and create community level climate transition plans for all assets by 2025.
- Participate in the Carbon Disclosure Project (CDP) disclosure for the first time in 2024.

3.



### ACHIEVE ACCOUNTABILITY, TRANSPARENCY, AND TRUST

Under the guidance of our Board of Directors level ESG Committee, execute an ESG benchmarking and communications program that places a strong emphasis on ethical behavior, transparent disclosure, and accountability to our stakeholders. We recognize that fostering a diverse and inclusive environment leads to better decision-making, innovation, and long-term success. Our ESG program and DEI efforts showcase our commitment to leadership in value creation within the US multifamily investment sector, earning the trust and respect of critical audiences.

**To measure our accomplishment of this objective, our main success criteria will be:**

- Be recognized through GRESB in the upper quartile of North American multifamily submitters going forward.
- On behalf of Varia US, Stoneweg US will complete an evaluation and determine the right time to join the United Nations Global Compact by the end of 2024.
- Persist in our commitment to adopting Diversity, Equity & Inclusion (DEI) practices not only at the Board of Directors level but also across our entire value chain.
- Stoneweg US employees must complete annual policy training on topics such as IT and cybersecurity, risk management, and standards of conduct.

4.

# GOALS & COMMITMENTS

Varia US and Stoneweg US have made a dedicated commitment to align our business practices, operations, and strategies with the United Nations Sustainable Development Goals (SDGs), as detailed in our ESG Policy.

In 2021, we began this journey by initially aligning with ten SDGs through a more general means of tangential support. It's a customary practice in the private sector to develop broad areas of affinity, but often these lack fidelity with the specific purpose of the goals.

In 2022 we announced new significant steps forward in our commitment to the SDGs. That year we conducted a thorough examination of the UN SDG Targets and Indicators, educated our employees on the SDGs in multiple sessions, and engaged in discussions company-wide on how we can meaningfully support the goals. As a result we narrowed the number of goals we're aligned with to six and adopted the specific Targets and Indicators defined by the UN. We use the Targets and Indicators as part of our own KPIs going forward and they will continue to appear in future communications as we periodically share the results of our efforts with our investors and other interested parties.

For 2023 and until we conduct another materiality assessment, we will now focus on driving relevant outcomes to promote the success of our identified UN SDG targets and indicators. On the following pages we are pleased to share some of our success in 2023 integrating these goals into our operations.

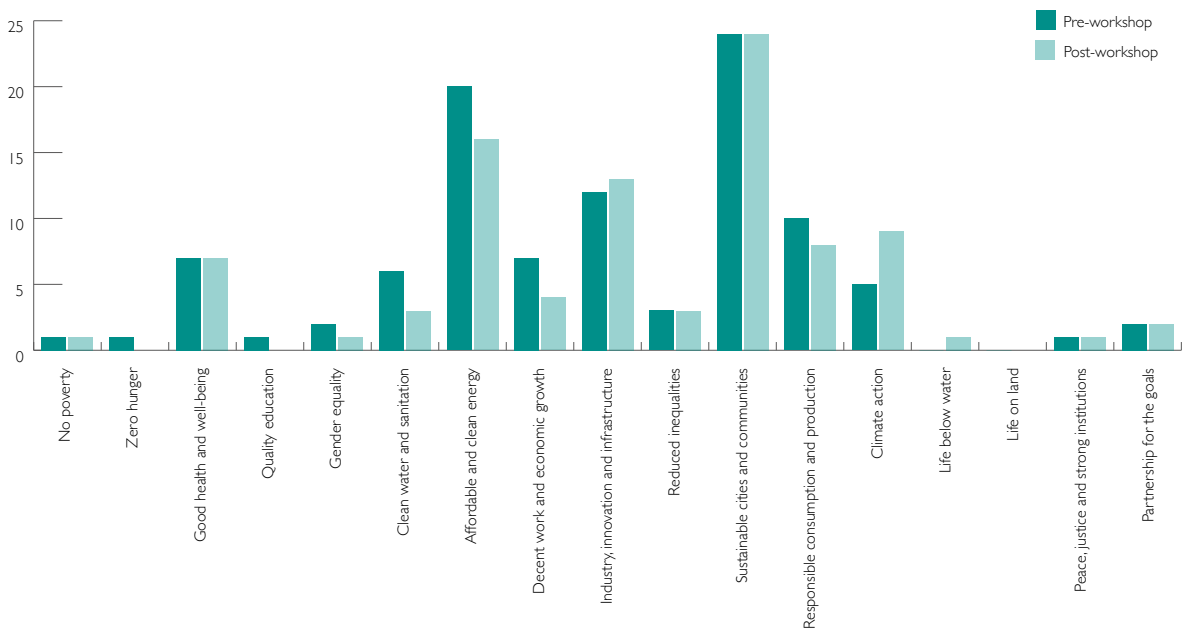
# EMPLOYEE ENGAGEMENT INSIGHTS




We made our education sessions on the UN SDGs with our staff interactive. This included periodic virtual polling throughout the courses to capture feedback. Below we


share some examples of the combined results at the beginning and end of each session about which SDGs each individual felt best aligned with our company's mission.


--> Please select the top three goals you believe best align with Stoneweg's mission





# UNITED NATIONS SUSTAINABLE DEVELOPMENT GOAL ALIGNMENT

	Target	Indicator	Relevance	Actions Taken in 2023
<b>5. Gender Equality</b>	<b>Achieve gender equality and empower all women and girls</b>			
 <p><b>5 GENDER EQUALITY</b></p>	<p><b>5.5</b> Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life</p>	<p><b>5.5.2</b> Proportion of women in managerial positions</p>	<p>Promoting a diverse and inclusive workplace that values and respects women, we will attract and retain top talent, enhance productivity, and foster innovation.</p>	<p>In 2023, we reinforced our commitment to gender equity by continuing our practice of demographic reporting on female representation in managerial roles, introduced an updated DEI policy, and conducted comprehensive employee DEI training sessions to foster a more inclusive workplace.</p>


	Target	Indicator	Relevance	Actions Taken in 2023
<b>6. Clean Water &amp; Sanitation</b>	<b>Ensure availability and sustainable management of water and sanitation for all</b>			
 <p><b>6 CLEAN WATER AND SANITATION</b></p>	<p><b>6.4</b> By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity</p>	<p><b>6.4.1</b> Change in water-use efficiency over time</p>	<p>Implementing water-saving measures and adopting efficient technologies, we reduce water consumption, lower operational costs, and enhance the value of our communities.</p>	<p>In 2023, we continued our water efficiency benchmarking using ENERGY STAR Portfolio Manager and expanded the use of real-time water monitoring and leak detection technologies, while also joining the US Department of Energy's Water Savings Network to further enhance our conservation efforts.</p>
		<p><b>6.4.2</b> Level of water stress: freshwater withdrawal as a proportion of available freshwater resources</p>	<p>We must consider the water availability and quality when making investment decisions.</p>	<p>In 2023, we maintained our comprehensive water stress management practices by continuing to use public and private reporting insights, and we engaged both site and asset management teams to proactively address current and projected water stress risks for each location in our portfolio.</p>

	Target	Indicator	Relevance	Actions Taken in 2023
<b>7. Affordable &amp; Clean Energy</b>	<b>Ensure access to affordable, reliable, sustainable and modern energy for all</b>			
 <p><b>7 AFFORDABLE AND CLEAN ENERGY</b></p>	<p><b>7.2</b> By 2030, increase substantially the share of renewable energy in the global energy mix</p>	<p><b>7.2.1</b> Renewable energy share in the total final energy consumption</p>	<p>We can adopt a renewable energy policy and routinely look for and seize practical opportunities to procure or generate renewable energy across our portfolio.</p>	<p>In 2023, we expanded our commitment to renewable energy by conducting a comprehensive solar feasibility analysis for all locations in our portfolio, integrating these findings into our emissions reduction plan to pursue the best opportunities for renewable energy at the asset level over time.</p>

	Target	Indicator	Relevance	Actions Taken in 2023
<b>9. Industry, Innovation &amp; Infrastructure</b>	<b>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</b>			
 <p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b></p>	<p><b>9.4</b> By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p>	<p><b>9.4.1</b> CO<sub>2</sub> emission per unit of value added</p>	<p>Taking proactive steps towards energy efficiency and renewable energy, we can ensure our communities remain competitive and meet evolving expectations from residents, regulators, and the market.</p>	<p>In 2023, Varia US produced a comprehensive carbon accounting report for the first time, established a base year for emissions, set Science Based Targets, and committed to reporting to the Carbon Disclosure Project, marking significant progress in reducing CO<sub>2</sub> emissions per unit of value added.</p>

	Target	Indicator	Relevance	Actions Taken in 2023
<b>12.</b> Responsible Consumption & Production	<b>Ensure sustainable consumption and production patterns</b>			
<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 	<p><b>12.5</b> By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>	<p><b>12.5.1</b> National recycling rate, tons of material recycled</p>	<p>Effective waste management practices across our portfolio can bring financial benefits through reduced disposal costs. In addition, it also contributes to a healthier and more attractive living environment for residents, which can improve satisfaction and retention.</p>	<p>In 2023 we achieved comprehensive waste management data collection across our portfolio, enabling detailed tracking and reporting of waste volumes and diversion rates.</p>
	<p><b>12.6</b> Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle</p>	<p><b>12.6.1</b> Number of companies publishing sustainability reports</p>	<p>ESG reporting can identify areas for performance improvement to support financial performance, mitigate risks/losses, and identify opportunities for innovation and growth.</p>	<p>In 2023 we continued our commitment to transparency by publishing detailed sustainability reports for Varia US. We also continued to build upon existing efforts in investor-grade practices into our reporting like TCFD alignment, the SASB framework and third party assurance of our building environmental data. In addition we submitted to GRESB for the second time.</p>
	<p><b>12.8</b> By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature</p>	<p><b>12.8.1</b> Extent to which (i) global citizenship education and (ii) education for sustainable development are mainstreamed in (a) national education policies; (b) curricula; (c) teacher education; and (d) student assessment</p>	<p>ESG education and engagement drives innovation and fosters a culture of continuous improvement. We encourage employees, community managers and residents to embrace sustainable behaviors and practices in an effort to unlock opportunities for cost savings, resource efficiency, and long-term value creation.</p>	<p>We continued to use and updated our Environmental and Sustainability Management System (ESMS) to incorporate our policies, programs and processes in a centralized location and accessible to the entire team.</p> <p>In partnership with our marketing team we expanded our social media outreach to include informative ESG-related content to update all stakeholders on our ongoing initiatives.</p>



	Target	Indicator	Relevance	Actions Taken in 2023
<b>13.</b> Climate Action	<b>Take urgent action to combat climate change and its impacts</b>			
<b>13</b> CLIMATE ACTION 	<b>13.2</b> Integrate climate change measures into national policies, strategies and planning	<b>13.2.2</b> Total greenhouse gas emissions per year	Reporting GHG emissions annually identifies opportunities to reduce energy consumption and improve operational efficiency. By monitoring emissions, we can set meaningful reduction targets, track progress, and make informed decisions to mitigate climate risks and contribute to a low-carbon future.	In 2023 we produced a comprehensive carbon accounting report for the first time, established a base year for emissions, set Science Based Targets, and committed to reporting to the Carbon Disclosure Project, marking significant progress in reducing CO <sub>2</sub> emissions per unit of value added. Our goal is now to reduce our total carbon emissions by 63.3% by 2030 and achieve net-zero emissions by 2050.  We also introduced a portfolio level emissions reduction plan to guide the portfolio over the long term to find opportunities to invest in accretive decarbonization practices.

# 2023 ACCOMPLISHMENTS

We are delighted to present our 2023 accomplishments, which illustrate significant progress in our ESG journey. These steps not only build upon our established foundation but also showcase our commitment to continuous improvement and value creation for our stakeholders.



## ENVIRONMENTAL ACHIEVEMENTS

1

### Comprehensive Data Collection

By the end of 2023 Varia US achieved nearly **100% building environmental performance data capture**, setting a new standard in the multifamily sector.

2

### Education and Engagement

Conducted routine engagement with community site staff and asset managers on the subject of building environmental performance through communications about **ENERGY STAR® performance certifications** and US EPA Water Score results.



### Energy Certifications

3

Secured **21 ENERGY STAR® performance certifications**, more than doubling last year's count.

4

### Sustainable Building Certifications:

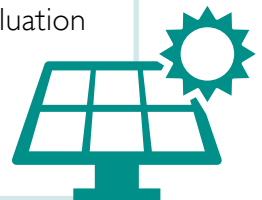
Obtained **4 new Green Globes certifications**, aligning with our commitment to sustainable building practices.



5

### Renewable Energy Initiatives

Completed portfolio-wide evaluation for **on-site photovoltaic installations**, budgeting key projects for 2024.



6

Water Conservation



Implemented the US Department of Energy's advanced method of water use analysis as a new member of their Water Saving Network and committed to achieving a **20% reduction in water use** intensity across the portfolio.

7

Energy Use Reduction

2023 same store whole building energy use achieved a **5% reduction** in use across the portfolio.



8

Waste Management



Expanded recycling services to all properties in our portfolio, significantly improving data coverage and waste diversion rates.

9

Pollinator Gardens

Established a **pollinator garden** at The Village at Mayfield, enhancing **biodiversity and resident well-being.**



GHG Inventory and Carbon Accounting

10



Completed comprehensive carbon accounting and set science-based targets for a **63.3% emissions reduction** by 2030.

SOCIAL IMPACT

11



Resident Satisfaction

Improved resident satisfaction scores by **8.3%**, achieving a **portfolio-wide average of 3.73**.

12

Kingsley Excellence Awards:

(15) properties received Kingsley Excellence Awards for exceptional resident satisfaction.



13



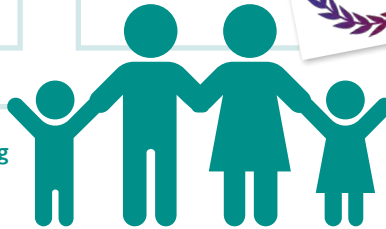
Employee Engagement

Stoneweg US achieved certification as a **Great Place to Work**, with an **87% employee satisfaction** rate.

a

14

Affordable Housing Initiatives



Integrated the Multifamily Impact Council framework into our reporting to enhance transparency in serving working families.

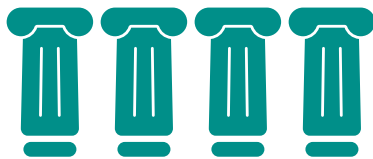
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Publicly shared our demographic reporting on **female representation** in managerial and leadership positions at the **Asset Manager and Board of Directors Level**.



15

Community Programs



Stoneweg US launched new community engagement programs, focusing our 4 pillars of philanthropy, **Access to Food, Access to Housing, Biodiversity, and Education**.

16

Esusu Program Expansion



Provided **over \$88k in rent assistance** through the **Esusu Stable Home Fund** rent payment loan program.

17

EV Charging Stations



Installed **EV charging stations** at (5) additional properties and now have a total of **59 total charging stations** across the portfolio, supporting sustainable transportation. Energy consumed by EV charging across the portfolio tripled year over year.

18

Green Leases



Continued to implement the **green leasing** practice initiative, which now covers **18% of all leases**, to promote sustainable living among residents.



**GOVERNANCE UPDATES**

**18 Policy Enhancements**

Updated the **ESG Policy to include climate-related** opportunities and improved reporting on **energy consumption**.

**19 GRESB Score Improvement** ★★★★★

Achieved a GRESB score of **4 stars and 83 points**, reflecting significant improvements in our sustainability practices.

Recognized as an **upper-quartile leader** in our second year of GRESB by scoring **4<sup>th</sup> out of 10** in our peer group.

Stoneweg introduced an updated **DEI policy** and conducted in person training in the US for all employees.

**20 Board-Level ESG Committee**  
**Instituted formal quarterly meetings for the ESG Committee** to monitor progress and guide strategic decisions.



**21 Compliance and Transparency**

**Enhanced transparency through** comprehensive carbon accounting and participation in external audits.

Conducted **physical climate risk assessments** at the asset and portfolio basis and presented these to **the Board of Directors ESG Committee**.

**Incorporated climate resilience** into the investment and portfolio strategy at the **Investment Committee and at the Board of Directors' level**.



**22 New Memberships**

**Joined the US DOE Water Savings Network** and other sustainability-focused organizations.



**23 Sustainable Investment**

Developed a robust **ESG due diligence checklist for investment decisions**.



## AWARDS AND RECOGNITIONS

### 24 Freddie Mac Impact Sponsor

Named a Freddie Mac Impact Sponsor for the **second consecutive year.**



### 25 Industry Recognition

Stoneweg US's Managing Director of Sustainability, Thomas Stanchak, **named an influencer in multifamily real estate.**



### 26 GRESB Peer Ranking

**Improved to 4<sup>th</sup> place in GRESB peer ranking,** demonstrating leadership in ESG performance.



### Public Engagement

27

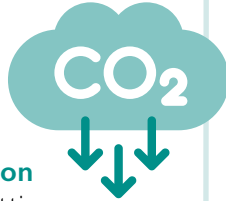


Engaged in numerous public **webinars, industry talks and new media articles to share** our ESG experiences and best practices throughout the year.

**NEW PROJECTS AND INNOVATIONS**

28

**Greenhouse Gas Reduction**



Published comprehensive **GHG inventory and carbon accounting disclosure**, setting 2023 as our base year and aligning short and long term science based targets.

29

**Water Savings Initiatives**



Engaged in the US DOE Water Savings Network, **committing to significant water use reductions that drive high performance results.**

30

**New Partnerships**



**Formed strategic partnerships for sustainability projects and industry leadership roles** with groups such as the US DOE’s Better Buildings Multifamily Steering Committee, the Pension Real Estate Association (PREA) Environmental Committee, the US EPA’s ENERGY STAR Multifamily Committee and Climate United.

31

**Advanced Reporting**

Adopted new frameworks for ESG reporting such as SASB, **enhancing the depth and transparency of our disclosures.**





# GRESB RESULTS







Varia US Properties demonstrated its continuing commitment to transparency and improved performance by participating in 2023 for the second time in the global ESG benchmark for the real estate industry, GRESB (Global Real Estate Sustainability Benchmark).

GRESB data, used by hundreds of capital providers and thousands of asset managers, serves to benchmark ESG performance globally, providing insights into the opportunities and risks associated with sustainable investments. This year, GRESB's coverage expanded to over USD 8.8 trillion in gross asset value, reflecting the growing emphasis on sustainability in financial markets.

**RESULTS SUMMARY**

In June 2023, Stoneweg US submitted the GRESB benchmark report on behalf of Varia US Properties AG for the second consecutive year, marking another significant step in the company's commitment to ESG transparency and performance. The report covered the performance period from 2021-2022. In October 2023, Varia US was delighted to receive the results, which showcased its continued improvement and commitment to sustainability.

The annual GRESB assessment evaluates key sustainability performance issues, aligning with international frameworks and emerging regulations. Varia US's second participation with the benchmark highlights the company's ongoing dedication to addressing material ESG issues, resulting in a score of 4 stars and 83 points in 2023, a substantial increase from 64 points in the previous year of 2022, underscoring Varia US's progress and commitment to continuous improvement.



**WE ARE VERY PLEASED THAT WE WERE ABLE TO SIGNIFICANTLY IMPROVE OUR 2023 ASSESSMENT RESULT COMPARED TO THE PREVIOUS YEAR. THIS DEMONSTRATES OUR RIGOROUS APPROACH OF DATA COLLECTION AND THAT OUR ESG STRATEGY IS EFFECTIVE AND HAS A POSITIVE IMPACT. THE GOOD RESULT IS ALSO A GREAT MOTIVATION FOR THE ENTIRE TEAM TO CONTINUE TO WORK DILIGENTLY TOWARD OUR LONG TERM ESG GOALS. WITH RESPECT TO PEER RANKING, THE IMPROVEMENT FROM BEING 8TH OUT OF 11 IN 2022 TO 4TH OUT OF 10 IN 2023 IS SETTING A TRAJECTORY FOR OUR POSITION AS A FRONTRUNNER.**



Thomas Stanchak,  
Managing Director of Sustainability  
at Stoneweg US

## 2023 GRESB Standing Investments Benchmark Report

Varia US Properties | Stoneweg US

GRESB Rating



### Participation & Score



### Peer Comparison



United States of America | Residential: Multi-Family | Listed  
Out of 10

34

**Status:**  
Listed

**Location:**  
United States of America

**Property Type:**  
Residential: Multi-Family: Low-Rise Multi-Family

### PARTICIPATION SCORE AND PEER COMPARISON

According to the Results Review document we received from GRESB to accompany our Benchmark Report, GRESB reported that the average score of 2023 participants in the standing investment benchmark was 75 in 2023. In this context, Varia US's 83 participation score can be interpreted as above average.

With respect to Peer Comparison, Varia US moved from ranking 8th out of 11 in 2022 to 4th out of 10 in 2023. GRESB assigns participants peer groups based on attributes such as if the participant company is publicly traded, locations of real estate assets, and the type of real estate held by the participant. Varia US was placed in the Listed, US located with a property type of Residential:

Multi-family:Low-Rise. The result of moving to 4th place in its peer group is consistent with the goal set by the company to become a leader in its sector of the industry.

#### 2023 GRESB Peer Group

- Apartment Income REIT Corp (AIR Communities)
- Avalon Bay Communities, Inc.
- Camden Property Trust
- Centerspace
- Elme Communities
- Equity Residential
- Essex Property Trust
- Mid-America Apartment Communities
- UDR, Inc.

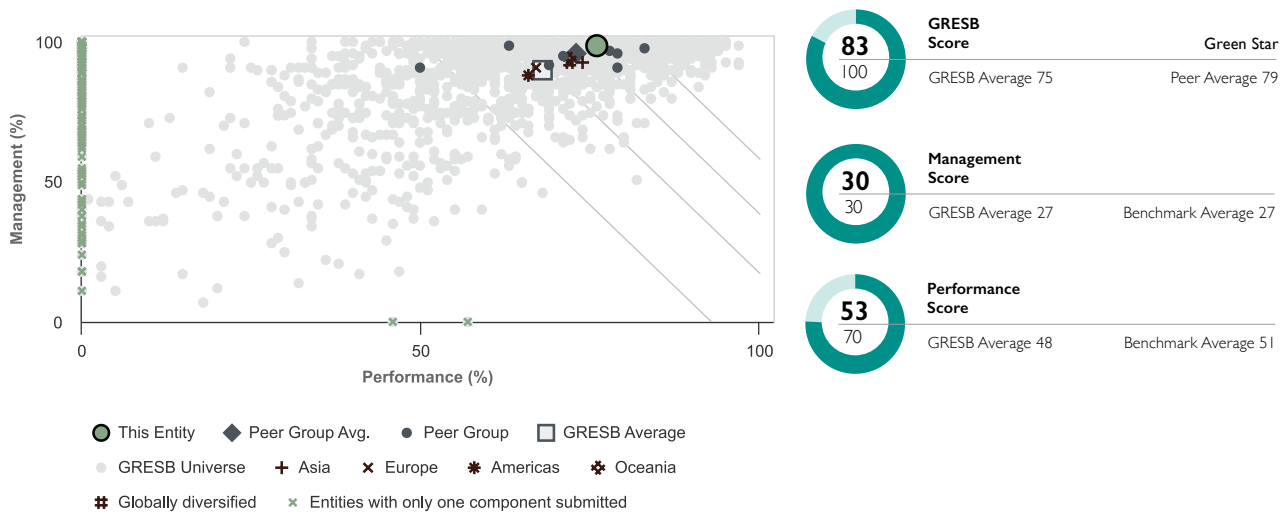
**WE ARE IMPRESSED WITH THE PROGRESS VARIA US MADE IN OUR 2023 ASSESSMENT COMPARED TO LAST YEAR. ADVANCING AN ORGANIZATION'S OVERALL POSITION ON SUSTAINABILITY CAN BE CHALLENGING IN THE RESIDENTIAL, MULTI-FAMILY SPACE, YET VARIA US HAS ACHIEVED EXCELLENT RESULTS. VARIA US TRULY CONTRIBUTES IN A VERY VALUABLE WAY TO SUSTAINABLE AMERICAN WORKFORCE APARTMENT COMMUNITIES.**

Tom Idzal, Head of Americas at GRESB

### GRESB MODEL

The GRESB Model breaks down the total performance scores into two key categories, a management score and a performance score. Generally these are understood as the qualitative and quantitative categories of the total GRESB performance score.

In terms of Management Varia US performed extremely well, scoring above the benchmark average and achieving all of the points available, which was a small improvement versus the previous year.



### ESG Breakdown



Though the company did not do as well in the Performance category, it was a significant improvement versus the previous year's result and exceeded the average submission scores achieved by other participants in 2023. This result is in large part due to the company's improvement of capturing comprehensive building environmental data for all the communities in the portfolio. We've addressed this challenge on multiple occasions. The company's 2023 improvement in their GRESB performance score is evidence of the success it's achieved through its partnership with its utility services manager, and effectively addressing the problem related to US multifamily real estate building performance data, which is one of the most difficult types of real estate to report on.

In addition to the GRESB Model breakdown of Management and Performance, GRESB also breaks down their performance score into Environmental, Social & Governance, to provide insight into ESG performance.

The company scored 45/62 in the Environmental, reflecting very strong environmental policies and practices, and demonstrating its on a continuous improvement trajectory of improving data capture and coverage.

Varia US scored extremely well on the Social criteria, with a score of 18/18 for the second consecutive year, indicating a commitment to promoting social sustainability and community engagement.

In terms of Governance, Varia US scored 20/20, an increase of 3 points versus 2022, reflecting more robust policies and practices related to governance and risk management.

Overall, Varia US's GRESB performance indicates that the company is performing better than average compared to its peers in terms of ESG performance. This is a positive sign for the company's second year submission to its investors and stakeholders, as it suggests that Varia US is building toward a proactive leadership approach to sustainability and responsible investment in its real estate sector.

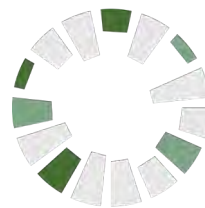
**GRESB GREEN STAR**

The GRESB Green Star is a rating on absolute performance and is only provided for Real Estate Assessment participants. GRESB uses this designation to recognize Real Estate entities with a score higher than 50% of the points allocated to each relevant component. Entities with more than 15 points in Management and 35 points in Performance.

Varia US has received the prestigious GRESB Green Star designation in the results of the company's second submission to the benchmark. Varia US exceeded the minimum threshold to receive the Green Star by scoring 30/30 points in Management and 53/70 points in Performance, demonstrating their commitment to sustainability and ESG practices.

This designation sets Varia US apart as a leader in the real estate industry and reflects their absolute performance in the GRESB Assessment.

The Green Star designation is highlighted through a distinctive markup in the Scorecard and Benchmark Reports.



G R E S B  
★ ★ ★ ★ ☆ 2023

# INSIGHTS



**WE WERE MOTIVATED TO PARTICIPATE IN GRESB BECAUSE WE WANTED TO RECEIVE A RELEVANT AND UNAMBIGUOUS ASSESSMENT OF OUR ESG ACTIVITIES.**

Thomas Stanchak,  
Managing Director of Sustainability,  
Stoneweg US, LLC

**Can you highlight the key improvements made by Varia US in its GRESB submission?**

We focused on improving building environmental performance data coverage. In the simplest terms, we improved our processes working closely with our utility services manager to capture and improve the quality of the information we already have access to. Then we took the additional step of investing in a manual meter reading program at key locations in our portfolio. This program took a year to bring online, then has to be performed consistently for at least a full year following implementation to be fully effective. It's a challenge, but our growing success with data coverage and quality is evidence that just because it's difficult doesn't mean it's impossible.

**What were the major challenges faced in improving sustainability metrics, and how did you overcome them?**

We focus a lot on data quality. Companies like Varia US can become a victim of their own success by capturing an enormous amount of building environmental performance data, but because of the volume, do a poor job with the quality of performance reporting. Put simply, in most cases, make a lot of mistakes with unit conversions. In 2023 we engaged a third party to review, test and assess our data collection processes, policies and reporting. We're proud of achieving a 3<sup>rd</sup> party assurance, but the work is really done on a continuous basis. Through our routine practices of doing regular analysis of building performance data, we find and address issues as they arise. Automation can help with some of the heavy lifting, but most often it takes some manual review by a person to question results and seek to minimize errors in the data lake.

**How has stakeholder engagement evolved in your sustainability efforts?**

We've come a long way over the past few years with stakeholder engagement, but there is certainly much left for us to accomplish. We have worked hard to develop communication channels with our community management teams, residents, investors, and our own employees about our goals, how to identify opportunities, and the progress we are making. For example, last year we launched a community and resident engagement program that includes educational materials in the form of signage on a property's ENERGY STAR performance certifications, energy con-

ervation and the benefits to the individuals and families that call our communities home. With respect to investors we have also continued to demonstrate competence in terms of investor grade ESG reporting, through our ESG Annual Reports, that align with international standards such as SASB, our participation with GRESB and in 2024 joining the Carbon Disclosure Project, demonstrating our transparency and commitment to long-term sustainability.

**Can you discuss any new sustainability initiatives that were introduced in the past year?**

We really leaned into building our GHG Inventory. This work started a few years ago and created the foundation for building up to a comprehensive carbon accounting report that included all material aspects of Scope 3, and Science Based Targets for the short and long term. We waited until we had a more complete picture of our emissions before we introduced a 2050 net zero goal. We did this because we really want to get this right, and a thoughtful approach required we were able to point to and quantify what we wanted to accomplish, as well as make the business case that these efforts could also improve performance of the company.

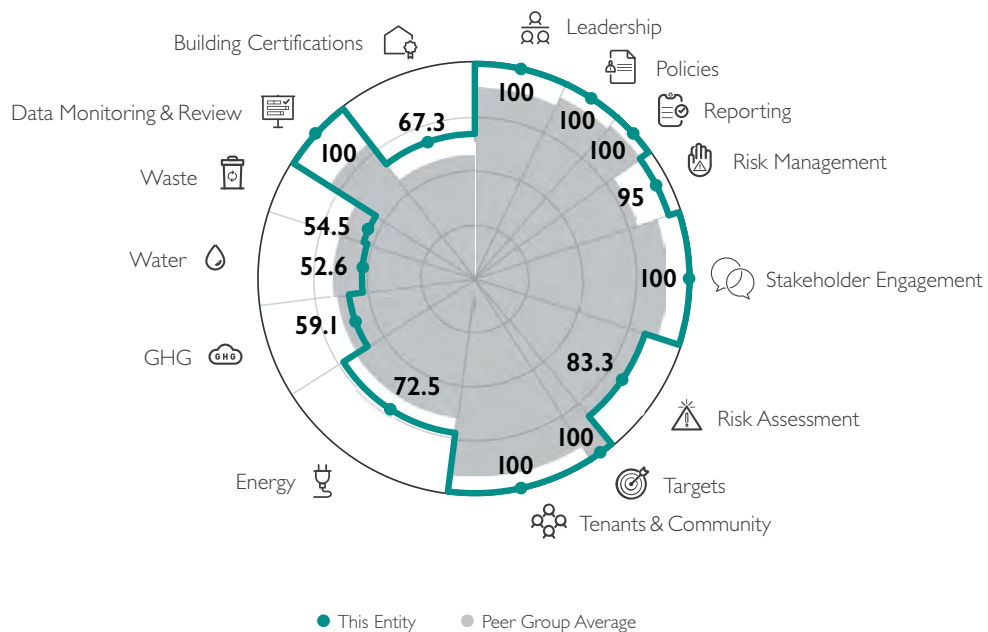
**What metrics are you most proud of improving in this GRESB submission?**

I'm proud that in our second year we maxed out the management portion. It shows our approach is to put policies and procedures into place, then work on data collection and ultimately optimizing performance. It's fundamentally about defining a strategy to address the problem effectively, then getting to work on the problem. An important part of our process is examining our results annually and asking ourselves what is and is not working well. As we have continued to progress, new opportunities to get better present themselves. Getting to those milestones through our ESG work is what I'm most proud of.

**What areas have you identified for further improvement moving forward?**

I think we have the data coverage issue handled and now it's about making it better and faster through technology. I believe we are at the point where we have to now pivot to improved performance. The transition to a clean energy economy will take decades, and it will not be a smooth and always progressive transition. There will be ups and

**Varia US 2023 GRESB Performance**  
Aspect Strengths & Opportunities



downs simply because you have a lot of components like human behavior and the weather that have big impacts on results. To keep going with trying to make long term changes, you need to keep a long term view. We are now pivoting to that phase of our sustainability implementation and I'm really looking forward to sharing my experience year over year pushing toward our goals in a way that is consistent with creating value for all our stakeholders.

**How does Stoneweg US working on behalf of Varia US plan to sustain and build upon the momentum gained from the past two years of GRESB results?**

To achieve and maintain a leadership position, it involves active participation and engagement with your peer group. We focus on creating and maintaining relationships with companies that are successful, and we share best practices that support value creation both financially and through our building's environmental and resident satisfaction performance. We are active and vocal in GRESB working groups, but also in other sustainability groups that are tangential to GRESB. It's basically just routine work of regularly reading what is occurring in the market, and sharing our own ideas. It's in all of our best interests in the context of climate change that we share and discard what isn't working, and promote what does.

**How has the feedback from your first GRESB submission influenced your sustainability strategy?**

Our second year was a heavy lift, because we addressed the hardest issues which are data coverage and quality. Now the feedback we're getting is pointing to opportunities to improve performance, and that's what really interests me. It's rare in reality for investors to build in accountability systems regarding their sustainability practices and the cost and use outcomes post investment. GRESB does this on an annual basis, but we've also operationalized this on a project level basis. Seeing the feedback from GRESB annually points me in a direction, but it takes the day to day work of identifying opportunities to invest in improved performance and verifying we're getting it right to really succeed long term.

# IMPROVEMENT STRATEGY

GRESB will continue to become more difficult, just as it has since its founding. Participants can do a gap-analysis of their submission, but they also need to pay close attention to communications from the foundation as new elements are adopted. That is why Stoneweg US, working on behalf of Varia US, is actively involved in GRESB throughout the year.

As we prepare for future GRESB submissions, Varia US is committed not only to continuous improvement but also to demonstrate leadership and excellence in the multi-

family investment sector. Our objective is to become and remain an ESG leader, reflecting our dedication to creating value for investors through responsible investment practices and sustainable operations.

### Areas of Opportunity

- Sustained Effort
- Comprehensive Data Collection
- Improving Performance
- Achieving Sustainable Building Certifications

## Steps we're taking to improve

### Sustained Effort in ESG Performance

Stoneweg US working on behalf of Varia US is not just aiming for higher GRESB scores; we are dedicated to embedding sustainability into the fabric of our operations and culture. This involves an ongoing process of evaluating and enhancing our ESG policies, engaging with stakeholders, and investing in training and development to ensure that every team member understands and contributes to our sustainability goals.

To maintain momentum, we have implemented a robust Environmental & Sustainability Management System (ESMS), which ensures that we continuously monitor, evaluate, and improve our environmental performance. This system not only helps us meet requirements but also supports our commitment to exceeding industry standards and leading by example in sustainable practices.

An important key to success is continuing to practice in terms of training and education across the portfolio and at the corporate level. Fundamentally it's about working these concepts into the routine way we do business so it becomes part of the process and not a special activity that is performed out of sync with our day to day work.



### Comprehensive Data Collection for Informed Decisions

In the realm of sustainability, data is critical for making informed decisions and tracking progress. Our comprehensive data collection system is designed to provide detailed insights into our energy use, water consumption, waste generation, and GHG emissions. While the full benefits of this system will not be truly realized until the 2025 GRESB submission, we are now regularly identifying new opportunities to improve the performance of our investments.

This data-driven approach allows us to set measurable targets and track our progress towards achieving them. It also supports transparency and accountability, ensuring that our stakeholders are informed about our ESG performance and the steps we are taking to improve. By expanding our data coverage and improving the granularity of our measurements, we are laying a strong foundation for continuous improvement and enhanced sustainability reporting.



### Improving Performance through Strategic Initiatives

Improving our ESG performance is a dynamic process that requires continuous effort and innovation. Stoneweg US and Varia US are committed to implementing strategic initiatives that drive significant improvements in our sustainability performance.

Stoneweg US has incorporated sustainability considerations into our due diligence process for new acquisitions on behalf of Varia US, ensuring that factors such as building performance, climate resilience, GHG emissions, and the resident experience are taken into account. This approach not only helps us mitigate risks but also enables us to identify opportunities to enhance our ESG performance and add value to our investments.

We are expanding our technical assessments at the asset level, focusing on water and waste management and energy efficiency. We've begun to deploy on-site renewable energy solutions, such as solar panels, and we are now looking to reduce our carbon footprint through improved operational efficiency of our properties.

### Achieving Sustainable Building Certifications

Achieving and maintaining sustainable building certifications is a key component of our strategy to enhance our ESG performance. Stoneweg US and Varia US are committed to obtaining certifications such as ENERGY STAR Performance Certifications and Green Globes for our properties, which serve as a testament to our dedication to sustainability and operational excellence.

We are continuing these efforts to promote higher standards of energy efficiency and environmental performance for our investments. This includes conducting gap-analysis of our building certifications to determine in the context of 3rd party best practices where we can improve performance. Certifications are not only to demonstrate the enhanced value of our properties but also to identify valuable opportunities for us to improve in terms of providing sustainable, high-quality living environments for our residents.

### Future Outlook

Looking ahead, Stoneweg US and Varia US are focused on building on our current achievements and driving further improvements in our ESG performance. In 2024 we are conducting pilots to improve our comprehensive data collection system through low cost and high impact technology. We're making environmental performance a valuable feature of the properties where we invest, and making this performance more accessible and transparent.

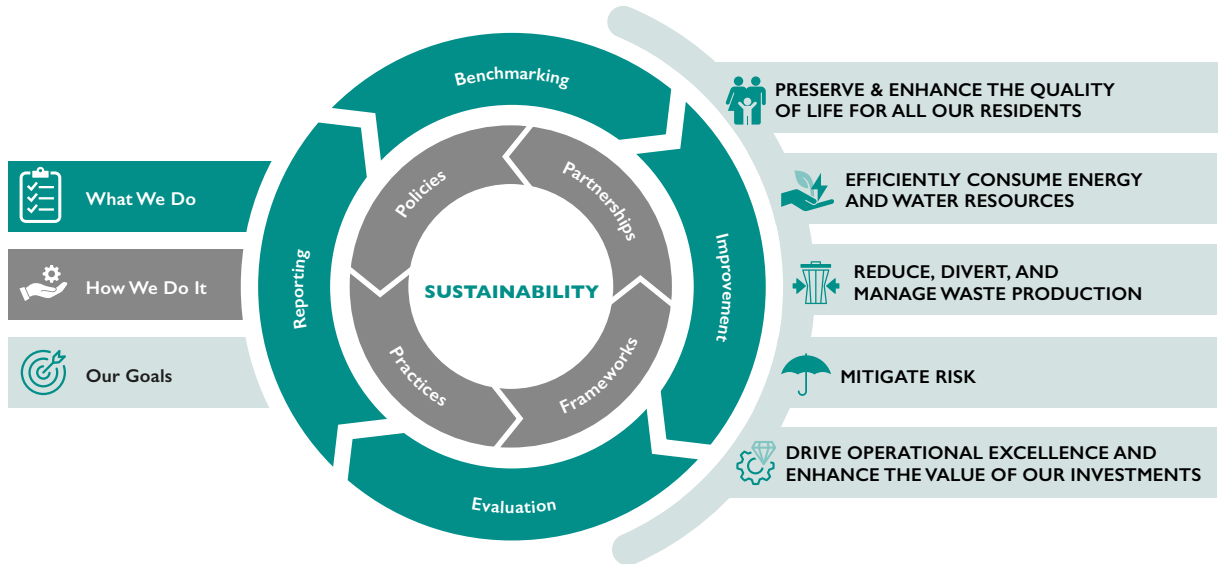
We are also committed to expanding our community engagement programs to support climate resilience and enhance the sustainability of our properties. By focusing on long-term sustainability goals and maintaining a culture of continuous improvement, we are confident that we will continue to achieve higher GRESB scores and reinforce our position as leaders in ESG and sustainability within the multifamily real estate sector.



# ENVIRONMENTAL



# PORTFOLIO SUSTAINABILITY GOALS



Varia US is committed to achieving its Portfolio Sustainability Goals. These goals include preserving and enhancing the quality of life of all residents, efficiently consuming energy and water resources, mitigating risk, reducing, diverting and managing waste production, and driving operational excellence to enhance the value of investments.

By focusing on sustainability, Varia US aims to align its investment strategy with responsible environmental practices, while also creating value for stakeholders. Preserving and enhancing the quality of life for residents is fundamental to our approach. This includes maintaining comfortable and healthy living conditions for residents, as well as minimizing the impact of our operations on the environment and local communities. This focus on sustainability allows Varia US to attract residents who value responsible environmental practices, as well as support long-term value creation through reduced operating costs and increased property values.

Efficiently consuming energy and water resources is critical to achieving Varia US' sustainability goals. This includes reducing energy consumption and water usage through the implementation of energy-efficient technologies and systems. Such initiatives help reduce operating costs while also promoting sustainable resource use.

Mitigating risk is another essential goal of Varia US' sustainability efforts. By prioritizing risk mitigation, the company ensures the long-term viability and resilience of its

properties. Sustainability initiatives such as disaster preparedness planning, building resilience to climate change impacts, and implementing sustainable building practices can help reduce the risk of property damage, which can lead to significant financial losses.

Reducing, diverting, and managing waste production is another key sustainability goal of Varia US. By implementing waste reduction strategies, the company helps reduce environmental impacts while also promoting cost savings. Waste reduction strategies may include recycling programs, composting, and reduction of single-use plastics and paper products.

Finally, Varia US aims to drive operational excellence to enhance the value of its investments. By leveraging sustainable practices and technologies, the company can optimize its operational performance, reduce costs and create new revenue streams. This includes utilizing advanced technologies such as real-time energy monitoring and management systems to identify areas for improvement and increase efficiency.

Varia US' Portfolio Sustainability Goals reflect the company's commitment to responsible environmental practices, stakeholder value creation, and long-term financial performance. By focusing on sustainability, the company aims to promote a healthy, thriving community while also driving operational excellence and creating value for all stakeholders.

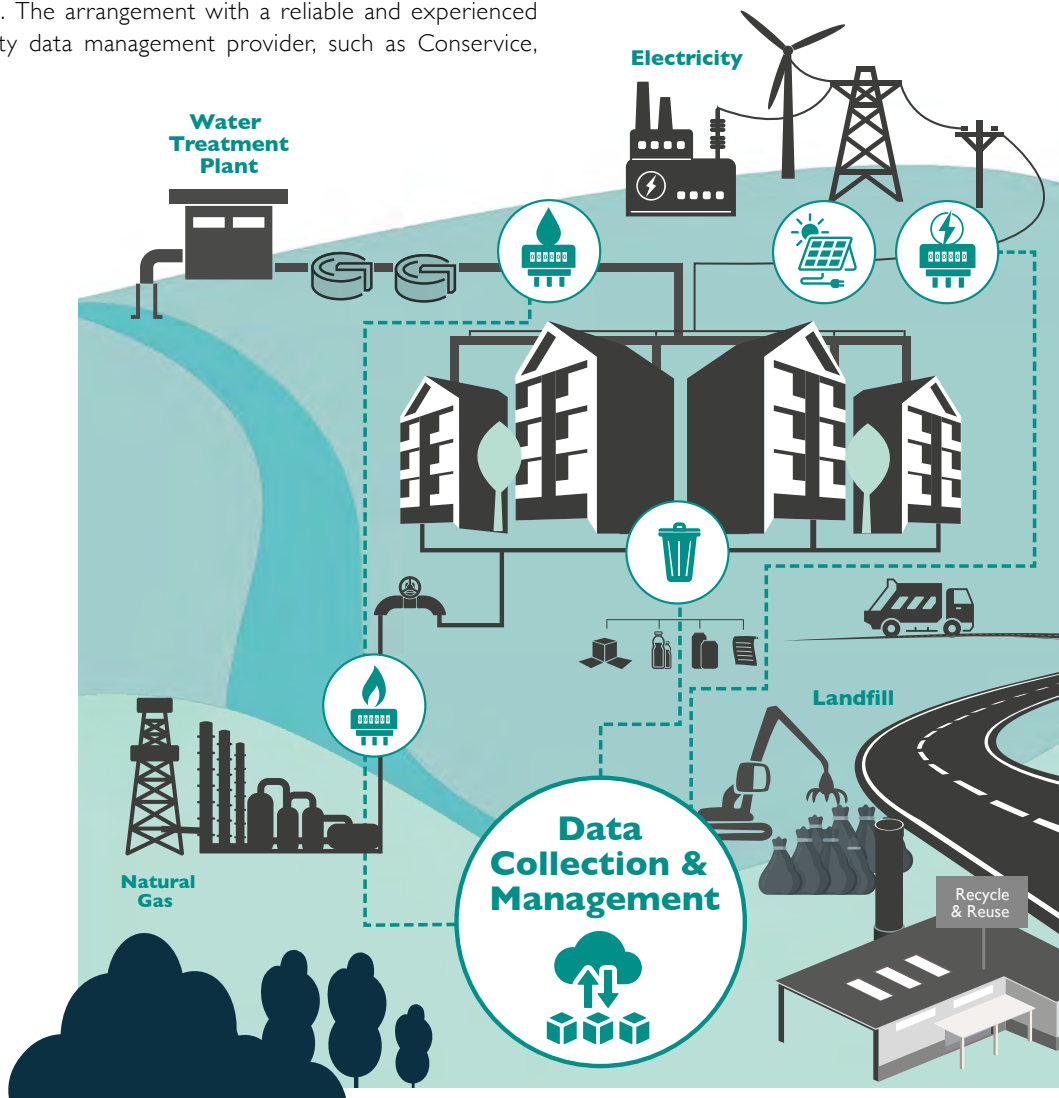
# OUR DATA COLLECTION PROCESS

Data collection is a critical aspect of Varia US' strategy to monitor and improve the environmental performance sustainability of our portfolio. The collection of data aims to provide a comprehensive understanding of the environmental impact of our buildings and allows us to identify opportunities to reduce energy and water consumption, mitigate waste production, and enhance the overall value of our investments.

To effectively collect data on building performance, Varia US has established a comprehensive process that involves multiple stages. The foundation of our system is our partnership with our utility services manager, Conserve. The arrangement with a reliable and experienced utility data management provider, such as Conserve,

centralizes the management of our portfolio's utility bill payments and resident RUBS (Ratio Utility Billing System) utility expense recovery. This system forms the basis for capturing all the utility data for which our portfolio is financially responsible.

However, this is only the initial step in our commitment to obtaining as much "whole-building" utility consumption data as possible, which provides a comprehensive and accurate picture of our properties' utility use efficiency and impact on the environment.



“Whole-building” data refers to the comprehensive and accurate utility consumption data of an entire building, which includes all energy, water, and waste produced and consumed by the building as a whole, rather than just individual units or tenants. This type of data is essential for accurately understanding a building’s environmental impact and energy efficiency. “Whole-building” data is often captured through the use of sub-meters or aggregate whole-building reports provided by utility companies that roll up consumption data for individual units or tenants to provide a property-level summary of utility consumption. By analyzing “whole-building” data, building owners and property managers can identify opportunities to optimize energy and water usage, reduce waste, and ultimately reduce costs while minimizing environmental impact.

When it comes to measuring whole-building energy data, it’s important to consider that the owner of a property typically has complete and direct control over the common areas only. In the case of Varia US, their ownership and control extend to approximately 8% of the total gross square footage of the portfolio, across all owned properties at the end of 2023. While Stoneweg US, on behalf of Varia US, can directly manage and optimize energy usage in these common areas, the energy consumption of individual resident apartment units within the portfolio is influenced by the occupants’ behavior and operations. To achieve a comprehensive understanding of the overall energy performance, Varia US seeks to collaborate with residents, encourage energy-efficient practices, and collect data from individual spaces to complement their control over the common areas. By adopting a holistic approach and engaging stakeholders, Varia US is working towards optimizing energy efficiency throughout their entire portfolio.

One significant challenge we face is obtaining resident-level electricity usage data, as this information is typically not available from owner-paid utility data sets.

To address this issue, we initiated a manual meter reading pilot program in 2022 to capture resident-level energy use. This pilot program was adopted by the majority of the locations in the portfolio in 2023 due to its success. In addition to our manual meter reading program, Conservice has been increasingly successful in obtaining aggregate energy data for residents in markets where it is

not readily available through their relationships with utility companies. This multidimensional approach allows us to now capture the majority of utility consumption data of our portfolio, which is critical in understanding how energy and water are being consumed and identifying opportunities to invest in efficiencies that improve both environmental and financial performance.

### MANAGING BUILDING PERFORMANCE DATA

Managing this data is the next challenge. To transform thousands of utility bill data points and other means of data collection into a comprehensive and accurate understanding of our portfolio’s utility use and sustainability impact, Varia US’s utility data is delivered by Conservice to Goby, an ESG platform that organizes and reports the utility data collected using the methods described in the previous section.

The data collected through this process is essential in monitoring and improving our building’s environmental performance. It allows us to identify areas where we can improve our energy efficiency, reduce water usage, divert waste from landfills, and mitigate risks associated with environmental impact. By collecting this data and using it to guide our decision-making process, we can optimize our energy consumption, reduce our carbon footprint, and enhance the value of our investments.

By capturing and analyzing utility consumption data, Varia US can identify opportunities to reduce energy and water usage, mitigate waste production, and enhance the overall value of its investments. This commitment to data collection and analysis reflects Varia US’s dedication to sustainability and its mission to provide environmentally responsible housing to residents. Accurate and comprehensive building environmental data is crucial for measuring the impact of sustainability initiatives, reporting to stakeholders such as GRESB and investors, and tracking progress over time. This data-driven approach enables Varia US to identify areas for improvement, set targets, and make informed decisions to drive further environmental performance. By leveraging accurate data, Varia US demonstrates its commitment to sustainability, engages stakeholders, and promotes positive environmental and financial performance.

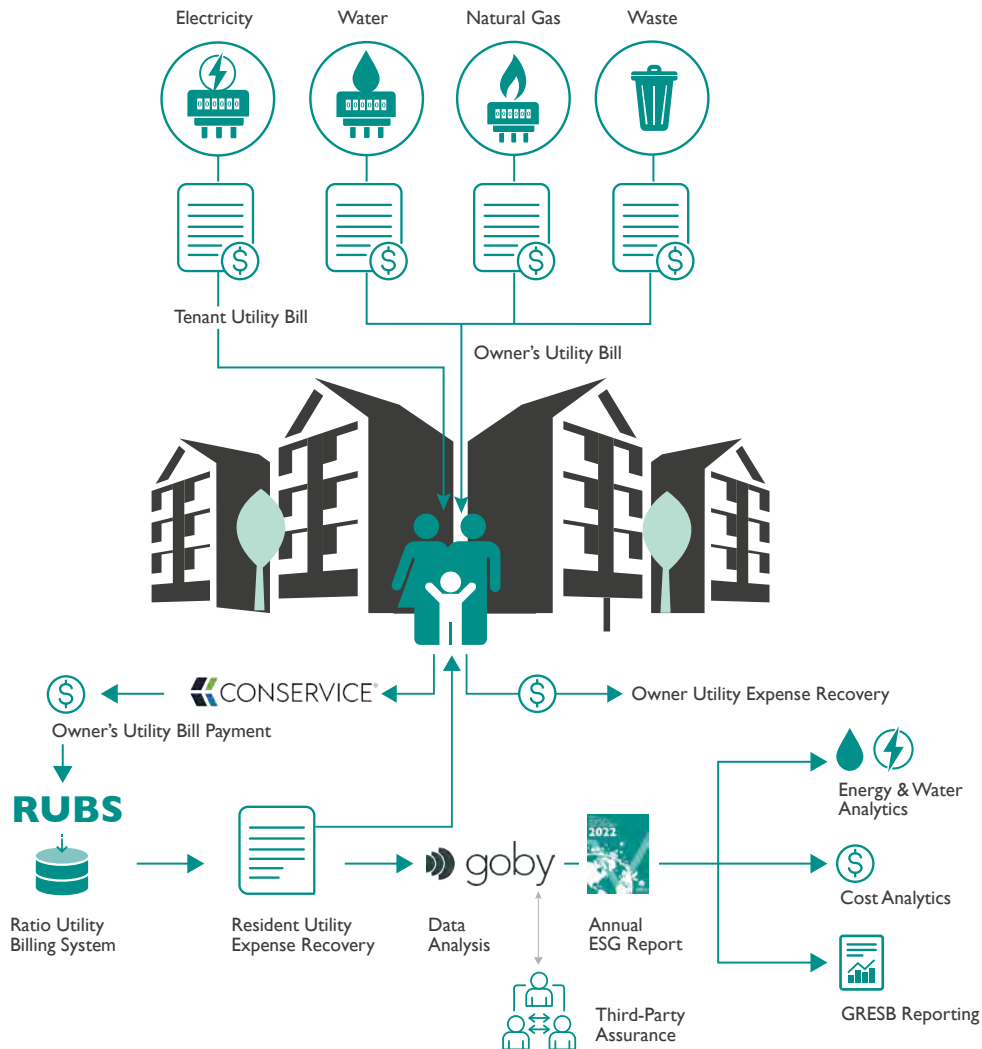
**PROPERTY LEVEL DATA COMPLETENESS**

In 2021 Varia US established the portfolio level framework and system for capturing and managing utility data described in the previous section in collaboration with Conserve. To build confidence and trust with our stakeholders, we believe we must disclose a transparent accounting of the data-set we rely on to report the portfolio energy, water, waste metrics, and the environmental impact, and add third-party assurance to this disclosure.

For the data collected in 2023, a third-party assurance provider was engaged again as we did for the first time for 2022 to review and evaluate our building environmental performance data. In the context of utility data, third-party assurance provides credibility and confidence to 'Varia US' stakeholders that the utility data presented in sustainability reports and other communications are accurate and reliable.

The third-party assurer is an independent auditing firm specialized in sustainability consultancy and verifies the completeness and accuracy of the data and the methodology used to calculate the performance indicators. The third-party assurer also evaluates the data collection and management systems in place, including the internal controls and processes that ensure the reliability and consistency of the data.

Third-party assurance is becoming increasingly important in the real estate industry as investors, residents, and other stakeholders demand greater transparency and accountability from companies on their environmental and sustainability performance. By continuing to obtain third-party assurance on utility data, Varia US enhances its credibility and further demonstrates its commitment to responsible and transparent reporting.



In 2023, we are proud to report substantial advancements in our data completeness efforts for Varia US properties. Over the past three years, we have established a robust multi-year track record, consistently reporting sustainability data for all properties to our utility management provider, Goby, which is integrated with our ESG reporting platform. This section highlights the progress in three key areas: Common Area Energy Data, Whole Building Water Data, and Whole Building Electricity Data.

We anticipate further improvements as we refine our data collection methods and technologies.

These improvements reflect our strategic approach to data management, where we continuously enhance our procedures, leverage technology, and expand our data sources. Our future efforts will focus on further increasing data completeness and ensuring that we consistently achieve and exceed our data coverage goals.

**Common Area Energy Data**

- 2023: We achieved a remarkable 98% data completeness for common area and owner-paid utilities across 31 of 31 properties in our portfolio.
- 2022: The data completeness was at 75%, covering 41 of 41 properties.
- 2021: 57% data completeness was achieved, with 25 of 43 properties in the data set.

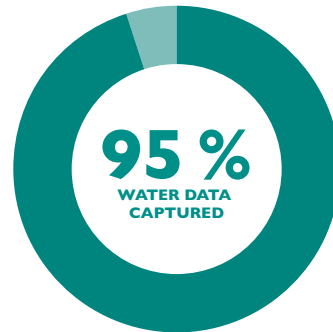
This significant improvement demonstrates our commitment to enhancing data accuracy and coverage.



**Whole Building Water Data**

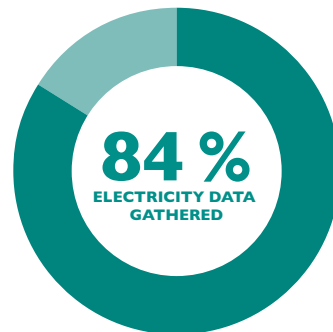
- 2023: We successfully captured 95% of water data for 31 out of 31 properties, reflecting a marked improvement.
- 2022: We covered 92% water data from 41 out of 41 properties.
- 2021: The data collection included 90% water data from 43 of 43 properties.

The increase in coverage underscores our ongoing efforts to gather comprehensive water data across our portfolio.



**Whole Building Electricity Data**

- 2023: Our data collection process enabled us to gather 84% electricity data for 26 out of 31 properties.
- 2022: We achieved 17% with 8 out of 41 properties accounted for.
- 2021: We collect 18% whole building energy data from 9 of 43 properties in our portfolio.



# ENVIRONMENTAL PERFORMANCE: METRICS & PROGRESS

## ENVIRONMENTAL & SUSTAINABILITY MANAGEMENT SYSTEM

An Environmental & Sustainability Management System (ESMS) is a systematic approach to managing an organization’s environmental and sustainability performance. The purpose of an ESMS is to help organizations identify and manage their environmental impacts and risks, and to improve their overall sustainability performance.

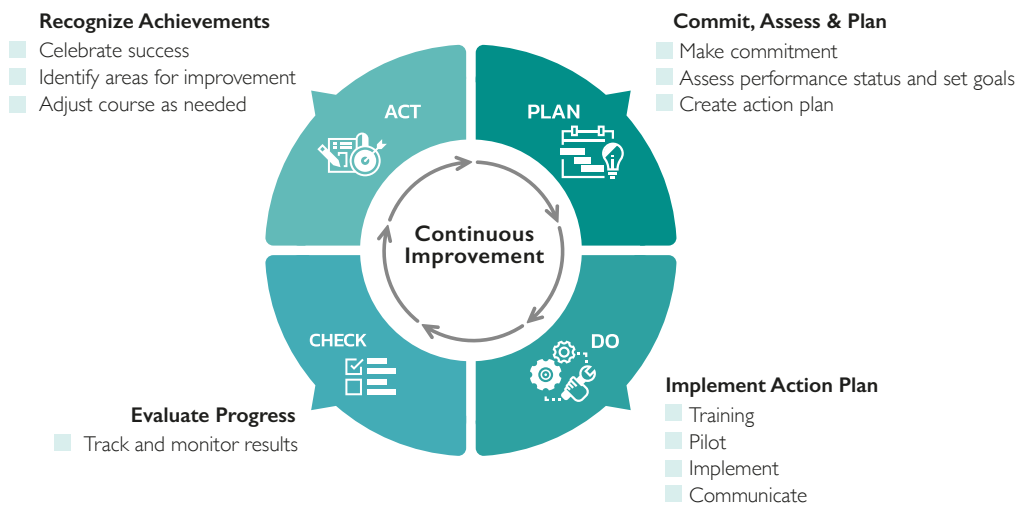
An ESMS provides a framework for organizations to develop and implement policies, procedures, and practices that help them achieve their environmental and sustainability objectives. The system provides a structured approach to planning, implementing, reviewing, and improving an organization’s environmental and sustainability performance, based on the principles of continuous improvement.

## Stoneweg US’ Implementation of an ESMS to support Varia US’ success:

In 2022, Stoneweg US recognized the importance of adopting an Environmental & Sustainability Management System (ESMS) to further support the success of Varia US’ portfolio. The ESMS was implemented as a valuable framework for a sustainability/ESG management system, tailored to be applicable and realistic for US multifamily commercial real estate investments. The purpose of the ESMS is to organize and improve performance results over time, and to qualify as the use of an environmental management system in the context of GRESB.

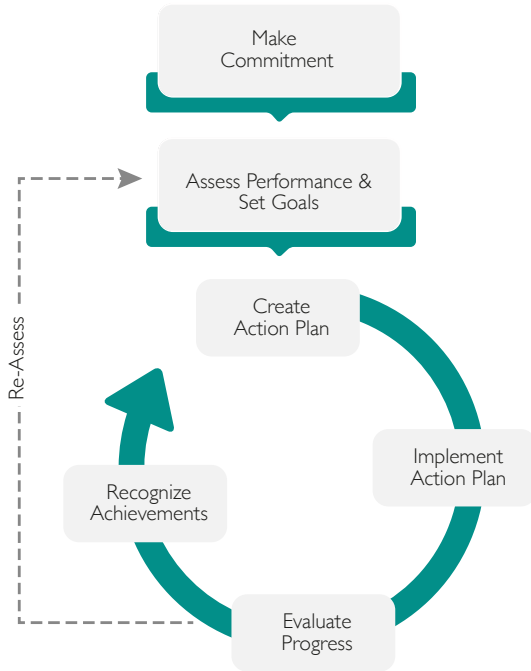
Our ESMS is based on well-established management systems and recognized best practices, such as ISO 14001 and 50001, and rooted in the ENERGY STAR Guidelines for Energy Management. Our framework was specifically designed to meet the needs of the real estate industry and based on the standard “Plan-Do-Check-Act” management system model overlaid with the ENERGY STAR Guidelines for Energy Management cycle of continuous improvement.

### Environmental & Sustainability Management System Process





**ENERGY STAR Guidelines for Energy Management**



By adopting an ESMS, Stoneweg US aims to coordinate and organize the information needed for annual GRESB reporting. This ensures that the portfolio's sustainability performance is accurately measured and reported, thus improving Varia US' GRESB scores over time. With the implementation of ESMS, Stoneweg US is demonstrating its commitment to sustainable practices, which will ultimately lead to improved outcomes in terms of quality and value.

The primary function of the ESMS is to identify and manage environmental risks and impacts, including those associated with energy and water consumption, waste management, greenhouse gas emissions, as well as air and water pollution.

**Stoneweg US and Varia US' Sustainability Management Process:**

- Set targets and objectives to improve environmental and sustainability performance, and measure progress towards achieving these goals.
- Ensure compliance with relevant environmental and sustainability laws and regulations, as well as voluntary standards and codes of practice.
- Engage with stakeholders, including employees, residents, suppliers, investors, and the wider community, to understand their concerns and expectations related to environmental and sustainability issues.

- Improve resource efficiency and reduce costs associated with energy, water, and waste management.
- Enhance Varia US' reputation as a responsible and sustainable organization, and improve their ability to attract and retain residents and support the objectives of investors.

Our ESMS provides a structured and systematic approach to managing environmental and sustainability performance, which will help our organization to improve its overall sustainability, reduce environmental impacts, and increase its competitiveness in a rapidly changing business environment.

**ENERGY, WATER AND WASTE EFFICIENCY MEASURES**

Varia US is committed to implementing energy, water, and waste efficiency measures across its portfolio. The company utilizes ENERGY STAR Portfolio Manager to benchmark energy data, and regularly conducts preventative maintenance and scheduled replacements towards high efficiency HVAC equipment and building systems. Additionally, Varia US implements smart technology and provides best practices training for residents and property managers to encourage energy savings.

Efficiency is incorporated into decisions for building upgrades, capital expenditures, and major renovations. Varia US also conducts regular technical assessments to identify opportunities to drive continuous improvement of energy efficiency from lighting to roofing, and drought resistant landscaping. By implementing these measures, Varia US aims to reduce energy consumption, conserve water, and divert and manage waste production, all while enhancing the value of its investments and mitigating risk. Varia US recognizes the importance of sustainability and continues to strive towards achieving its sustainability goals for the benefit of all its stakeholders.

**MEASURING AND MANAGING RESULTS**

Varia US measures and manages the results of their energy, water, and waste efficiency measures to continuously improve the performance of their portfolio. To achieve this, Varia US collects utility data and uses widely recognized key performance indicators (KPIs) to evaluate their building performance. These KPIs include ENERGY STAR Scores, Energy Use Intensity (EUI), GHG Intensity, US EPA Water Scores, and Water Use Intensity (WUI).

By using these KPIs, Varia US is able to benchmark our buildings' performance against national standards and their peers. This allows us to identify opportunities for improvement and set targets for reducing energy and water usage, lowering relative GHG emissions, and improving overall building performance.

Varia US regularly reviews its utility data and KPIs to monitor progress and identify any areas of opportunity. When necessary, we implement corrective actions to improve performance. Additionally, Varia US uses these results to

make informed decisions about building upgrades, capital expenditures, and major renovations to ensure they incorporate energy and water efficiency measures.

By using utility data and widely recognized KPIs, Varia US is able to measure and manage the results of their efficiency measures, benchmark their buildings' performance, and identify opportunities for improvement. This allows us to continuously improve the performance of the portfolio, understand and work to reduce our environmental impact, and enhance the value of our investments.

**Water Use 2021–2023**

Community	Water Use Intensity 2021	US EPA Water Score 2021	Water Use Intensity 2022	US EPA Water Score 2022	Water Use Intensity 2023	US EPA Water Score 2023	Change in Water Use Intensity Yr/Yr	Change in US EPA Water Score Yr/Yr
Amaze at NoDa					22.48	90		
Ashford	39.94	51	32.02	70	31.08	72	-3%	3%
Avenue 8	66.55	51	74.37	41	75.90	39	2%	-5%
Beau Jardin	21.44	93	29.19	82	32.49	75	11%	-9%
Bellevue Hills			41.13	76	42.27	77	3%	1%
Breckenridge Square			60.47	17	53.12	27	-12%	59%
Brent Village	41.74	63	43.12	61	49.43	49	15%	-20%
Brookwood	32.38	92	54.48	65	51.81	69	-5%	6%
Cordova Creek	39.79	66	40.29	65	38.42	69	-5%	6%
JRG Lofts					13.65	93		
Lochwood Apartments			26.83	69	31.41	56	17%	-19%
M Club			32.44	82	21.90	95	-32%	16%
Mallard Crossing at St. Matthew					43.34	52		
Meadows, The	62.13	22	49.00	42	62.11	22	27%	-48%
Mission Palms					43.48	74		
Residences at Echelon, The	20.38	87	25.05	77	23.90	80	-5%	4%
Retreat Northwest, The			39.90	66	13.48	100	-66%	52%
Ridge on Spring Valley, The	104.69	8	93.31	13	100.65	9	8%	-31%
River Oaks	56.12	68	53.54	71	52.04	73	-3%	3%
Rolling Hills			45.62	50	46.97	48	3%	-4%
Shawnee Station	53.07	46	65.49	27	47.96	52	-27%	93%
Wylde Apartments at Eagle Creek, The			49.59	37	56.63	25	14%	-32%
Tierra Pointe	94.13	39	96.28	37	118.89	20	23%	-46%
Varia at Highland Village					19.32	94		
Varia at Oakcrest	30.71	77	35.85	66	44.45	48	24%	-27%
Village at Mayfield, The	27.05	90	25.16	92	25.24	92	0%	0%
West End at Fayetteville			23.53	81	27.56	71	17%	-12%
Wild Oak Apartments					44.41	60		
Willows of Cummings, The			34.90	82	35.50	80	2%	-2%
Wood Hollow	62.55	48	82.60	24	95.92	14	16%	-42%
Zona Village	69.10	65	57.53	78	54.90	80	-5%	3%
Weighted Average	46.27	63	49.49	57	44.01	61	-11%	7%

This report presents the latest updates on our portfolio’s water data availability, consumption, and performance. We have made significant strides in data coverage, enabling us to calculate and analyze Water Use Intensity (WUI) and US EPA Water Scores for each of our properties for 2023. This analysis provides a comprehensive overview of water use trends and performance across our portfolio over the past three years.

**WATER USE DATA AND PERFORMANCE METRICS**

In 2021, Stoneweg US, on behalf of Varia US, collected complete water use data for 24 communities, achieving a Water Use Intensity of 46.27 gallons per square foot and a US EPA Water Score of 63. This performance surpassed the national average of 50 gallons per square foot and a Water Score of 50, indicating our properties were more water-efficient than the national standard but on the portfolio level, not yet high-performance in terms of water efficiency.

For 2022, we expanded our data collection to 35 communities, increasing our data coverage by approximately 45%. Despite this improvement, our Water Use Intensity rose slightly to 49.49 gallons per square foot, and the US EPA Water Score dropped to 57. This decline was largely attributed to the improvement in data coverage of the portfolio.

By 2023, we achieved full water data coverage for every property in our portfolio, enabling us to calculate Water Use Intensity and US EPA Water Scores for each location. This comprehensive data collection effort resulted in a Water Use Intensity of 44.01 gallons per square foot and a US EPA Water Score of 61. These metrics demonstrate an 11% improvement in water use intensity and a 7% improvement in our Water Score compared to the 2022 weighted average, reflecting our ongoing commitment to transparency and water conservation. This result also indicates we still have some work to accomplish longterm to achieve a high-performance water efficient portfolio and achieve more broad operational efficiency.

**WATER USE INTENSITY AND US EPA WATER SCORE TRENDS**

Below are the year-over-year comparisons of **Water Use Intensity and US EPA Water Scores** across our portfolio:

	<b>gallons/sqft</b>	<b>Water Score</b>
<b>2021</b>	46.27	63
<b>2022</b>	49.49	57
<b>2023</b>	44.01	61

*The national averages for multifamily real estate are 50 gallons per square foot for Water Use Intensity and a Water Score of 50.*

Our long-term goal is to manage water use intensity to achieve a portfolio-wide weighted average US EPA Water Score of 75 or greater, placing us in the top quartile of water-efficient buildings at the portfolio-level. This achievement would underscore our effective water conservation practices and commitment to sustainable property management.

**COMMITMENT TO IMPROVEMENT**

Varia US is dedicated to continuously enhancing water efficiency and reducing water consumption across its portfolio. Despite challenges in capturing accurate and complete water data, we are working diligently to improve coverage and maintain data integrity. By leveraging Water Use Intensity and US EPA Water Scores, we benchmark our performance against national standards and strive for continuous improvement in water management

**KEY CONCEPTS  
AND PERFORMANCE METRICS**

**What is Water Use Intensity?**

Water Use Intensity (WUI) is a key performance indicator measuring the efficiency of water use in buildings. It is calculated by dividing the total water used over a period (usually a minimum of 12 months) by the building's total area, expressed as gallons per square foot per year. Lower WUI indicates higher water efficiency.



**What is a US EPA Water Score?**

The US EPA Water Score rates a building's water efficiency compared to similar buildings. Generated by the EPA's ENERGY STAR Portfolio Manager tool, it considers factors like WUI, building size, and location. Scores range from 1 to 100, with higher scores indicating better water efficiency. A score of 50 is median, while 75 or higher places a building in the top quartile.

Varia US is committed to using these metrics to guide our water conservation efforts and ensure that our properties remain efficient and sustainable.

### ENERGY USE AND PERFORMANCE

Stoneweg US on behalf of Varia US manages energy efficiency through a combination of efforts to obtain and benchmark whole-building energy data. However, obtaining such data is significantly much more challenging and complex than water data, as very few energy pro-

viders in the communities where Varia US operates reliably provide aggregate energy consumption data for the whole community. In addition, energy represents both electricity and natural gas, so in many cases across the portfolio, use of natural gas on site often doubles the effort required to collect and manage the data.

#### Energy Use 2021–2023

Community	Site Energy Use Intensity 2021	US EPA ENERGY STAR Score 2021	Site Energy Use Intensity 2022	US EPA ENERGY STAR Score 2022	Site Energy Use Intensity 2023	US EPA ENERGY STAR Score 2023	Change in site Energy Use Intensity yr/yr	Change in ENERGY STAR Performance Score yr/yr
Amaze at NoDa					32.00	81		
Ashford					31.20	98		
Avenue 8	36.4	98	36.6	98	38.30	98	5%	0%
Beau Jardin	47.2	76	39.6	85				
Bellevue Hills								
Breckenridge Square					52.60	93		
Brent Village					40.80	95		
Brookwood					37.60	93		
Cordova Creek					41.60	35		
JRG Lofts			15.6	100	18.70	100	20%	0%
Lochwood Apartments					26.50	100		
M Club								
Mallard Crossing at St. Matthew					33.00	96		
Meadows, The					39.20	38		
Mission Palms					30.80	98		
Residences at Echelon, The	26	93	29.8	90	26.90	91	-10%	1%
Retreat Northwest, The								
Ridge on Spring Valley, The					60.40	57		
River Oaks					41.90	94		
Rolling Hills					45.50	96		
Shawnee Station	28.4	95	36.8	79	30.70	85	-17%	8%
Wylde Apartments at Eagle Creek, The								
Tierra Pointe					63.50	98		
Varia at Highland Village								
Varia at Oakcrest					30.80	90		
Village at Mayfield, The					53.80	96		
West End at Fayetteville					19.80	98		
Wild Oak Apartments	37	84	39.2	83	35.60	84	-9%	1%
Willows of Cummings, The								
Wood Hollow					53.10	90		
Zona Village					42.90	98		
Weighted Average	32.76	87	34.32	85	37.21	90	8%	6%

In 2023, Varia US achieved a significant milestone in energy data coverage, allowing for a more accurate and comprehensive analysis of our portfolio's energy use. We have now obtained whole-building energy data for a

large portion of our properties, covering both electricity and natural gas consumption. This improved data coverage enables us to set 2023 as our base year for future energy performance comparisons at the portfolio level.

## HISTORICAL CONTEXT AND CHALLENGES

Managing whole-building energy data for Varia US properties has been a complex task. Unlike water data, which is relatively easier to aggregate because the owner most often receives all the utility invoices, energy data requires substantial effort due to the varied nature of energy sources (electricity and natural gas) and the inconsistent provision of aggregate consumption data

by energy providers in our communities. To overcome these challenges, Stoneweg US, on behalf of Varia US, has expanded efforts to collect whole-building energy data through manual meter readings and piloting new technologies for automated data capture through cloud-connected shadow meters.

### Improved Data Coverage and Reporting

- 2021: We obtained complete energy data for eight communities, with a weighted average Site Energy Use Intensity (EUI) of 32.76 kBtu/sqft and an ENERGY STAR Performance Score of 87. However, this data only represented ~20% of our total portfolio's square footage, limiting the accuracy of our portfolio-level analysis.
- 2022: We expanded our data coverage to nine communities. The weighted average EUI increased to 34.32 kBtu/sqft, and the ENERGY STAR Performance Score decreased slightly to 85. Again, data coverage was insufficient for a comprehensive portfolio analysis, covering approximately ~20% of the total portfolio's square footage.
- 2023: We achieved a significant improvement in data coverage, which now represents a majority of our portfolio. For the five properties with consistent year-over-year data (Avenue 8, JRG Lofts, Residences at Echelon, Shawnee Station, and Wild Oak), we observed a 6% reduction in EUI, from 32.11 to 30.16 kBtu/sqft, and a slight improvement in the ENERGY STAR Performance Score from 89 to 91. The high-level portfolio averages for 2023 are 37.21 kBtu/sqft for EUI and an ENERGY STAR Performance Score of 90.

### Key Takeaways

- Improved Data Coverage: The increase in data coverage in 2023 allows for a more accurate baseline for future comparisons. While the historical data shows fluctuations in EUI and ENERGY STAR Performance Scores, these numbers reflect only a portion of our portfolio. With comprehensive data for 2023, we expect to see a clearer picture of our overall energy performance moving forward.
- Setting 2023 as the Baseline Year: Due to the enhanced data coverage in 2023, we have decided to set this year as the baseline for future energy performance comparisons. This decision aligns with our goal to accurately track and improve energy efficiency across the Varia US portfolio.

## KEY PERFORMANCE INDICATORS (KPIs) EXPLAINED

### Key Concepts

#### What is Site Energy Use Intensity (EUI)?

Site Energy Use Intensity (EUI) measures the energy efficiency of a building or facility by dividing the total energy consumed at the site by its total square footage over a year. This metric, expressed in British thermal units (BTUs) per square foot per year, helps to assess the relative energy performance of different buildings and identify opportunities for energy savings.



#### What is an ENERGY STAR Performance Score?

The ENERGY STAR Performance Score is a benchmarking tool from the US Environmental Protection Agency (EPA) that rates a building's energy efficiency on a scale of 1 to 100. It compares a building's energy use to similar buildings across the US, factoring in size, occupancy, and operating hours to provide a fair comparison. A score of 50 represents average performance, while a score of 75 or higher indicates top performance.

### Looking Ahead

Moving forward, Varia US will continue to enhance its data collection methods to ensure comprehensive coverage of whole-building energy data. By setting 2023 as our baseline year, we aim to track and improve our energy performance across the entire portfolio, setting the stage for significant energy efficiency gains in the coming years.

# ENERGY MANAGEMENT

Energy management is central to Varia US's sustainability strategy. We are committed to improving energy efficiency across our portfolio, reducing our carbon footprint, and enhancing the overall environmental performance of our properties for the purpose of value creation. Our approach is aligned with industry standards, including the SASB framework, as well as third-party assured, which reflects our dedication to operational excellence and sustainable growth.

## ENERGY CONSUMPTION DATA COVERAGE

As of December 31, 2023, Varia US's portfolio has a total of 8,706,312 gross square feet, which includes leased as well as common areas. We have achieved whole building energy consumption data coverage for 79.7% of this floor area, enabling comprehensive analysis and management of energy use across our properties. This extensive data coverage allows us to monitor energy performance effectively and identify opportunities for improvement.

## TOTAL ENERGY CONSUMED

In 2023, the total energy consumption for the properties with data coverage amounted to 256,727,997 kBtUs. The energy mix for these properties is as follows:

- Electricity: 73% of total energy consumption, with 72.99% sourced from grid electricity.
- Natural Gas: 27% of total energy consumption.

Additionally, we have incorporated renewable energy sources, contributing 26,552 kWh, which represents 0.035% of our total energy use. Onsite renewable energy is currently a modest component of our energy portfolio, but we are dedicated to identifying and integrating more renewable options where they provide sound investment returns.

## LIKE-FOR-LIKE PERCENTAGE CHANGE IN ENERGY CONSUMPTION

On a like-for-like basis, covering five properties which account for 15% of the portfolio's square footage, there was an 8% increase in Energy Use Intensity (EUI) from

the previous year. Our goal is to improve efficiency across our portfolio, and while the like-for-like change currently covers a small portion, we expect significant improvements in the coming year. We have set an ambitious target to reduce energy use intensity by 20% by 2033 through our participation in the US Department of Energy's Better Buildings Challenge. We selected 2023 as our base year after achieving 80% whole building energy coverage, as recommended by the US DOE, to ensure we have a meaningful dataset for measuring performance improvements. Although the 8% increase in EUI is not ideal, it represents a relatively good score given the small sample size, and our like-for-like properties boast an impressive weighted average ENERGY STAR Performance Score of nearly 90.

## ENERGY RATING AND CERTIFICATIONS

In 2023, 80% of our portfolio's square footage received an ENERGY STAR Performance Certification. Achieving ENERGY STAR Performance Certification for 80% of our portfolio's square footage in 2023 provides us with valuable insights into our energy performance relative to our peers. This certification enables us to benchmark our properties and identify the best opportunities for targeted improvements in energy efficiency. By understanding how we rank among similar buildings, we can more effectively focus our efforts on areas with the greatest potential for enhancement, ensuring that we make meaningful progress in reducing energy consumption and optimizing our energy management practices.



## INTEGRATION INTO PROPERTY INVESTMENT AND OPERATIONS

Our approach to energy management is integrated into every stage of our property investment and operational processes. Here's how we systematically incorporate energy considerations to enhance the performance of our portfolio:

- **Acquisition Phase:** During the acquisition process, we prioritize understanding the current energy performance of the property. We request comprehensive energy data from the seller. While it is still uncommon to receive detailed energy information for US multifamily properties, we anticipate this practice will become more prevalent in the coming years.
- **Energy Modeling:** In cases where energy data is not available from the seller, we employ a software tool to create an energy model. This model is based on available property information such as location, energy sources, size, vintage, number of buildings, number of stories, and construction type. This modeling helps us estimate the property's Energy Use Intensity (EUI), guiding our initial assessment.
- **Due Diligence:** Following the energy modeling, we conduct thorough physical due diligence. This step includes on-site inspections and additional data gathering, allowing us to refine our understanding of the property's energy performance. The findings from this process help us formulate a detailed plan for required energy performance improvements.
- **Integration into Portfolio:** Once a property is acquired, it is integrated into our building environmental performance system. This system, a web-based software tool managed by our utility services provider, helps us monitor and manage the property's energy performance effectively.
- **ENERGY STAR Setup:** We set up an ENERGY STAR Portfolio Manager (ESPM) account and profile for the new property. This setup is crucial for benchmarking the property against similar buildings and tracking its energy performance over time.
- **Data Acquisition:** The process of collecting comprehensive energy data for a new property typically takes just over a year. During this period, we gather the necessary data to achieve whole building energy coverage, enabling us to understand the property's actual energy performance.
- **Performance Evaluation and Improvement:** The gathered data is incorporated into our portfolio-level emissions reduction plan. This plan prioritizes and identifies the best opportunities for investments aimed at improving building environmental performance, including energy efficiency. Through this systematic approach, we ensure that our properties meet high standards of energy management and contribute to our overall sustainability goals.

By integrating these practices into our investment and operational strategies, we not only enhance the energy performance of our portfolio but also drive meaningful improvements in sustainability and cost efficiency.

# WATER MANAGEMENT

Water management is a critical component of Varia US's commitment to sustainability. Our approach focuses on efficiently managing water resources across our portfolio, reducing water consumption, and mitigating risks associated with water stress. By leveraging technologies and strategic partnerships, we aim to achieve significant improvements in water efficiency and ensure the long-term sustainability and improved value of our investments.

## The economic, environmental, and social relevance of water management for a US multifamily real estate:

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### COST MANAGEMENT AND AFFORDABILITY

- **Operational Costs:** Water is a significant component of the operational expenses for multifamily properties. Efficient water management can lead to substantial cost savings on utility bills, which in turn can lower operating costs and increase net operating income.
- **Resident Affordability:** In multifamily housing controlling water costs helps maintain affordability. High water bills can translate into higher rents, potentially impacting resident retention and affordability.

### RESOURCE SCARCITY AND SUSTAINABILITY

- **Finite Resource:** Water is a limited resource, and in many regions, water scarcity is a growing concern. Effective water management helps conserve this essential resource.
- **Environmental Impact:** Managing water use efficiently reduces the strain on local water supplies and ecosystems, helping to mitigate the environmental impact of water extraction and wastewater generation.

### REGULATORY COMPLIANCE AND RISK MITIGATION

- **Increasing Regulations:** Many states and municipalities are enacting stricter water usage regulations to address drought conditions and ensure sustainable water use. Water management and conservation help us stay ahead of potential regulations.
- **Risk of Water Shortages:** Properties in regions with high or extremely high baseline water stress are vulnerable to water shortages. Efficient water management helps mitigate the risk of water restrictions and ensures the reliability of water supply for residents.

### MARKET DEMAND AND PROPERTY VALUE

- **Sustainable Practices:** Properties with effective water management practices are more attractive to conscientious residents and can command higher rents or sale prices.
- **Asset Value:** Properties with sustainable water management systems and low water use intensities are more likely to maintain or increase in value. They are less burdened with risk and more resilient to future regulatory and environmental challenges.

### OPERATIONAL EFFICIENCY AND RESILIENCE

- **Leak Detection and Maintenance:** Effective water management includes early detection of leaks and timely maintenance, which can prevent property damage, reduce repair costs, and ensure the property remains in good condition.
- **Climate Resilience:** As climate change increases water scarcity issues in some locations, properties with robust water management practices are better positioned to adapt and remain resilient in the face of changing environmental conditions.

### SOCIAL RESPONSIBILITY AND COMMUNITY IMPACT

- **Community Stewardship:** Multifamily properties that manage water efficiently set a positive example within their communities, demonstrating a commitment to environmental stewardship and responsible resource use.
- **Public Health:** Proper water management ensures that residents have access to safe, clean water, which is essential for health and well-being.

### PERFORMANCE METRICS AND BENCHMARKING

- **Benchmarking and Improvement:** Participation in programs like the US EPA's Water Score allows owners to benchmark their water usage against similar properties, identify areas for improvement, and implement best practices for water conservation.
- **Portfolio Performance:** Consistently monitoring and improving water management across a portfolio can lead to better overall performance metrics, enhancing the reputation and competitive position of the property management company.

Water management is crucial for a US multifamily real estate portfolio because it directly impacts operational costs, regulatory compliance, property value, and sustainability. By adopting effective water management practices, property owners and managers can ensure the long-term viability and success of their investments, while also contributing positively to environmental conservation and community well-being.

### WATER WITHDRAWAL DATA COVERAGE

As of December 31, 2023, Varia US's real estate portfolio encompasses a total gross floor area of 8,706,312 square feet. In 2023 we achieved 100% whole building water data coverage for the entire portfolio, allowing us to comprehensively monitor and manage water usage across all of our properties.

23% of our portfolio's floor area is located in regions classified as having high or extremely high baseline water stress. Water stress is taken into account when we are managing priorities and targeting impact when planning water conservation practices and investments.

### TOTAL WATER WITHDRAWN

In 2023, the total water usage for our portfolio amounted to 385,557,351 gallons. A portion of this consumption, 34%, occurs in regions with high or extremely high baseline water stress. We closely track water usage across the portfolio, but apply additional priority to properties located in areas subject to high water stress.

### LIKE-FOR-LIKE PERCENTAGE CHANGE IN WATER WITHDRAWN

On a like-for-like portfolio basis Varia achieved an 11% improvement in Water Use Intensity (WUI), reducing from 49.49 gallons per square foot in 2022 to 44.01 gallons per square foot in 2023. The weighted average US EPA Water Score for the portfolio improved from 57 in 2022 to 61 in 2023, representing a 7% improvement in overall water efficiency. Our goal is to achieve a portfolio water score average of 75, which will require a 23% improvement over 2023 levels.

## WATER MANAGEMENT RISKS

Water management risks for our portfolio include:

- **Cost:** Rising water costs can significantly impact operating expenses and tenant affordability, particularly in regions with high water stress.
- **Water Stress:** Properties located in high-stress areas, especially in the South Central and Southwest regions of the US, face increased risks related to water scarcity and reliability of supply.
- **Regulatory Compliance:** Changes in water-related regulations could impose additional costs or restrictions on water usage, affecting property operations.
- **Climate Change Impacts:** Climate change is projected to increase water scarcity in some regions, further stressing water resources and potentially leading to increased costs and operational challenges.

The properties in the South Central and Southwest regions are particularly vulnerable due to their existing arid and desert climates, which are expected to experience increased water stress as climate change progresses. These risks have a direct impact on property values and operations, with potential increases in water costs affecting both our financial performance and the affordability of our rental properties.

## STRATEGIES AND PRACTICES TO MITIGATE WATER RISKS

To mitigate water management risks, we have implemented several strategies and practices:

- **Water Conservation:** We specify WaterSense certified replacement plumbing fixtures to enhance water conservation across our properties.
- **Smart Water Monitoring:** We utilize internet-connected water sensors to detect potential leaks promptly. This technology has resulted in an average 20% reduction in water usage at locations where it is deployed.
- **Efficient Landscaping:** We employ irrigation controls and drought-resistant landscaping to minimize water use in landscaping.
- **Stakeholder Engagement:** We conduct regular engagement and education for site staff and residents about water efficiency and conservation practices.
- **Real-time water use metering technologies** (see following page)

## INNOVATIVE PRACTICES

One of our key innovative practices involves the use of real-time water use metering combined with machine learning. This technology helps us identify potential leaks and alerts property managers promptly, ensuring quick resolution. Traditional methods often involve a significant delay, as leaks are usually only detected when a large water bill is received, potentially months after the issue occurs. By compressing response time, we eliminate this lag and ensure more efficient water management.

An example of real-time water use metering technology is the sustained savings we achieved at the Village at Mayfield in Cleveland, Ohio. Since installing the technology, we've successfully detected and repaired 2 large underground leaks, sustained the total 20% improvement in water use efficiency and maintained an above 90 Water Score.

## WATER EFFICIENCY PROJECTS

Annually on World Water Day Stoneweg US shares information across its portfolio aimed at raising awareness and improving engagement on the subjects of water efficiency and water stress. An example of this effort is the "World Water Day" memo we issued to all of the communities in the portfolio. With communications like this memo, we seek to underscore the critical importance of water conservation, particularly in regions facing high water stress. This annual communication highlights our commitment to sustainable water management practices and provides practical guidance for site staff and residents on how to improve water efficiency.

We put the information in the context of the UN Sustainable Development Goals and the US EPA's Water Score to educate site teams and residents on the broader context of water scarcity and the importance of efficient water use. We encourage site teams to be proactive and consider evaluating the impact of an investment in WaterSense certified fixtures and adopting water-saving habits, which can significantly reduce water consumption and lower operational costs.

We seek to empower our teams with the knowledge and tools needed to implement effective water management practices. We want them to prioritize water efficiency projects where they would have the greatest impact, and promote a culture of sustainability at every location. Our World Water Day initiative not only supports our environmental objectives but also enhances the long-term resilience and value of our properties.

### **PARTNERSHIPS AND COLLABORATIONS**

Our partnership with the US Department of Energy's Water Savings Network provides us with valuable resources and support to enhance our water management practices. Being part of this program offers several benefits, including access to best practices, benchmarking opportunities, and guidance on implementing advanced water efficiency measures. This collaboration underscores our commitment to achieving significant water savings and promoting sustainable water management across our portfolio.

### **HIGHLIGHTS AND ACHIEVEMENTS**

In 2023, our major achievements in water management included achieving 100% data coverage for water withdrawal across our portfolio and improving our US EPA Water Score by 7%. These accomplishments reflect our dedication to water conservation and efficient resource management.

### **FUTURE GOALS AND COMMITMENTS**

Looking ahead, our primary goal is to reach a portfolio-wide US EPA Water Score average of 75. To achieve this, we plan to continue investing in water-saving technologies, enhancing our data collection capabilities with technology, and expanding our water efficiency initiatives. We are committed to reducing our water footprint and ensuring that our properties contribute to a sustainable future.



## 2024 World Water Day

**Attached please find:**

- World Water Day – social media Image ([Click Here for Resources](#)).
- Water Scorecard (if applicable. Only available with 12 complete months of water data).
- Water Stress Report.

**Clean Water and Sanitation – United Nations Sustainable Development Goals**

**Target 6.4** - By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

**Indicators:**

- **6.4.1** - Change in water-use efficiency over time.
- **6.4.2** - Level of water stress: freshwater withdrawal as a proportion of available freshwater resources.



**How do we measure water-use efficiency?**

Stoneweg measures water-use efficiency by benchmarking with the U.S. Environmental Protection Agency’s (EPA) Water Score. This is a 1 - 100 rating of how your building uses water compared to similar properties nationwide. 1 is the least water efficient, and 100 is the highest rating of water efficiency.

**What is water stress?**

Stoneweg manages water stress by looking to location-based scores that indicate projected changes in drought-like patterns. Water stress can affect an asset’s ability to operate, community relations, and regulatory risk. A water stress score includes indicators that measure interannual variability and absolute and relative percent changes in supply and demand for surface water (rainfall or rivers; not lakes or groundwater) available for consumptive use between the current period and 2040.

**How can you support our water goals?**

Please view our short videos on [Faucets, Showerheads & Aerators](#) as well as [Toilets](#).

- Visit the [World Water Day](#) website to learn more about water challenges and ways you can help.
- If you received a Water Score below 75, visit the US EPA’s [Water Score for Multifamily Housing](#) resource page for ideas on how to improve water efficiency at your property.
- If your community is in an area that scored high or red flag Water Stress risk:
  - Discuss the risk with your Asset Manager and visit your water utility’s website to learn more.

Best,

Thomas W Stanchak, Managing Director of Sustainability  
[thomas.stanchak@stoneweg.com](mailto:thomas.stanchak@stoneweg.com)  
 Friday, March 22, 2024



# WASTE MANAGEMENT & RECYCLING

## THE IMPORTANCE OF WASTE MANAGEMENT:



### Environmental impact:

Proper waste management reduces the environmental impact of the properties in Varia US's portfolio. By reducing waste and increasing recycling, the company can help reduce the amount of waste sent to landfills, which can help reduce greenhouse gas emissions and conserve natural resources.



### Cost savings:

Effective waste management can also lead to cost savings for Varia US. By reducing waste, the company can reduce its waste hauling costs and potentially reduce fees associated with landfill disposal. Additionally, recycling certain materials can generate revenue through the sale of recycled materials.



### Resident satisfaction:

Residents are increasingly looking for sustainable and eco-friendly living options. By providing effective waste management services, Varia US can improve resident satisfaction and retention rates. Evidence of this can be seen in our own resident surveys where a majority of our own residents tell us that sustainability is a high or very high priority.



### Regulatory compliance:

Waste management is regulated at the local, state, and federal levels. Effective waste management practices can help Varia US comply with these regulations and avoid potential fines or penalties.

As of year-end 2023, Varia US has achieved 100% data coverage for waste management across its portfolio, with 80% of the properties now offering recycling services. This is an increase from 73% in 2022, reflecting our ongoing efforts to strategically expand recycling services and stay on track to achieve our goal of providing recycling at every location by 2025. Once this goal is met, our focus will shift to improving the performance of these recycling programs.

Over the past year, the weighted average percentage of waste diverted from landfills remained relatively flat at approximately 5%, consistent with 2022 levels. In 2022, we recorded a total of approximately 12,408 tonnes of landfill waste, predominantly from residents' household waste. In 2023, this figure increased to 15,007 tonnes, primarily due to enhancements in data quality and accuracy.

To put this in perspective, the total landfilled waste of 15,007 tonnes in 2023 is roughly equivalent to filling about 1,500 standard garbage trucks. Diverting 5% of this waste from landfills means we successfully redirected around 750 tonnes, which is comparable to approximately 75 garbage trucks full of waste being saved from the landfill.

This highlights our continued commitment to reducing waste and improving sustainability practices across our portfolio. Our focus remains on enhancing waste management and recycling services to reduce our environmental footprint and support sustainable living for our residents.

**ABOUT**  
WasteX

Conservice's WasteX platform is a waste management service that helps multifamily communities like Varia US efficiently manage their waste and recycling programs. WasteX provides professional waste management services across the portfolio and helps to meet Varia US' goal of providing recycling services at every location in the portfolio by 2025.

WasteX offers a comprehensive approach to waste management that includes a variety of services such as waste stream analysis, site assessments, and customized waste reduction plans. The platform helps to optimize the waste and recycling collection schedule, track waste and recycling data, and identify areas for improvement.

WasteX also provides tools that benefits residents through supporting property managers in managing waste and recycling programs effectively. These tools include an online method that allows property managers to report waste and recycling issues and access educational resources. Stoneweg US uses a platform provided by Conservice to monitor waste and recycling performance, access data and reports, and facilitate property-level communication about resident waste and recycling programs.

Overall, WasteX provides Varia US with a streamlined and efficient waste management system that helps to reduce waste, increase recycling, and promote sustainable practices at their multifamily communities.

**WASTE**  
**MANAGEMENT**



Currently, 80% of Varia US sites use dumpsters for collecting resident waste, a method for which waste haulers rarely provide weight data. To address this data gap, Varia US's utility services manager has been recording weight data from the 20% of locations that use compactors. These compactors provide actual weight measurements, are more efficient, and allow for less frequent pickups. For the remainder of locations with dumpsters, the US EPA estimation method is used to determine weight. Since 2021, the company has been systematically collecting this data to provide accurate metrics for our waste reduction and recycling initiatives. This data is leveraged to better understand and work toward improving waste management outcomes.

Recycling efforts have shown significant progress, with 80% of our locations now offering recycling services, up from just 21% previously when we began tracking in 2021. This substantial increase demonstrates our commitment to expanding recycling opportunities across our portfolio. However, implementing recycling at each site remains challenging due to constraints such as limited space for additional containers, lack of consistent municipal support as well as infrastructure, and the need for ongoing resident engagement and education to ensure proper use and reduce contamination.

To tackle these challenges, we customize waste reduction solutions for each site. In 2023, we piloted innovative waste management technology programs at select communities. The technology monitors the capacity of our compactors and calls for pickups on demand, instead of just employing them on a routine basis. This technology optimizes the pickup schedule and avoids unnecessary hauling costs.

Our recycling initiatives have been instrumental in improving our landfill diversion rate at several locations. For example, communities like Amaze at NoDa and River Oaks have seen significant year-over-year increases in recycling rates, with Amaze at NoDa improving from 3% in 2022 to 5% in 2023, and River Oaks maintaining a stable 3% recycling rate while managing a substantial increase in total waste due to improved data accuracy. Other communities, such as West End at Fayetteville, have suc-



cessfully doubled their recycling rates, demonstrating the potential impact of targeted educational campaigns and improved recycling facilities.

Valet Trash service, now available at 35% of Varia US locations, is being leveraged to support and expand our recycling efforts. This service provides a convenient option for residents to participate in recycling initiatives, and we are coupling it with comprehensive training and education programs to minimize contamination and ensure the

effectiveness of the recycling process. Effective resident engagement is critical, as contamination in recycling bins can lead to the diversion of materials to landfills, undermining our recycling efforts.

Through these ongoing efforts, Varia US is enhancing its waste management practices and fostering a culture of sustainability among residents and staff. We remain committed to reducing our environmental footprint and supporting sustainable living across all our communities.

### Waste 2022 vs. 2023

Community	Recycling	Landfill Waste (tonne) 2022	Landfill Waste (tonne) 2023	Recycled (Percent) 2022	Recycled (Percent) 2023	Change in Waste yr/yr	Change in Recycling Rate yr/yr
Amaze at NoDa	YES	334.44	411.05	3%	5%	23%	67%
Ashford	YES	56.40	277.99	20%	9%	393%	-55%
Avenue 8	YES	547.06	593.88	1%	1%	9%	0%
Beau Jardin	NO	235.33	185.62	0%	0%	-21%	0%
Bellevue Hills	YES	241.33	260.93	10%	10%	8%	0%
Breckenridge Square	YES	692.16	807.08	1%	1%	17%	0%
Brent Village	NO	269.60	326.37	0%	0%	21%	0%
Brookwood	YES	496.45	541.04	1%	2%	9%	100%
Cordova Creek	NO	405.62	410.06	0%	0%	1%	0%
JRG Lofts	YES	8.02	38.72	48%	48%	383%	0%
Lochwood Apartments	NO	353.16	379.56	0%	0%	7%	0%
M Club	YES	811.28	532.61	4%	8%	-34%	100%
Mallard Crossing at St. Matthew	YES	246.51	551.02	0%	4%	124%	100%
Meadows, The	NO	324.50	324.50	0%	0%	0%	0%
Mission Palms	YES	855.08	924.44	3%	3%	8%	0%
Residences at Echelon, The	YES	197.24	180.37	15%	16%	-9%	7%
Retreat Northwest, The	YES	813.66	981.82	2%	1%	21%	-50%
Ridge on Spring Valley, The	YES	335.94	334.06	6%	6%	-1%	0%
River Oaks	YES	445.96	551.47	3%	3%	24%	0%
Rolling Hills	YES	829.49	927.91	1%	1%	12%	0%
Shawnee Station	YES	618.83	623.42	2%	2%	1%	0%
Wylde Apartments at Eagle Creek, The	NO	361.90	396.22	0%	0%	9%	0%
Tierra Pointe	YES	348.41	442.46	7%	6%	27%	-14%
Varia at Highland Village	YES	127.80	508.21	4%	4%	298%	0%
Varia at Oakcrest	YES	195.64	191.69	9%	10%	-2%	11%
Village at Mayfield, The	YES	325.19	326.02	4%	4%	0%	0%
West End at Fayetteville	YES	180.80	189.79	7%	15%	5%	114%
Wild Oak Apartments	NO	271.00	790.92	0%	0%	192%	0%
Willows of Cummings, The	NO	144.82	171.68	0%	0%	19%	0%
Wood Hollow	YES	343.60	434.22	4%	4%	26%	0%
Zona Village	YES	207.13	224.30	10%	10%	8%	0%
Weighted Average		400.25	484.09	5%	5%	21%	0%

# BENCHMARKING COMPLIANCE

## BUILDING PERFORMANCE STANDARDS & BENCHMARKING

Building Performance Standard (BPS) laws and ordinances and benchmarking compliance laws have been enacted across the United States to address the pressing issues of climate change and carbon emissions. We anticipate this trend will continue with new municipalities adopting BPS standards and existing standards becoming more stringent.

These laws aim to require real estate owners to disclose information related to the energy use or relative environmental impact of a property, or additionally, establish minimum energy efficiency standards, to promote sustainable building practices. Typically, BPS policies, unlike

benchmarking compliance policies, set performance targets for existing buildings, requiring them to meet specific energy, water, and emissions standards within a certain timeframe.

BPS and benchmarking laws and ordinances affect multifamily real estate investments in several ways. First, building owners must comply with the energy and emissions benchmarking reporting or minimum performance standards set by the policies, which in the case of BPS standards, may require significant investments in upgrades and retrofits to achieve compliance. Failure to comply with the BPS policies can lead to significant penalties and fines.

**U.S. City, County, and State Policies for Existing Buildings: Benchmarking, Transparency, and Beyond**

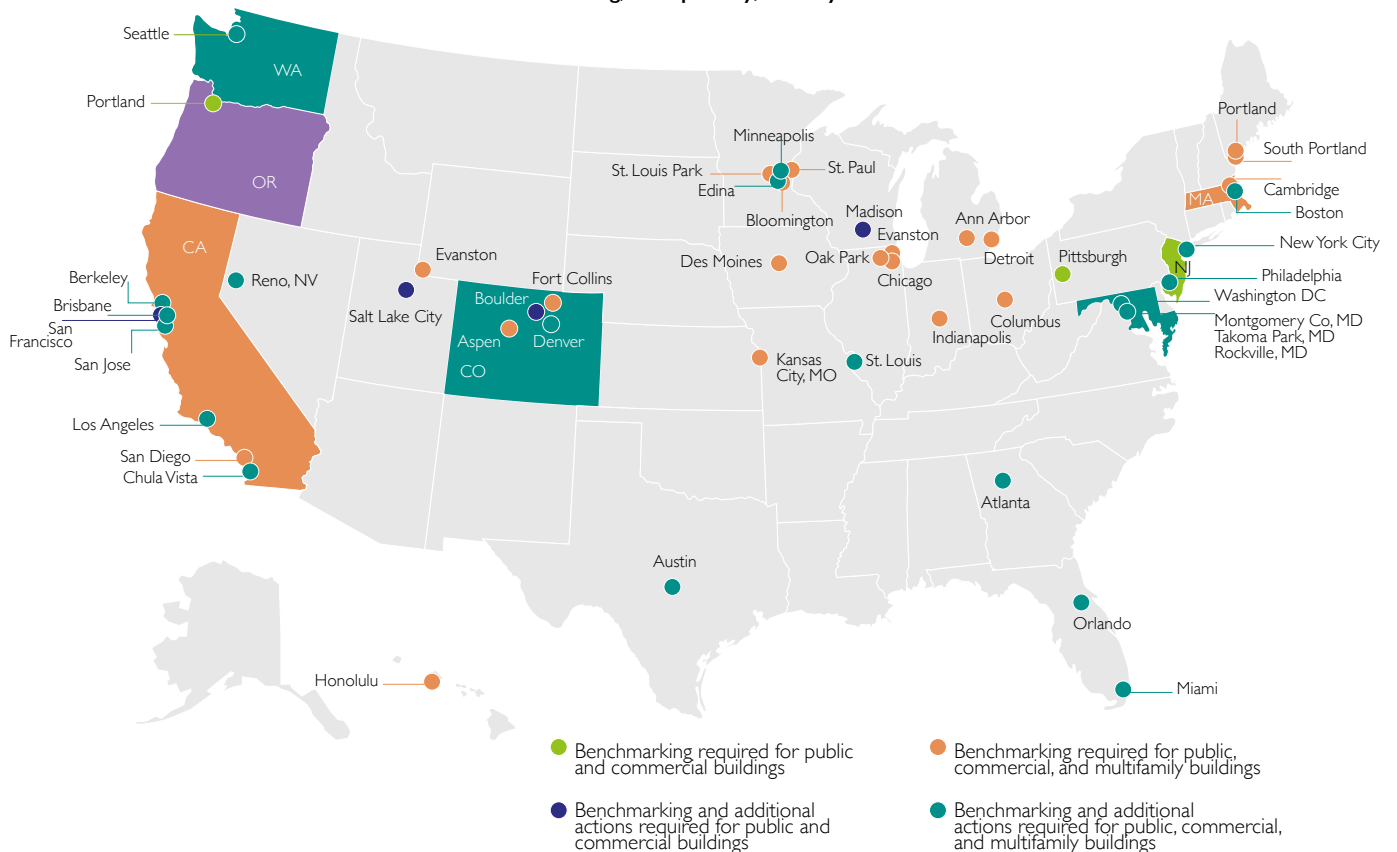


Image courtesy of Institute for Market Transformation; updated December 2023. <https://www.imt.org/resources/map-u-s-building-benchmarking-policies/>

Adopting the practice of performance benchmarking and complying with BPS policies can improve the overall performance and value of multifamily properties. Owners who measure and understand building performance can gain insights into improvement opportunities. By upgrading the building's energy efficiency, water conservation, and waste management systems, building owners can reduce operating costs and improve tenant satisfaction. Additionally, buildings that meet the BPS standards may become more attractive to potential tenants who value sustainability and energy efficiency. Finally, properties that meet BPS standards will likely achieve a higher sale price and likely have a higher market liquidity, as appropriate capex investments have been executed and future capex investments requirements will be reduced.

### **BENCHMARKING WITH ENERGY STAR PORTFOLIO MANAGER**

Compliance with building performance standards typically begins with benchmarking using ENERGY STAR Portfolio Manager (ESPM), a free online tool that helps building owners and managers track and assess their building's energy and water use. Building owners and managers can use ESPM to enter data about their building, such as building size, number of occupants, and energy and water bills. ESPM then calculates the building's energy and water use intensity (EUI and WUI), which are measures of the amount of energy and water used per square foot of building space.

Benchmarking with ESPM provides building owners and managers with valuable information about their building's energy and water use, as well as how it compares to similar buildings. This information can be used to identify opportunities for energy and water savings and to set performance targets. Additionally, some building performance standards, such as those in cities like Kansas City, Missouri, St Louis, Missouri, and Indianapolis, Indiana, require building owners to benchmark their buildings using ESPM in order to comply with the standards.

By benchmarking their buildings with ESPM, multifamily real estate investors can identify opportunities to improve the energy and water efficiency of their buildings and reduce their operating costs. This can include upgrading HVAC systems, improving insulation, installing energy-efficient lighting and appliances, and implementing water-saving measures. In addition to reducing operating costs, improving energy and water efficiency can also make multifamily properties more attractive to tenants and investors who are increasingly concerned about sustainability and environmental impact.

### **OUR PRACTICE**

Stoneweg US, on behalf of Varia US, has adopted a portfolio-wide policy to benchmark all real estate investments using ESPM. This practice provides Varia US many benefits:

- Identifying areas for improvement: Benchmarking allows real estate investors to compare their property's energy and water performance against similar properties. This can help identify areas for improvement and prioritize energy efficiency projects.
- Saving money: By identifying areas for improvement, real estate investors can implement energy efficiency measures that can save money on utility bills.
- Increasing property value: Energy-efficient properties are more attractive to tenants and buyers, which can increase property value.
- Meeting regulatory requirements: In some states and cities, benchmarking is required by law. By complying with these regulations, real estate investors can avoid fines and penalties.
- Demonstrating environmental responsibility: Benchmarking and improving energy efficiency can help demonstrate environmental responsibility and commitment to sustainability, which can improve the reputation of the property and the real estate investor.

### **THE OPPORTUNITY OF COMPLIANCE**

BPS policies may create opportunities for multifamily investors to benefit from financial incentives and rebates. Some BPS policies provide grants, loans, or tax credits to building owners who make energy-efficient upgrades or retrofits. These financial incentives can offset the initial costs of compliance and provide a competitive advantage in the market. These subsidies have been adopted for a limited time frame. Investments required for compliance with BPS laws after subsidies have expired will likely have to be executed later at a higher cost.

BPS laws and ordinances across the United States require multifamily property owners to meet specific energy, water, and emissions standards within a certain timeframe. Compliance with these policies can lead to improved property performance, increased tenant satisfaction, and financial incentives for building owners. As such, BPS policies are an important consideration for multifamily real estate investments in the current market.

# SUSTAINABLE BUILDING CERTIFICATIONS

Sustainable building certifications are voluntary programs that assess the sustainability of buildings and provide recognition to those that meet certain criteria. These certifications promote sustainable design, construction, and operation practices that reduce environmental impact, increase energy efficiency, and improve occupant health and wellbeing. One such certification is Green Globes, offered by the Green Building Initiative.



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To achieve Green Globes certification, a building must meet certain criteria related to energy efficiency, water conservation, indoor air quality, and other sustainable features. The certification process includes a self-assessment and on-site verification by an independent assessor.

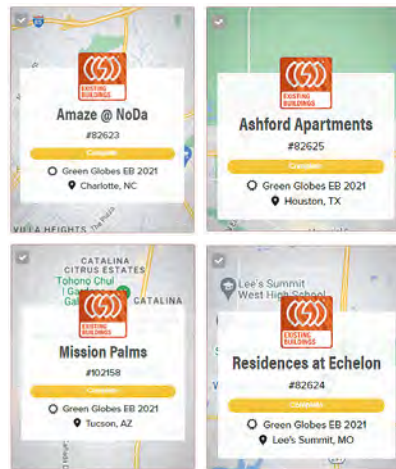
The benefits of Green Globes certification include lower operating costs, increased asset value, improved indoor air quality, and reduced environmental impact. Additionally, Green Globes certification can enhance a building's reputation and attract environmentally conscious tenants.

Varia US recognizes the importance of sustainable building practices in promoting environmental responsibility and reducing operational costs. We began seeking sustainable building certifications in 2022, achieving four Green Globes certifications. We are pleased to share that in 2023 we continued this successful practice, obtaining an additional four Green Globes certifications..

To achieve the Green Globes certifications, Varia US conducted a comprehensive assessment of these communities, identifying areas for improvement and implementing sustainable solutions. Some of the measures implemented include the installation of energy-efficient lighting and appliances, and water-efficient fixtures. Varia US has implemented these kinds of improvements into our routine site-level turnover and unit renovation scope of work.

Communities Certified in 2023:

- Amaze at Noda, Charlotte, North Carolina
- Ashford, Houston, Texas
- Mission Palms, Tucson, Arizona
- Residences at Echelon, Lee's Summit, Missouri



## Sustainable Building Certifications and GRESB

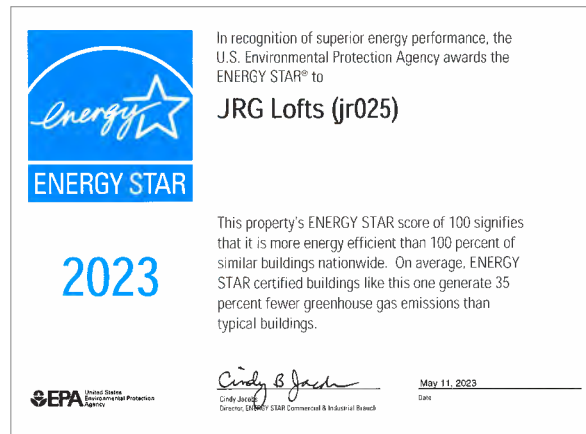
Achieving sustainable building certifications such as Green Globes also align with the Global Real Estate Sustainability Benchmark (GRESB), which evaluates and benchmarks the environmental, social, and governance (ESG) performance of real estate companies and funds. Green Globes certifications can lead to better ESG performance and higher GRESB performance scores.

# ENERGY STAR PERFORMANCE CERTIFICATIONS

ENERGY STAR Performance Certifications are awarded by the U.S. Environmental Protection Agency (EPA) to buildings that demonstrate superior energy efficiency. The certification is based on a building's energy performance rating using the ENERGY STAR Portfolio Manager tool. Buildings that earn a rating of 75 or higher out of a possible 100 are eligible to receive the certification.

To achieve an ENERGY STAR Performance Certification, a building owner must first benchmark the building's energy performance using the ENERGY STAR Portfolio Manager. The tool collects data on a building's energy use, including electricity, gas, and water consumption. This data is used to calculate the building's energy performance rating, which takes into account factors such as the building's size, location, and occupancy. To qualify for an ENERGY STAR Performance Score, the energy data reported to ENERGY STAR Portfolio Manager must be comprehensive. That means it must be all the energy consumed by the subject property, and must be for at least 12 consecutive months. This is the most challenging aspect of ENERGY STAR benchmarking, especially in the context of multifamily real estate where the vast majority of the energy consumed on site is resident energy use and is difficult to capture.

If a building earns a rating of 75 or higher, the building owner can apply for ENERGY STAR Performance Certification. The application process involves submitting documentation to verify the building's energy performance and compliance with ENERGY STAR guidelines. This documentation may include energy bills, equipment specifications, and other relevant information.



The benefits of receiving an ENERGY STAR Performance Certification include:

- **Cost savings:** ENERGY STAR certified buildings typically use 35% less energy and emit 35% less greenhouse gas emissions than non-certified buildings. This can result in significant cost savings for building owners and tenants.
- **Increased property value:** ENERGY STAR certified buildings are viewed as more desirable by investors and tenants, which can lead to higher property values.
- **Improved indoor air quality:** ENERGY STAR certified buildings are designed to maximize indoor air quality and reduce the risk of respiratory problems.
- **Environmental benefits:** By reducing energy use and greenhouse gas emissions, ENERGY STAR certified buildings help to protect the environment and mitigate the impacts of climate change.

**US EPA ENERGY STAR Score**

Community	2021	2022	2023
Amaze at NoDa			81
Ashford			98
Avenue 8	98	98	98
Breckenridge Square			93
Brent Village			96
Brookwood			93
JRG Lofts		100	100
Lochwood Apartments			100
Mallard Crossing at St. Matthew			96
Mission Palms			98
Residences at Echelon, The	93	90	91
River Oaks			94
Rolling Hills			96
Shawnee Station	95	79	85
Tierra Pointe			98
Varia at Oakcrest			90
Village at Mayfield, The			96
West End at Fayetteville			98
Wild Oak Apartments	84	83	84
Wood Hollow			90
Zona Village			98

In 2023, 21 of our communities received ENERGY STAR® Performance Certifications, a significant increase from the 8 certifications achieved in 2022. This remarkable accomplishment highlights our dedication to enhancing energy efficiency and sustainability across our multifamily portfolio.

To receive an ENERGY STAR® Performance Certification, a building must perform in the top 25% of similar buildings nationwide, demonstrating superior energy efficiency. This certification is a testament to our commitment to reducing energy consumption, lowering operational costs, and contributing to environmental sustainability.

Our portfolio's weighted average ENERGY STAR score improved from 85 in 2022 to 90 in 2023, reflecting our successful energy management practices and commitment to continuous improvement.

As we move forward, we remain committed to increasing the number of certified communities, further advancing our leadership in energy efficiency and sustainability in the multifamily real estate sector.

## ENERGY STAR BENCHMARKING AND GRESB

Receiving ENERGY STAR Performance Certifications can have several benefits for real estate investments in the context of GRESB (Global Real Estate Sustainability Benchmark).

One of the key factors that GRESB considers in its assessment is the energy performance of buildings. ENERGY STAR Performance Certifications provide a standardized way to measure and benchmark the energy performance of buildings, which can be used as part of a GRESB submission.

Achieving more ENERGY STAR Performance Certifications is one of the areas of opportunity for improvement identified following Varia US' first-time submission to GRESB.

By achieving ENERGY STAR Performance Certifications Varia US can positively impact the Company's GRESB score. A higher GRESB score can help Varia US attract new investment and financing, as well as increase the Company's competitiveness in the market.

# PHYSICAL AND TRANSITION CLIMATE RISK

## PHYSICAL CLIMATE RISK

Mitigating risk to natural hazards has always been a part of Stoneweg US' strategy for managing the Varia US portfolio. This is evident through the acquisition process, various professional inspections reviewed during the due diligence and holding phases, securing adequate insurance at acquisition, and maintaining insurance protection on an ongoing basis for each site.

Physical climate risk refers to the potential adverse impacts of climate change on buildings, infrastructure, people, and communities. These risks include increased frequency and intensity of extreme weather events, such as hurricanes, floods, and wildfires, as well as rising sea levels, water scarcity, and heatwaves.

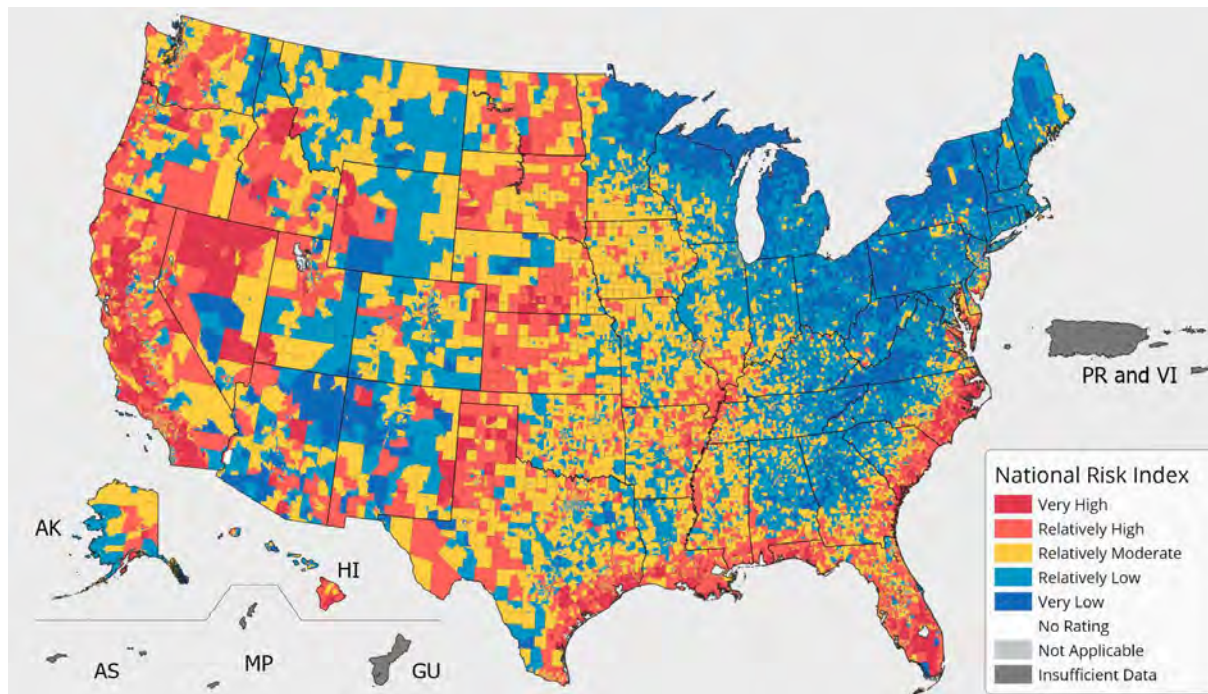
Understanding physical climate and natural hazards risk is crucial for US multifamily real estate investors like Varia US as these risks can have significant financial and operational implications. For example, buildings located in areas prone to flooding or hurricanes may experience

property damage and business interruption, leading to increased insurance costs and lost rental income. In addition, higher temperatures and prolonged heat waves can lead to increased energy demand for cooling, potentially resulting in higher utility costs for multifamily buildings.

Awareness, management and mitigation of physical climate risks is essential for real estate investors to protect their assets, minimize financial losses, and maintain the long-term value and viability of their investments.

Stoneweg US, on behalf of Varia US, employs several methods of understanding and managing physical climate and natural hazard risks. These include using publicly available information available through the US Federal Emergency Management Agency's National Risk Index (FEMA NRI\*), subscribing to Moody's / RMS Climate on Demand, and contracting with an insurance expert to support us with insurance market expertise and intelligence to achieve a deeper understanding of the insurance market and risk management.

US Federal Emergency Management Agency's National Risk Index (FEMA NRI)





FEMA NRI is a tool used to assess and quantify the risk of natural hazards at the community level across the United States. The index combines a range of physical and social factors, including exposure to natural hazards (such as floods, earthquakes, and hurricanes), susceptibility of buildings and infrastructure to damage, and the resilience of communities to recover from disaster events.

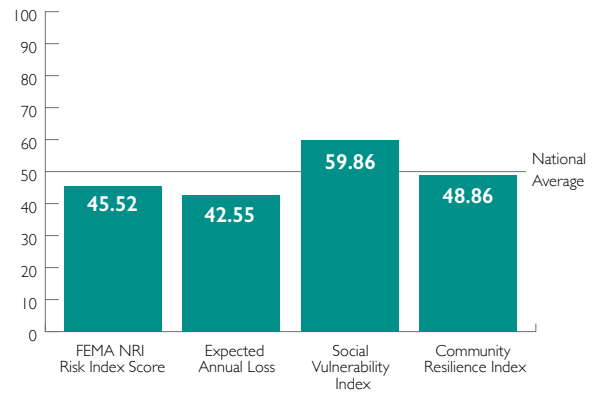
The NRI is based on a scoring system that provides a quantitative measure of a community's risk, with higher scores indicating greater vulnerability to natural hazards. The tool is designed to help decision-makers at all levels of government, as well as private sector organizations, better understand and prioritize the risks they face, and to develop strategies to reduce those risks and increase resilience.

FEMA updated the National Risk Index tool in 2023 to provide a more comprehensive and data-driven assessment of natural disaster risks across the United States. The updated version of the tool includes new data sources and methodologies that help to better assess the impacts of natural disasters on communities and infrastructure. This resulted in changes on how the scores are calculated and presented. Scores now represent the

national percentile ranking of the community's component value compared to all other communities at the same level (county or Census tract).

According to our FEMA NRI overall risk score, Varia US' current risk to natural hazards at year end 2023 is "Relatively Low" and falls below the national average. On behalf of Varia US, Stoneweg US uses this risk matrix routinely as an informative point of consideration taken into account when acquiring new assets and long-term planning of the portfolio's makeup.

**2023 Varia US Weighted Average FEMA NRI Risk Assessment**



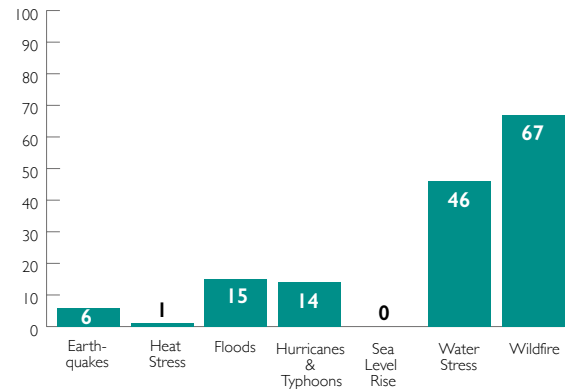
**MOODY’S / RMS CLIMATE ON DEMAND**

Moody’s RMS Climate on Demand is a service provided by Moody’s Analytics that offers data and analytical tools to help businesses like Varia US assess and manage the risks posed by climate change. It provides access to a range of climate data, including historical climate information, future projections, and scenario-based data that can help businesses model and plan for potential climate impacts. The service also includes a suite of analytical tools that allow users to assess the potential financial impact of climate risks on their business, as well as tools for stress-testing portfolios and developing risk management strategies.

By using the intelligence provided by Moody’s RMS Climate on Demand, Varia US aims to better understand and

manage the financial risks associated with climate change and to build resilience in the face of a changing climate.

**2023 Mean Risk Scores**



**2023 Risk Category Distribution**

Risk Threshold	Earthquakes	Floods	Heat Stress	Hurricanes & Typhoons	Sea Level Rise	Water Stress	Wildfire
<b>Red Flag</b>	0%	0%	0%	0%	0%	16%	0%
<b>High</b>	0%	13%	0%	13%	0%	13%	52%
<b>Medium</b>	3%	10%	0%	3%	0%	23%	45%
<b>Low</b>	26%	77%	100%	16%	0%	48%	3%
<b>None</b>	71%	0%	0%	68%	100%	0%	0%

*The information in the above chart is a “single scenario” model using the 2030-time horizon based on RCP 8.5, which is one of the (4) Representative Concentration Pathways (RCPs) used in climate modeling and research. The RCP 8.5 scenario assumes that GHG emissions (due to human activities) will continue to rise throughout the 21<sup>st</sup> century without any significant mitigation efforts being implemented.*

The Moody’s RMS Climate on Demand tool evaluates the physical climate hazard risk of an investment based on its physical location and how a changing climate will affect several categories.

The tool uses a combination of geospatial data and climate modeling to estimate the probability and severity of various climate-related risks in specific locations. These risks include earthquakes, floods, heat stress, hurricanes and typhoons, sea level rise, water stress, and wildfires.

For example, the tool can estimate the probability and severity of flood events in a given area based on the history of flood events in that location, combined with data on factors such as precipitation patterns, terrain, and land use. It can also estimate the potential impact of sea level rise on coastal properties based on factors such as topography, tides, and storm surge patterns.

# CLIMATE RESILIENCE STRATEGY

Stoneweg US takes climate risk management seriously on behalf of Varia US, and has developed a comprehensive approach to address climate risks and improve resilience across their multifamily real estate portfolio.

## Approach to Managing Climate Risk and Creating Resilience



Stoneweg US takes climate risk management seriously on behalf of Varia US, and has developed a comprehensive approach to address climate risks and improve resilience across their multifamily real estate portfolio.

The first step is to assess market and asset climate risks during market evaluation and due diligence. This involves analyzing data on historical and projected climate patterns and trends, as well as identifying specific vulnerabilities that may exist at the market or specific location level.

Before a property is acquired, Stoneweg US incorporates resilience elements during the planning of capital improvements to address vulnerabilities and increase the property's ability to withstand and recover from extreme weather events. This may include measures such as tree trimming, upgrading building systems, improving insulation and sealing, and stormwater plumbing.

Improving energy efficiency and creating a decarbonization plan are key components of creating a climate resilience strategy. Varia US' decarbonization plan is included later in this report.

As the effects of climate change continue to be felt around the world, including more extreme weather events, it is crucial for real estate investors and property managers to adapt and prepare for these changes.

One way to improve energy efficiency and reduce carbon emissions is by implementing energy-efficient technologies and systems, such as LED lighting, smart thermostats, and energy-efficient appliances. This not only reduces the carbon footprint of the building but also saves money on utility bills.

Proactive business operations contingency management is also crucial, as it helps prepare residents and community management teams for extreme weather events and minimize disruption to operations and residents. This may involve developing emergency response plans, training staff, and establishing communication channels with local authorities and residents.

Stoneweg US regularly evaluates the portfolio composition and risk distribution to ensure that Varia US is well-positioned to manage climate risks over the long term. By taking a proactive and comprehensive approach to climate risk management, Stoneweg US is better able to protect the value of Varia US' multifamily real estate investments and provide a safe and resilient living environment for residents that call our communities home.

# RESIDENT SUSTAINABILITY IMPACTS AND CLIMATE CHANGE ADAPTATION

## RESIDENT SUSTAINABILITY IMPACTS

Our commitment to sustainability extends beyond our internal operations and includes the residents who live in our properties. The household use of energy and water by our residents is accounted for in our Scope 3 emissions in the context of our carbon accounting, but is included in our Scope 1 and 2 emissions when looking at any given property as a whole.

### Updated Metrics

- Percentage of new leases with cost recovery clauses for resource efficiency-related capital improvements: 0%
- Percentage of resident leases that include ESG language: 18%
- Percentage of tenants separately metered or submetered for utility consumption:
  - Electricity: 100%
  - Water: 13%

## APPROACH AND INITIATIVES

In 2023 we continued to use industry-leading tools such as ENERGY STAR Portfolio Manager and Conservice ESG to track and report on energy, water, and other sustainability data across our portfolio. This year, we maintained our Green Leasing practices. Our goal is to fully implement sustainable living lease addendums, or “green leases” where permitted by state law and standardized by the National Apartment Association by the end of 2024.

We also continued with our educational initiatives. This year, we shared ENERGY STAR Performance Scores and US EPA Water Scores with residents to raise awareness of their energy and water use efficiency. These efforts have led to tangible improvements in our portfolio’s sustainability performance, with the weighted average ENERGY STAR Performance Score increasing from 85 to 90 and a significant 11% reduction in Water Use Intensity year over year.

## CLIMATE CHANGE ADAPTATION

Recognizing the growing impacts of climate change, we have undertaken rigorous efforts to understand, mitigate, and adapt to climate-related risks in our portfolio.

### Updated Metrics

- **Area of properties located in a 100-year flood zone:**

Our portfolio continues to have only one property, Wood Hollow in Fort Worth, Texas, comprising 256,779 gross square feet, located in a 100-year flood zone.
- **Climate change risk exposure analysis:**

This year, our climate risk exposure slightly improved.

  - According to the FEMA NRI Risk Index Score, our portfolio’s risk score improved by 4%, maintaining a “relatively low” risk level.
  - Per Moody’s Climate on Demand, risk scores for earthquakes, floods, heat stress, hurricanes, and water stress were reduced, while sea-level rise risks remained flat, and wildfire risks saw a very nominal increase from a mean risk score of 66 in 2022 to 67 in 2023.

## DETAILED RISK ASSESSMENTS

Throughout 2023, we have not identified any new significant physical or transition risks. However, our understanding and management of these risks have evolved. Our portfolio management reporting now includes updated data from 2023, and we have integrated mean risk scores into our Emissions Reduction Plan (ERP) to better prioritize and address opportunities for enhancing climate resilience.

### CLIMATE RESILIENCE STRATEGIES

Our focus on physical climate hazards by region has been crucial in managing insurance premium expenses for the portfolio. Collaborating with our Risk Management consultant, Robert M. Currey & Associates, Inc., we have refined our strategies to mitigate these expenses effectively. Additionally, our Board of Directors' ESG Committee is now routinely briefed on physical climate risk hazards and climate transition risks, ensuring that these factors are a key consideration in our decision-making processes.

### KEY DATA POINTS AND ACHIEVEMENTS

This year, significant progress has been made in reducing our portfolio's exposure to climate-related risks. Several mean climate risk scores improved due to strategic dispositions within the portfolio, highlighting our proactive approach to risk management and sustainability.

### SIGNIFICANT CHANGES AND CHALLENGES

While we faced no significant challenges this year, we have made substantial strides in incorporating climate risk into our emissions reduction planning. This reflects our ongoing commitment to enhancing our portfolio's resilience and sustainability.

Stoneweg US, working on behalf of Varia US, remains dedicated to advancing sustainable living and climate resilience across our multifamily properties. We will continue to build on a track record of growth and seek out effective ways to support our residents and protect our investments in the face of climate change.

# GHG SCOPING AND CARBON ACCOUNTING

Stoneweg US, on behalf of Varia US, is pleased to present our Greenhouse Gas (GHG) scoping and carbon accounting for the year 2023. This comprehensive analysis is a crucial part of our continuous improvement process in GHG management and our climate transition strategy. Building on the progress made in previous years, we have incorporated the latest 2022 emissions factors released by the US Department of Energy into our tools and systems to ensure accurate and up-to-date reporting.

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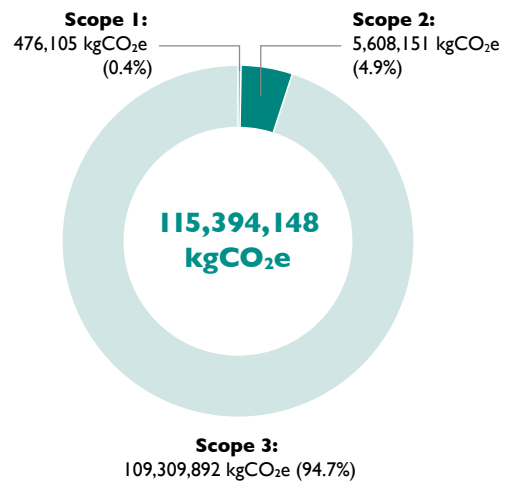
## CARBON ACCOUNTING

In 2022, Stoneweg US, on behalf of Varia US, embarked on an ambitious journey to measure and disclose greenhouse gas (GHG) emissions for the years 2020 and 2021, which was shared in last year’s report. This marked a significant milestone in our commitment to sustainability and our climate transition strategy, because the disclosure provides a complete picture of the emissions associated with our buildings as a function of the energy they consume, as well as all of the related operational activity to own and maintain these investments. This year, we are pleased to present an in-depth and comprehensive analysis of our carbon footprint for the year 2023, reflecting our significant progress in understanding our emissions and continuing effort to improve data collection.

## 2023 CARBON FOOTPRINT ANALYSIS

The 2023 Carbon Footprint Analysis provides a comprehensive evaluation of Varia US’s greenhouse gas emissions, setting a new baseline for our sustainability efforts. This report details the total emissions for 2023, identifies major sources of emissions, and sets ambitious reduction targets in alignment with the Science-Based Targets initiative (SBTi). Our analysis not only aligns with global climate goals but also informs our strategy for reducing emissions and enhancing energy efficiency across our real estate portfolio.

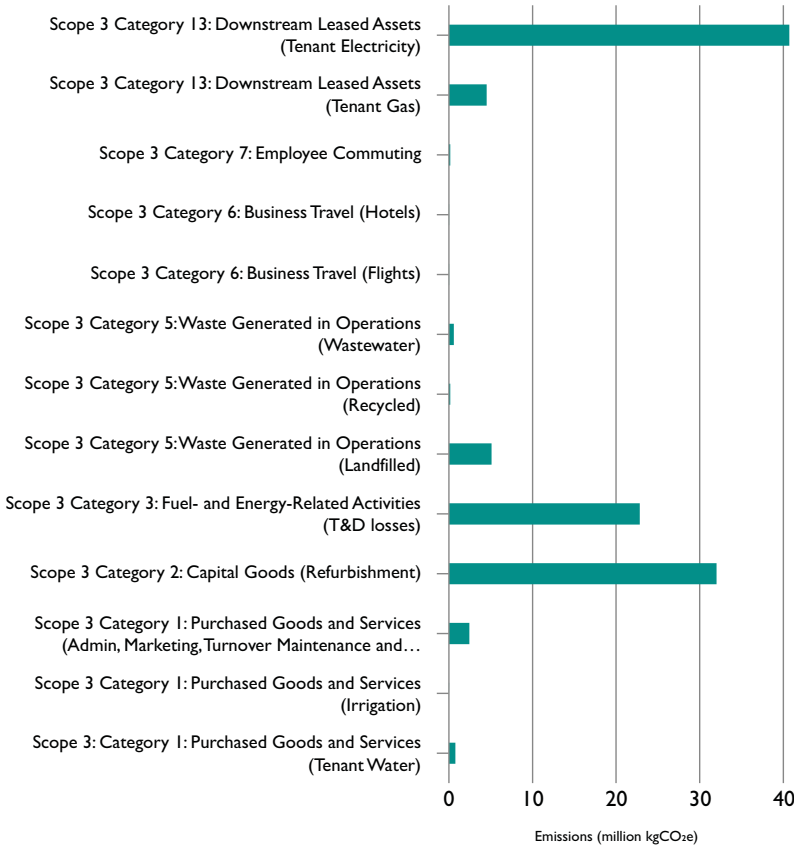
Breakdown of Varia US Carbon Footprint (2023)



This year, we achieved significant progress in our carbon accounting efforts:

- **Expanded Scope of Reporting:** Unlike previous years where we focused solely on asset-level energy consumption, the 2023 report includes a broader range of activities. This encompasses Scope 1 emissions from on-site combustion, Scope 2 emissions from purchased electricity, and a more comprehensive analysis of Scope 3 emissions, including resident electricity use and capital goods.

### Varia US Carbon Footprint 2023 Scope 3 Emissions Breakdown



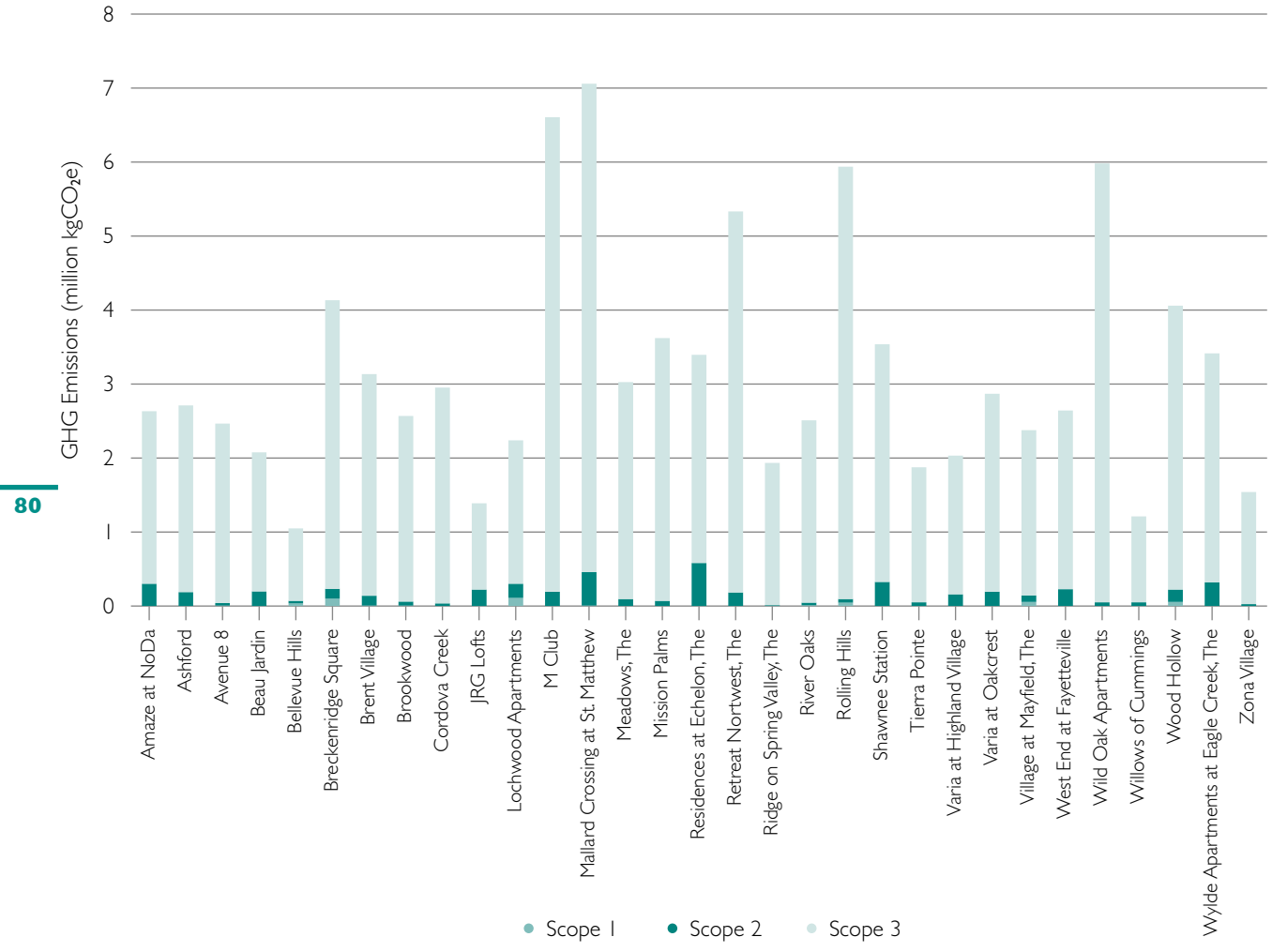
- Improved Data Accuracy: We enhanced our data collection methods by utilizing primary data sources for 55% of our total emissions, leading to more accurate and reliable emissions estimates. This is a substantial improvement from the 20% actual energy data coverage in the 2022 report.
- Emissions Reduction Insights: Our analysis revealed that total carbon emissions for 2023 were 115,394,148 kgCO<sub>2</sub>e, a significant data point that provides a clear picture of our environmental impact.

### DIFFERENCES FROM LAST YEAR

The 2023 report expands on our previous GHG disclosures in several key ways:

- Comprehensive Scope 3 Analysis: We have included a detailed breakdown of Scope 3 emissions, which constitute 94.7% of our total emissions. This includes emissions from resident electricity use, capital goods, and waste management, providing a more holistic view of our carbon footprint.

Emission Breakdown for the Assets in Varia US Portfolio



■ **Enhanced Methodologies:** This year’s calculations incorporate the latest emissions factors and align with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

■ **Baseline for Future Progress:** The 2023 report establishes a robust baseline for future emissions tracking and target setting, positioning Varia US to make meaningful strides towards its climate goals.



**KEY FINDINGS**

Our carbon footprint analysis for 2023 reveals the following key findings:

- **Total Emissions:** Varia US's total carbon emissions for 2023 amounted to 115,394,148 kgCO<sub>2</sub>e. Scope 1 emissions, primarily from natural gas and refrigerants, were 476,105 kgCO<sub>2</sub>e, making up 0.4% of the total emissions. Scope 2 emissions from electricity usage were 5,608,151 kgCO<sub>2</sub>e, constituting 4.9% of total emissions.
- **Scope 3 Emissions Dominance:** The most significant contribution to our carbon footprint comes from Scope 3 emissions, which include resident electricity usage (35.29%) and capital goods (27.75%). These findings underscore the importance of focusing on resident engagement and operational efficiency to achieve significant emissions reductions.

**SBT I.5-degree Pathway for Varia US for In-Use Operational Emissions**



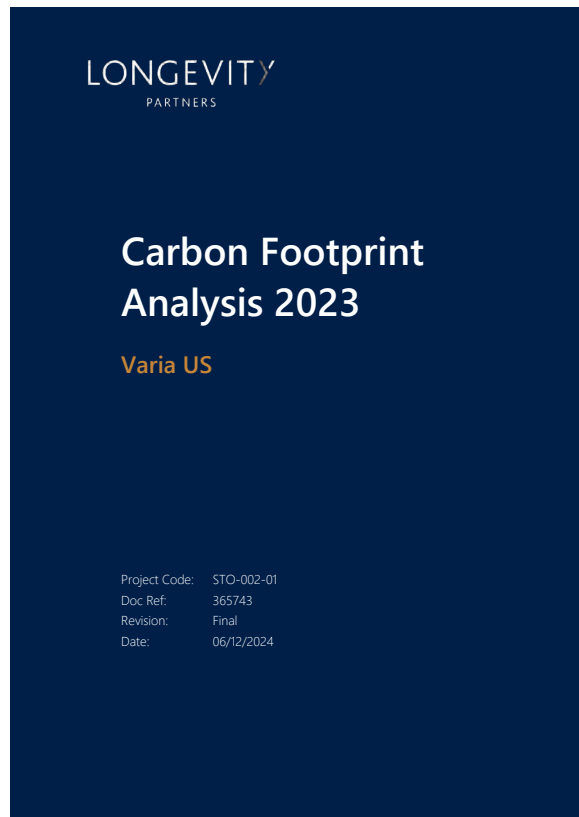
**STRATEGIC IMPLICATIONS**

The findings of our 2023 carbon footprint analysis highlight several critical areas for strategic focus:

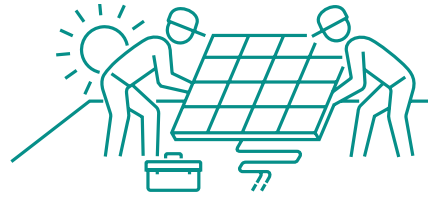
- **Scope 3 Emissions Management:** Given that Scope 3 emissions account for the vast majority of our carbon footprint, we must prioritize initiatives that address tenant energy consumption and capital goods management. This includes promoting energy efficiency and sustainable practices among our residents.
- **Energy Efficiency Improvements:** To further reduce emissions, we will continue to invest in energy efficiency measures across our portfolio. This includes transitioning to electric HVAC systems, enhancing building insulation, and exploring renewable energy options.
- **Target Setting and Compliance:** Aligning with the Science-Based Targets initiative, we have set ambitious goals to reduce our carbon emissions by 63.3% by 2030 and achieve net-zero emissions by 2050. These targets are critical for ensuring our long-term sustainability and compliance with evolving regulatory requirements.

Stoneweg US and Varia US remain committed to advancing its sustainability goals and reducing our carbon footprint. The insights from our 2023 carbon footprint analysis will guide our efforts to implement effective emissions reduction strategies and foster a culture of sustainability across our operations. We invite stakeholders to review the full 2023 Carbon Footprint Analysis for a detailed understanding of our environmental impact and ongoing efforts to achieve a sustainable future.

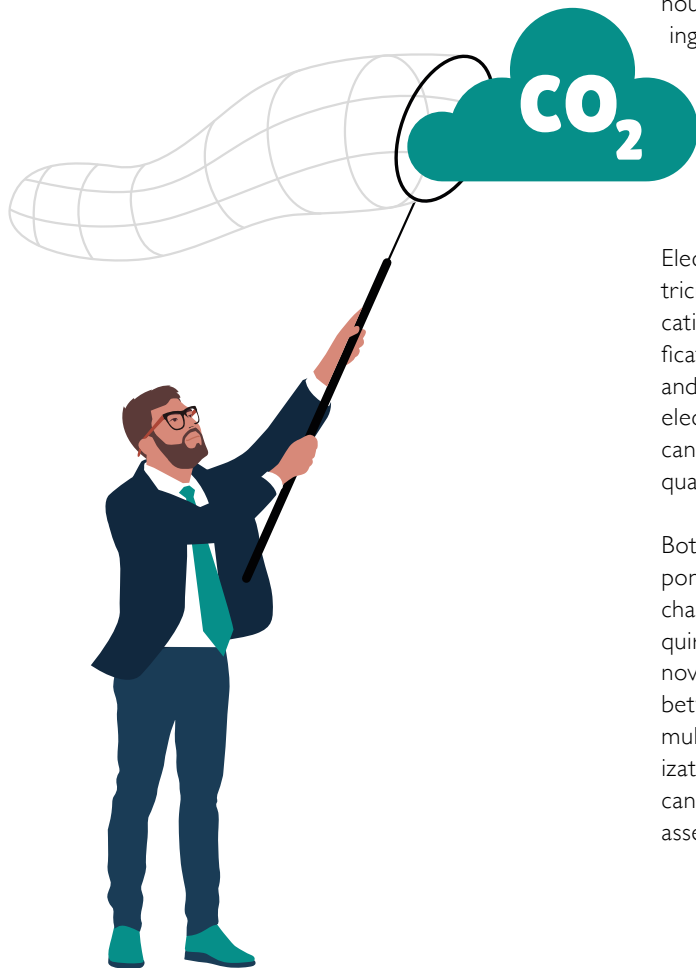
For more detailed information, please refer to the complete [Carbon Footprint Analysis 2023](#) available on our corporate website.



# DECARBONIZATION & ELECTRIFICATION



Decarbonization and electrification are key concepts in the context of multifamily real estate investment as they are integral parts of a sustainable and low-carbon future. These strategies include initiatives such as energy efficiency and deploying or purchasing renewable energy. On a very high level, they can be understood as the main drivers of how Stoneweg US will meet carbon reduction goals of the Varia US portfolio in the years to come.



Decarbonization involves reducing or eliminating greenhouse gas emissions from various sources, such as buildings and transportation. In the context of multifamily real estate, decarbonization involves reducing emissions from building operations. This can be achieved through a variety of measures, such as improving energy efficiency, adopting technologies, and using renewable energy sources.

Electrification involves shifting from fossil fuels to electricity as the primary source of energy for various applications. In the context of multifamily real estate, electrification often involves replacing natural gas space heating and hot water systems, as well as promoting the use of electric vehicles and electric appliances for cooking. This can help reduce greenhouse gas emissions, improve air quality, and reduce reliance on fossil fuels.

Both decarbonization and electrification are key components of a comprehensive strategy to address climate change and create a more sustainable future. They require a combination of policy measures, technological innovation, and behavioral change, as well as collaboration between governments, businesses, and individuals. For multifamily real estate investors, incorporating decarbonization and electrification strategies into their portfolios can help reduce long-term operational costs, increase asset value, and promote sustainability.

**EMISSIONS REDUCTION STRATEGY**

On behalf of Varia US, Stoneweg US has implemented an Emissions Reduction Strategy which outline the steps that the Company is taking to decarbonize and electrify its US multifamily real estate portfolio:

**Conduct a GHG inventory:**

The first step in any decarbonization plan is to understand the current carbon footprint of the portfolio. Varia US conducts a comprehensive GHG inventory to identify its carbon emissions sources.

**Set ambitious emissions reduction targets:**

Based on the GHG inventory, Varia US sets aggressive emissions reduction targets that align with the science-based targets to limit global warming to below 2°C.

**Develop an action plan:**

Once the targets have been set, Varia US develops a comprehensive action plan outlining how it will achieve the targets. This should include measures to improve energy efficiency, reduce energy consumption, electrify the portfolio, and use renewable energy sources.

**Implement energy efficiency measures:**

Varia US can improve energy efficiency by conducting energy audits of its properties, implementing energy-efficient lighting, appliances, and HVAC systems, and improving building insulation.

**Electrify the portfolio:**

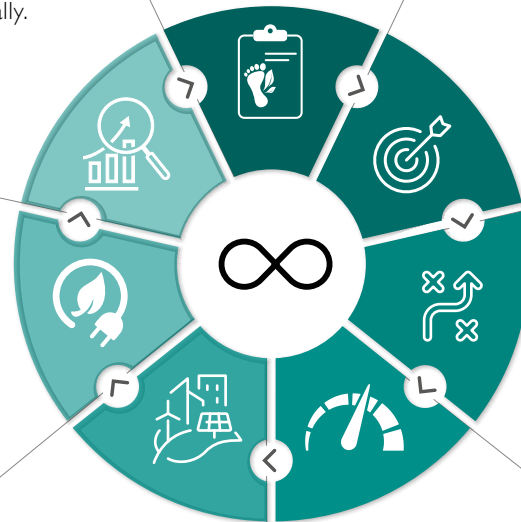
Where feasible, Varia US will electrify its portfolio by switching from fossil fuel heating systems to electric heat pumps, installing electric vehicle charging infrastructure, and encouraging tenants to switch to electric vehicles.

**Monitor and report progress:**

Varia US continuously monitors its progress towards meeting its emissions reduction targets and report on its progress annually.

**Use renewable energy sources:**

Varia US can generate renewable energy on-site by installing solar panels or other renewable energy sources. Alternatively, it can purchase renewable energy from a third-party provider.



### EMISSIONS REDUCTION

In 2022, Stoneweg US, on behalf of Varia US, laid the groundwork for Varia US's decarbonization and electrification strategies by outlining the fundamental concepts and their critical roles in our sustainability goals. These strategies focused on reducing greenhouse gas emissions through energy efficiency and shifting towards renewable energy sources. It also included a long term goal to transition from fossil fuel-based systems to electric ones where most feasible, thereby reducing our carbon footprint and fostering a sustainable future for the Varia US portfolio.

This year, we are excited to share the development and integration of a comprehensive, portfolio-level emissions reduction plan (ERP), which is a significant step forward from our previously published strategy. Our emissions reduction plan is designed to systematically address our decarbonization and electrification goals, leveraging new insights and opportunities over time as the portfolio changes for greater impact.

### PROGRESS AND DEVELOPMENTS IN 2023

#### Expanded Strategic Planning System

In 2023, we developed and incorporated a new strategic planning system that not only builds upon our previous efforts but also introduces a more structured approach to emissions reduction. Our decarbonization and electrification plan is now more comprehensive, allowing us to prioritize properties and actions that offer the greatest potential for carbon reductions.

### Building Typologies Summary

Typology ID	Description	Number of Units (% of units)	Number of Properties (% of properties)
A1	Electric furnace with Central A/C, In-unit electric Domestic Hot Water	4,536 (53%)	16 (52%)
A2	Electric furnace with Central A/C, Central gas Domestic Hot Water	1,556 (18%)	6 (19%)
A3	Electric furnace with Central A/C, In-unit gas Domestic Hot Water	360 (4%)	1 (3%)
A4	Electric furnace with Central A/C, Central electric Domestic Hot Water	183 (2%)	1 (3%)
B1	Gas furnace with Central A/C, Central gas Domestic Hot Water	1541 (14%)	6 (19%)
B2	Gas furnace with Wall Sleeve A/C, Central electric Domestic Hot Water	0 (4%)	0 (0%)
B3	Gas furnace with evaporative cooling, In-unit gas Domestic Hot Water	352 (4%)	1 (3%)
<b>Total</b>		<b>8,528 (100%)</b>	<b>31 (100%)</b>

The new plan focuses on the following key areas:

- **Property-Specific Decarbonization Strategies:** We categorized our properties into typologies to better understand their unique characteristics and retrofit needs. This approach allows us to tailor our decarbonization strategies to each property type, ensuring that we address the most critical areas for carbon reduction effectively.

**Decarbonization opportunity scoring**

Stoneweg US worked with Elevate to create the portfolio-level emissions reduction plan. Elevate is a 501(c)(3) nonprofit organization that works nationally and is headquartered in Chicago. Elevate seeks to create a just and equitable world in which everyone has clean and affordable heat, cooling, power, and water in their homes and communities – prioritizing frontline communities. Their programs, policy agenda, and partners reflect this commitment.

The analysis conducted by Elevate combines and weights multiple metrics to rank and prioritize properties with the best opportunity for decarbonization investments.

Properties with higher opportunity represent properties with the higher potential to reduce carbon emissions cost effectively. For instance, a property with a low carbon intensity that implements energy efficiency measures such as weatherization is likely to have lower carbon reductions and a longer payback relative to a less efficient property with a high carbon intensity. Table 2 summarizes the metrics used for prioritization and weights assigned to each metric. The metrics and weights selected are based on the property characteristics within this specific portfolio, data availability, and Elevate’s technical expertise implementing energy efficiency, electrification, and solar projects.

Category	Metric	Scoring
<b>Energy Efficiency Opportunity (6 possible points)</b>	ENERGY STAR® Score	< 50 = 2 points 50–75 = 1 point > 75 = 0 points
	Total carbon Intensity (kg CO <sub>2</sub> e/sf)	Top quantile = 2 points Middle quantile = 1 point Lower quantile = 0 points
	Energy Cost Intensity (\$/sf)	Top quantile = 2 points Middle quantile = 1 point Lower quantile = 0 points
<b>Electrification Opportunity<sup>1</sup> (7 possible points)</b>	Presence of natural gas onsite	No = removed from category
	Electric grid emission factor (kg CO <sub>2</sub> e/Mbtu)	< 120 = 2 points 120–140 = 1 point > 140 = 0 points
	State average electric rate (\$/kWh)	Lower quantile = 2 points Middle quantile = 1 point Top quantile = 0 points
	State average gas rate (\$/therm)	Top quantile = 2 points Middle quantile = 1 point Lower quantile = 0 points
	R-22 refrigerant use	> 50% units = 1 point < 50% units = 0 points
<b>Solar Opportunity (9 possible points)</b>	Roof age	< 10 years = 1 point > 10 years = 0 points
	Technical potential score	> 4 score = 4 points 2–4 score = 2 points < 2 score = 0 points
	Policy score	3 score = 2 points 2 score = 1 point 0–1 score = 0 points
	State average electric rate (\$/kWh)	Top quantile = 2 points Middle quantile = 1 point Bottom quantile = 0 points

<sup>1</sup> Heating and cooling equipment age was considered for the analysis but ultimately not included due to not having a meaningful impact on the prioritization results.

Properties ranked by decarbonization opportunity

Property Name <sup>2</sup>	State	Typology ID	Decarbonization Opportunity				Water Efficiency Opportunity	Resilience Risk Score	Units
			Energy Efficiency <sup>3</sup>	Electrification <sup>4</sup>	Solar	Decarbonization Opportunity <sup>5</sup>			
Willows of Cummings	GA	A1	3.7	Already Electric	3.3	12	2.0	2.3	156
Zona Village	AZ	A4	3.7	4.2	3.3	11.2	2.0	3.0	183
River Oaks	AZ	A2	3	4.2	3.9	11.1	2.0	3.7	300
Meadows, The	TN	A1	5	Already Electric	1	11	3.0	1.7	200
Wild Oak Apartments	MO	A1	3.7	Already Electric	2.1	10.8	4.0	1.7	348
Amaze at Noda	NC	A1	2.3	Already Electric	3.3	10.6	2.0	3.7	298
Varia at Oakcrest	SC	A1	2.3	Already Electric	3.3	10.6	5.0	3.0	272
Brookwood	AZ	A2	2.3	5	3.3	10.6	3.0	3.0	272
Wood Hollow	TX	A2	4.3	3.4	2.7	10.4	3.0	2.3	346
Ridge on Spring Valley, The	TX	B1	4.3	3.4	2.7	10.4	3.0	2.3	208
Cordova Creek	TN	A1	5	3.4	1	9.4	2.0	1.7	196
Avenue 8	AZ	A2	3	4.2	2.1	9.3	3.0	2.3	194
Breckinridge Square	KY	B1	3.7	3.4	2.1	9.2	4.0	1.7	294
Varia at Highland Village	TX	A1	1	3.4	4.4	8.8	1.0	2.3	165
West End at Fayetteville	NC	A1	1	Already Electric	2.7	8.7	3.0	3.7	360
Rolling Hills	KY	B1	1.7	4.2	2.7	8.6	5.0	1.7	400
Mallard Crossing	KY	A1	3	3.4	2.1	8.5	3.0	3.0	600
Shawnee Station	KS	A1	2.3	2.6	3.3	8.2	4.0	2.3	228
Residences at Echelon	MO	A1	1.7	3.4	2.7	7.8	2.0	2.3	243
Brent Village	NE	A2	1.7	2.6	2.7	7	2.0	1.0	180
Tierra Pointe Apartments	NM	B3	3.0	1.8	2.1	6.9	3.0	3.0	352
Village at Mayfield, The	OH	B1	3.0	1.0	2.7	6.7	3.0	3.0	252
Lochwood Apartments	IN	B1	1	1.8	3.3	6.1	4.0	1.7	200
JRG Lofts	KY	A1	1	3.4	1.6	6	1.0	2.3	178
Ashford	TX	A1	TBD	Already Electric	3.9	TBD	4.0	3.0	312
M Club Apartments	IN	A1	TBD	Already Electric	4.4	TBD	3.0	1.7	388
Retreat Northwest, The	IN	A1	TBD	Already Electric	3.3	TBD	2.0	2.3	336
Wylde at Eagle Creek, The	IN	A1	TBD	Already Electric	4.4	TBD	4.0	2.3	256
Bellevue Hills	NE	A2	TBD	2.6	2.7	TBD	1.0	1.0	264
Mission Palms	AZ	A3	TBD	4.2	2.7	TBD	4.0	3.0	360
Beau Jardin	MO	B1	TBD	2.6	2.7	TBD	3.0	2.3	187

■ Property-Specific Decarbonization Strategies: We categorized our properties into typologies to better understand their unique characteristics and retrofit needs. This approach allows us to tailor our decarbonization strategies to each property type, ensuring that we address the most critical areas for carbon reduction effectively.

<sup>2</sup>Property names in green font designates a property in a CEJST Census Tract (For a definition of CEJST see below). <sup>3</sup>N/A signifies a property does not have sufficient data to assign a score. <sup>4</sup>Already electric signifies a property that does not have any natural gas equipment for resident heat, DHW, stoves, and dryers. Properties that are already electric were assigned an electrification value of 5 to calculate the decarbonization opportunity, as all electric buildings are prime candidates for decarbonization. <sup>5</sup>Decarbonization opportunity represents the sum of energy efficiency, electrification, and solar opportunities.

## TIER I PROPERTIES WITH HIGH DECARBONIZATION OPPORTUNITY

### Tier I Properties:

- **High Decarbonization Potential:**  
These properties have high scores (>9) for decarbonization opportunities.
- **Key Locations:**  
They are in CEJST census tracts, areas with historical disinvestment, or areas with high resilience risk (score ≥ 3).
- **Priority and Cost-Effectiveness:**  
These properties offer significant potential for cost-effective carbon emission reductions and are prioritized due to their location risks. For instance, a property with a low carbon intensity

that implements energy efficiency measures such as weatherization is likely to have lower carbon reductions and a longer payback relative to a less efficient property with a high carbon intensity.

- **Property Types and Interventions:**  
Six properties are typology A1, suitable for energy efficiency and solar upgrades.
- **Decarbonization Strategy:**  
A proposed strategy is to use financing to retrofit one building and replicate successful interventions across others.
- **Solar Potential:**  
Properties recommended for solar are close to achieving net-zero emissions, needing detailed solar feasibility studies to confirm this potential.

Property Name	State	Typology ID	Type of Decarbonization Intervention (Score)	Type of Water Efficiency Intervention (Score)
Ashford	TX	A1	Targeted - energy efficiency + solar (11.4)	Water efficiency (4)
Zona Village	AZ	A4	Comprehensive (11.2)	Water efficiency (2)
River Oaks	AZ	A2	Comprehensive (11.1)	Water efficiency (2)
Meadows, The	TN	A1	Targeted - energy efficiency (11)	Water efficiency (3)
Brookwood	AZ	A2	Comprehensive (10.6)	Water efficiency (3)
Amaze at Noda	NC	A1	Targeted - energy efficiency + solar (10.6)	Water efficiency (2)
Varia at Oakcrest	SC	A1	Targeted - energy efficiency + solar (10.6)	Water efficiency (5)
Ridge on Spring Valley, The	TX	B1	Comprehensive (10.4)	Water efficiency (3)
Mission Palms	AZ	A3	Comprehensive (9.4)	Water efficiency (4)
Avenue 8	AZ	A2	Comprehensive (9.3)	Water efficiency (3)

Solar Scoring: With more than 800 individual buildings in the current portfolio, it is not feasible from a cost perspective to conduct detailed solar modeling on each building. To overcome that, on behalf of Varia US, Elevate generated two solar-related metrics: (1) technical potential score and (2) policy score. The technical potential score is based on visual assessment of the site through satellite imagery. Properties were scored based on the following parameters to calculate a total technical potential score between 0 and 6:

- Roof shading (2 possible points), where significantly shaded roofs are given a score of 0 and unshaded roofs are given a score of 2.
- Roof obstructions (2 possible points), where roofs with significant obstructions such as HVAC units and skylights are given a score of 0 and unobstructed roofs are given a score of 2.
- Roof orientation (1 possible point), where pitched roofs are given a score of 0 if facing north or 1 if facing south and flat roofs are given a score of 1.
- Carport potential (1 possible point), where the presence of a surface parking lot with adequate room for a solar array is given a score of 1 and a lack thereof is given a score of 0.

The policy score is based on the state net metering policies (score between 0 and 3), where states with full retail rate net metering are given a score of 3 and states with no credits for excess energy produced are given a score of 0. States where credits are less than the full retail rate are given a score of either 1 or 2. All scoring points were integers (no partial points were assigned).

### WHAT IS CEJST?

The Climate and Economic Justice Screening Tool (CEJST) is a comprehensive framework developed to identify and prioritize disadvantaged communities for federal investments in climate and environmental justice. The tool is part of the White House’s Environmental Justice Initiative and aims to ensure that the benefits of federal climate and environmental programs reach the communities most in need. Key features and purposes of CEJST include:

- **Identification of Disadvantaged Communities:**  
CEJST uses a range of indicators, such as income levels, pollution exposure, and health disparities, to identify communities that have been historically marginalized and are most vulnerable to environmental hazards and climate change impacts.
- **Prioritization for Federal Resources:**  
Communities identified by CEJST are prioritized for federal investments, including funding for infrastructure improvements, renewable energy projects, and climate resilience initiatives.



■ **Support for Justice40 Initiative:**

The tool supports the Justice40 Initiative, which aims to ensure that 40% of the benefits of federal investments in climate and clean energy reach disadvantaged communities.

■ **Data-Driven Approach:**

CEJST leverages data from various federal and state sources to create a detailed map of communities in need, considering factors such as socio-economic conditions, environmental burdens, and climate vulnerabilities.

■ **Enhanced Community Resilience:**

By targeting investments, CEJST helps to build resilience in communities that are most at risk from climate change and environmental degradation, improving their ability to adapt to future challenges.

CEJST is a tool for promoting environmental justice and equity by directing resources to communities that have been underserved and are facing significant environmental and climate-related challenges.

**KEY ASPECTS OF THE EMISSIONS REDUCTION PLAN (ERP)**

The 2023 decarbonization and electrification plan includes several innovative aspects that will drive significant progress towards our sustainability goals:

■ **Holistic Energy Efficiency:**

Our plan includes comprehensive energy audits and the implementation of energy-efficient technologies across our properties. This involves upgrading HVAC systems, improving insulation, and enhancing overall building performance.

■ **Electrification Initiatives:**

We are focusing on replacing fossil fuel-based systems with electric alternatives, such as electric heat pumps for heating and cooling, and electric water heaters. These changes not only reduce emissions but also improve air quality and energy security.

■ **Renewable Energy Integration:**

Our plan includes the installation of on-site renewable energy systems, such as solar panels, to supply clean energy to our properties. We are also exploring opportunities to purchase renewable energy from external providers to further reduce our reliance on fossil fuels.

**IMPORTANCE OF ELECTRIFICATION**

Electrification plays a critical role in our strategy for several reasons:

■ **Reduction in Carbon Emissions:**

By shifting from natural gas and other fossil fuels to electricity, we can significantly lower our greenhouse gas emissions, particularly as the electricity grid becomes increasingly powered by renewable sources.

■ **Energy Efficiency Gains:**

Electric systems, such as heat pumps, are generally more efficient than their fossil fuel counterparts. This efficiency translates into lower energy consumption and costs over time.

■ **Future-Proofing Investments:**

Electrification helps future-proof our properties against potential regulatory changes and aligns us with evolving sustainability standards and expectations.

**YEAR-OVER-YEAR GROWTH AND FUTURE PATH**

Compared to last year, our strategy has evolved to include a more detailed and systematic approach to decarbonization and electrification. We have moved from setting broad targets to implementing specific, actionable plans tailored to our portfolio's unique needs.

The path forward involves continuous monitoring and adaptation of our strategies to ensure we meet our ambitious emissions reduction goals. We are committed to leveraging new technologies, enhancing our data collection, and integrating best practices to drive ongoing improvements in our sustainability performance.

Our 2023 decarbonization and electrification plan represents a major advancement in our journey towards a low-carbon future. By focusing on strategic property-specific interventions and phased implementation, we are well-positioned to achieve our sustainability goals and contribute to a more sustainable world.

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**SOCIAL**



# APPROACH

Our approach to the social aspect of ESG begins with a fundamental focus on offering a housing solution to the workforce of America that supports and enhances their quality of life. At the heart of our social obligation is the premise that ownership comes with inherent responsibility. The Varia US portfolio represents more than 8,500 apartment units that serve as a home to nearly 20,000 residents. Our role as a landlord and a property owner is defined by an unwavering commitment to ensure our residents enjoy a high-quality living experience, thriving in safe, clean, and well-maintained homes.

Our focus on people shapes our social strategy. The needs of our residents, their satisfaction, and overall well-being are the foundation of the Company's mission and drive our investment strategy, ultimately shaping our value-creation process.

Our sense of social responsibility is deeply ingrained in our operations, influencing our choices from construction materials that prioritize resource use efficiency, residents' health to the provision of robust Wi-Fi and internet infrastructures, supporting their digital needs in an increasingly interconnected world. Beyond the basics, we understand the importance of the subtle nuances that enhance everyday life. To this end, we facilitate a suite of amenities targeted at supporting the overall wellbeing of our residents, while ensuring our properties remain attainable and accessible.

Furthermore, this strategy seeks to enhance the reputation of our properties, positioning us favorably in the market and fostering higher valuations. This return on investment, intrinsically tied to the wellbeing of our residents, reinforces our belief in the symbiotic relationship between our social responsibility and our financial success.

However, it's essential to clarify that while we are committed to our residents' wellbeing, our capacity doesn't extend to the provision of social services. We may engage third-party entities to conduct social programs within our premises at some locations, but we view activities that address social issues outside the scope of providing a high-quality apartment living experience to our residents as beyond our core social responsibility mandate.

The people that form our on-site community teams directly serve the needs of our residents each and every day. Stoneweg US and Varia US are grateful for these exceptional people who act as the heart and hands of the places where we are invested. Their continuous efforts in maintaining and enhancing Varia US's portfolio are indispensable to the Company's success.

Supporting our on-site community staff are the people who make up the exemplary team of professionals at Stoneweg US, who work conscientiously on behalf of Varia US' Board of Directors and shareholders to achieve the Company's investment objectives.

Investment returns form a crucial aspect of Stoneweg US' work on behalf of Varia US, and our resident-centric approach significantly influences this facet. By ensuring our residents thrive in a secure, clean, affordable, welcoming, and supportive environment, we bolster lease renewal rates, a key strategy of supporting Net Operating Income (NOI) growth and driving overall investment community value.

Both Stoneweg US and Varia US acknowledge our crucial role in delivering affordable, high-quality housing solutions to the US workforce. Our initiatives around resident satisfaction, green leasing, providing meaningful amenities, and affordability embody this commitment.

Through our efforts on the social aspect of the Company's business, we aspire for Varia US's investors to see themselves mirrored in how we approach and support the individuals touched by our business and our portfolio of apartment communities, understanding that this is intrinsically tied to the prosperity of the Company's investments.

# STRATEGY & GOALS

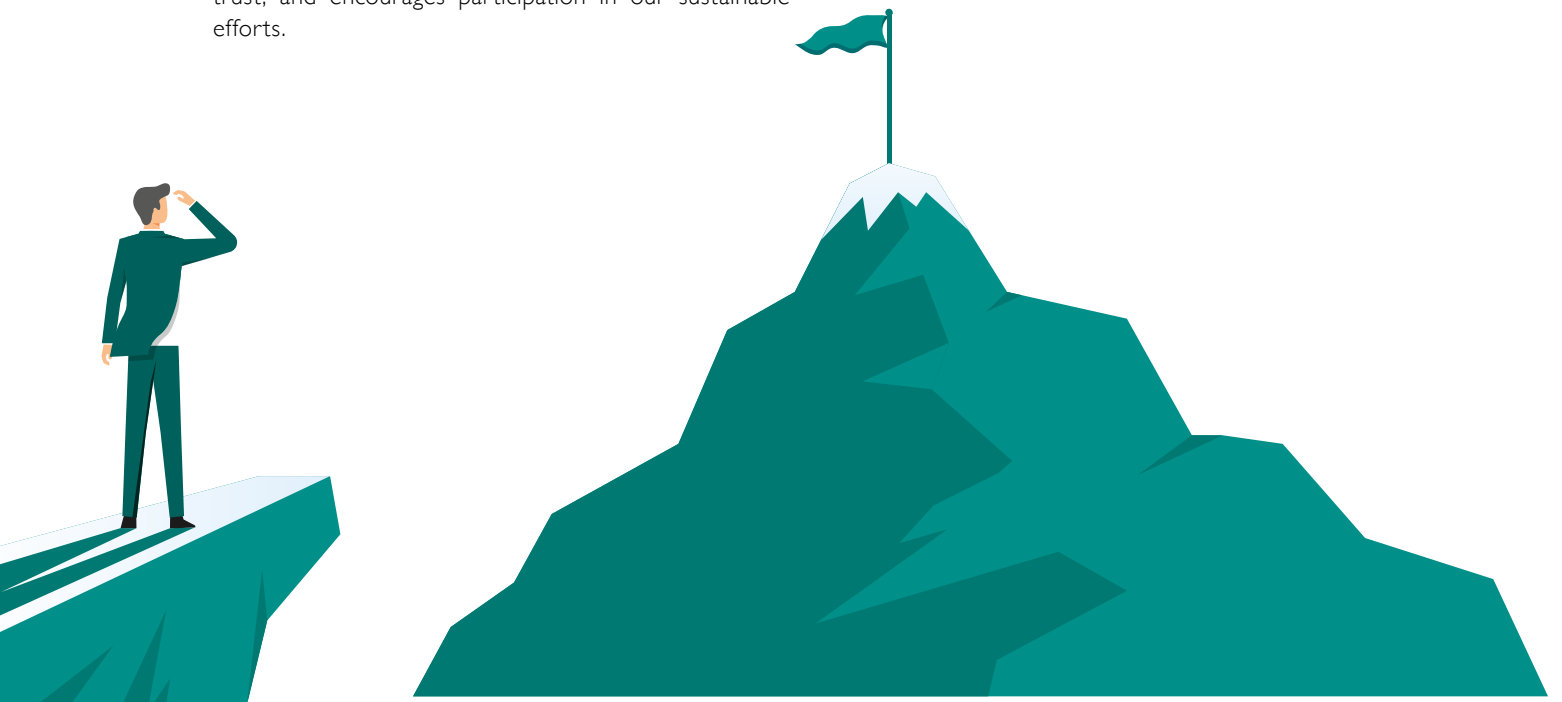
## OUR SOCIAL ENGAGEMENT STRATEGY

For both Stoneweg US and Varia US, our commitment to fostering a high-quality living experience for the middle-class of America goes beyond providing people with a place to live. We believe through education, communication, and information sharing, we can engage our residents and community management teams effectively and consistently, promoting understanding and building support for our Environmental, Social, and Governance (ESG) initiatives that underpin the long term success of our investment strategy.

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To accomplish this, we implement a proactive communication strategy that involves regular dialogues and information sharing sessions with both residents and community management teams. We utilize various channels such as surveys, regular meetings, leases, agreements, newsletters, and digital platforms to share information about our ESG initiatives, upcoming changes, and progress. This helps create an atmosphere of transparency, enhances trust, and encourages participation in our sustainable efforts.

In terms of education, we actively provide resources and conduct workshops aimed at increasing awareness about ESG issues. This includes practical sessions on energy conservation, waste management, and responsible consumption, aimed at promoting sustainable living practices amongst our residents.





In our 2023 training sessions, we covered a wide range of subjects pertinent to our industry and properties. We started with the fundamental concepts of sustainability and their application in general apartment maintenance. Our campaign underscored the importance of preventive maintenance, energy-efficient appliances, and responsible waste management.

We also placed significant emphasis on energy-efficient lighting, explaining the long-term cost benefits and environmental impacts. HVAC systems were another key topic, where we discussed the importance of regular servicing, energy-efficient models, and optimal settings for energy savings. We delved into smart thermostats, highlighting how these tools could provide both improved resident comfort and significant energy savings.

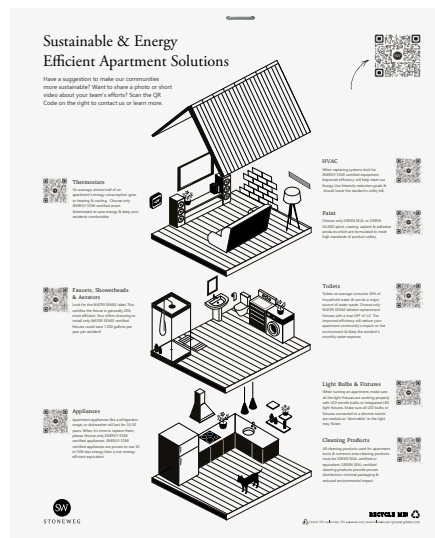
Our team had informative sessions on water and energy benchmarking, providing valuable data-driven insights into the current state of our properties and areas where we could improve. We empowered our staff with the knowledge and tools to track and measure our water and energy usage and identify ways to optimize them.

Throughout our campaign, we touched every location across our portfolio, engaging a diverse and distributed workforce of many hundreds of individuals multiple times throughout the year. We encouraged dialogue and feedback, understanding

that our site staff, as the people on the ground, have unique perspectives and valuable insights. We were committed to not just teaching, but also learning from them, fostering an environment where ESG is a shared responsibility and a collaborative journey.

For our community management teams, we facilitate training focused on best practices for efficient resource management, eco-friendly operations, and community engagement. These initiatives not only boost their understanding and appreciation of our ESG efforts, but also equip them with the necessary tools to champion these efforts within their respective communities.

We believe that our commitment to ESG is not a solitary journey, but rather a collective effort that thrives on the active participation of all stakeholders. By motivating our residents and community management teams to embrace ESG efforts, we aim to create a living environment that is not only safe, healthy, and comfortable, but also socially connected.



The sense of community forged through these shared initiatives enhances the quality of life for our residents and fosters a sense of pride and belonging. Moreover, it propels continuous improvement in our communities and contributes to the overall success of our sustainable efforts, positively influencing the social and financial performance of our investments.

**OUR GOALS:**

These goals align with our broader mission of delivering value to our investors while creating positive social impact in the communities where we operate.



**RESIDENT-CENTERED ENGAGEMENT**

At the core of Varia US’s social initiatives are the residents of our communities. We aim to create vibrant, inclusive environments that foster a sense of belonging and community. This includes consistently seeking feedback and input from residents to ensure their needs and concerns are being addressed.

► **Actions Taken in 2023**

Varia US leverages resident surveys provided by Kingsley, a Grace Hill company, throughout its portfolio. These surveys serve as invaluable touchpoints, enabling Varia US to understand and address resident needs at four crucial stages. These surveys include an opportunity for residents to request to be contacted to address concerns, which was requested and resolved 639 times over the course of 2023.



**SUPPORT FOR AMERICAN WORKFORCE HOUSING**

Varia US is committed to providing high-quality, attainable housing solutions tailored to meet the needs of America’s workforce. We recognize the essential role of workers in sectors such as education, healthcare, public safety, and service industries and focus on naturally occurring market-rate affordable rental properties. These properties serve moderate to middle-income individuals and families, ensuring they can live near their places of employment, enhance their quality of life, and contribute to diverse and vibrant communities.

► **Actions Taken in 2023**

Affordability Initiatives: The majority of Varia US’s portfolio maintained an average rent that is affordable for households earning between 70% and 80% of the Area Median Income (AMI).



**COMMUNITY ENGAGEMENT AND INVESTMENT**

We strive to be active participants in the communities where we operate. This includes contributing to local charities, and supporting community events.

► **Actions Taken in 2023**

Varia US has consistently offered support to its onsite management teams in various local community charitable efforts. From organizing food drives and clothing collections to participating in initiatives like Toys-for-Tots Christmas gift collections, Varia US actively encourages and assists its onsite management teams in giving back to the communities they serve. By engaging in these charitable endeavors, Varia US demonstrates its commitment to making a positive impact and fostering stronger community connections beyond property management.



**ENHANCING QUALITY OF LIFE**

Varia US is committed to enhancing the quality of life of its residents by providing high-quality, affordable housing solutions. This includes the provision of meaningful amenities and initiatives focused on improving health, safety, and well-being.

► **Actions Taken in 2023**

Over the course of 2023, Varia US invested \$37 million in capex projects. About 10 percent of these investments were related to outdoor and amenities.

### PROMOTING SUSTAINABLE PRACTICES

Varia US is dedicated to promoting sustainable practices within our communities. This includes educating and encouraging residents and staff to adopt environmentally friendly practices and incorporating green technologies and designs into our properties.



#### ► Actions Taken in 2023

In 2023, Stoneweg US, on behalf of Varia US, proactively engaged with residents to promote sustainable practices. Initiatives included the continued use of Green Lease addendums in Arizona and New Mexico. Additionally, Stoneweg US promoted Energy Star and Green Globes Certifications to encourage sustainable living. Resource benchmarking reports on water and energy were posted in common areas, allowing residents to learn more about resource consumption. Through these efforts, Stoneweg US actively involved residents in sustainable practices, fostering a greener and more eco-conscious community.

### WORKFORCE DEVELOPMENT

Recognizing the essential role our on-site community teams play in our success, we aim to invest in their professional development and well-being. This includes providing adequate resources for training and career development opportunities, as well as ensuring a healthy and safe working environment.



#### ► Actions Taken in 2023

Stoneweg US, on behalf of Varia US, demonstrated a strong commitment to engaging and educating its own workforce and the property management teams on ESG topics. Employing a multi-faceted approach, Stoneweg US utilized interactive posters, videos, memos, webinars, and online training platforms to ensure comprehensive and interactive learning experiences for their employees. By implementing these diverse methods, Stoneweg US fostered a culture of awareness and knowledge surrounding ESG, empowering their workforce to contribute actively to sustainability and responsible business practices.

### TRANSPARENCY AND COMMUNICATION



We aim to maintain open lines of communication with all our stakeholders – residents, employees, investors, and the wider community. This includes sharing information about our social initiatives and their impacts, as well as being open to feedback and suggestions for improvement.

#### ► Actions Taken in 2023

Varia US demonstrates a strong commitment to transparency and communication regarding its ESG initiatives. In 2023, the company published an ESG Annual Report, providing comprehensive insights into its sustainability efforts. Varia US actively participated in GRESB for a second year, a globally recognized ESG benchmarking platform, showcasing its dedication to industry standards and best practices. Additionally, through public webinars and in-person speaking engagements, Stoneweg US, on behalf of Varia US actively engaged with stakeholders, sharing knowledge and fostering dialogue on ESG topics. Varia US further enhanced transparency by adding an ESG page to its website, allowing stakeholders easy access to relevant information. Stoneweg US and Varia US consistently shared updates and ESG-related content through frequent communication on social media platforms, ensuring widespread awareness and engagement. Through these initiatives, Varia US establishes itself as a transparent and communicative leader in ESG practices.

### COLLABORATIVE PARTNERSHIPS

We understand the importance of collaboration in achieving our social goals. As such, we aim to forge partnerships with local governments, businesses, NGOs, non-profits, and other relevant stakeholders to help us drive social impact.



#### ► Actions Taken in 2023

In 2023, Stoneweg US, on behalf of Varia US, solidified a multitude of impactful partnerships. By continuing established collaborations and establishing new connections, Stoneweg US actively pursued avenues for growth and sustainability. Partnerships with organizations such as Energy Star, Better Buildings and Better Climate Challenge, the US DOE Water Savings Network, the Pension Real Estate Association (PREA), Urban Land Institute (ULI), Multifamily Impact Council, Utility Management Advisory, Green Building Initiative and Climate United allowed Stoneweg US to tap into valuable expertise and resources. These partnerships facilitated innovation, supported energy efficiency initiatives, and enabled Varia US to make significant progress towards its sustainability goals. Through these strategic alliances, Stoneweg US exemplified its dedication to excellence, collaboration, and responsible property management.

# COMMITMENT TO RESIDENT LIFE ENHANCEMENT

Varia US believes a sustainable approach to multifamily commercial real estate ownership must include a robust effort to listen, engage and enrich the lives of the people who call the communities where we invest home. We aim to provide our residents with more than just a place to live. We endeavor to foster communities that deliver to our residents a good value, quality of life, and support their overall health and well-being.

In 2023 our properties consisted of +8,500 apartment units and were home to nearly 20,000 people as well as many thousands of pets. The Varia US portfolio is truly an assembly of communities. We refer to our multifamily properties as communities because unlike a developed apartment complex, or a combined group of buildings

designed for dwelling, we intend for each unit in every asset in our portfolio to be a real home.

A home transcends a building's physical attributes and functions. It is a space where life unfolds, families grow, and memorable moments are created. It's an environment where our residents have opportunities to interact with their neighbors, fostering a sense of belonging and be socially active.

On behalf of Varia US, Stoneweg US and its community management operators work together on a daily basis to maintain, plan, and improve activities and amenities offered at every location that support our people centered sustainable approach.

"I spent a month or more looking for the right apartment home. Some were overpriced with very few amenities. Some were not very clean. Properties were not up to par. Mission Palms became one of my top three. It has everything I need. That also includes a top rated staff."

Woodridge Apartments Resident, Cincinnati, Ohio

"The office and maintenance staff are both professional and responsive. The property is well kept and secure. The residents are respectful and courteous. Overall, I feel that the Meadows apartments are a great place to stay."

The Meadows Apartments Resident, Memphis, Tennessee

"A wonderful, well kept community that provides great amenities, such as pool, gym, and on occasion food trucks and movie nights. Parks are within walking distance and malls and hospitals are very close. In my 4 years living here it has been safe, rewarding and fun."

Mallard Crossing at St Matthews Apartments Resident, Louisville, Kentucky





# RESIDENT SATISFACTION & REPUTATION

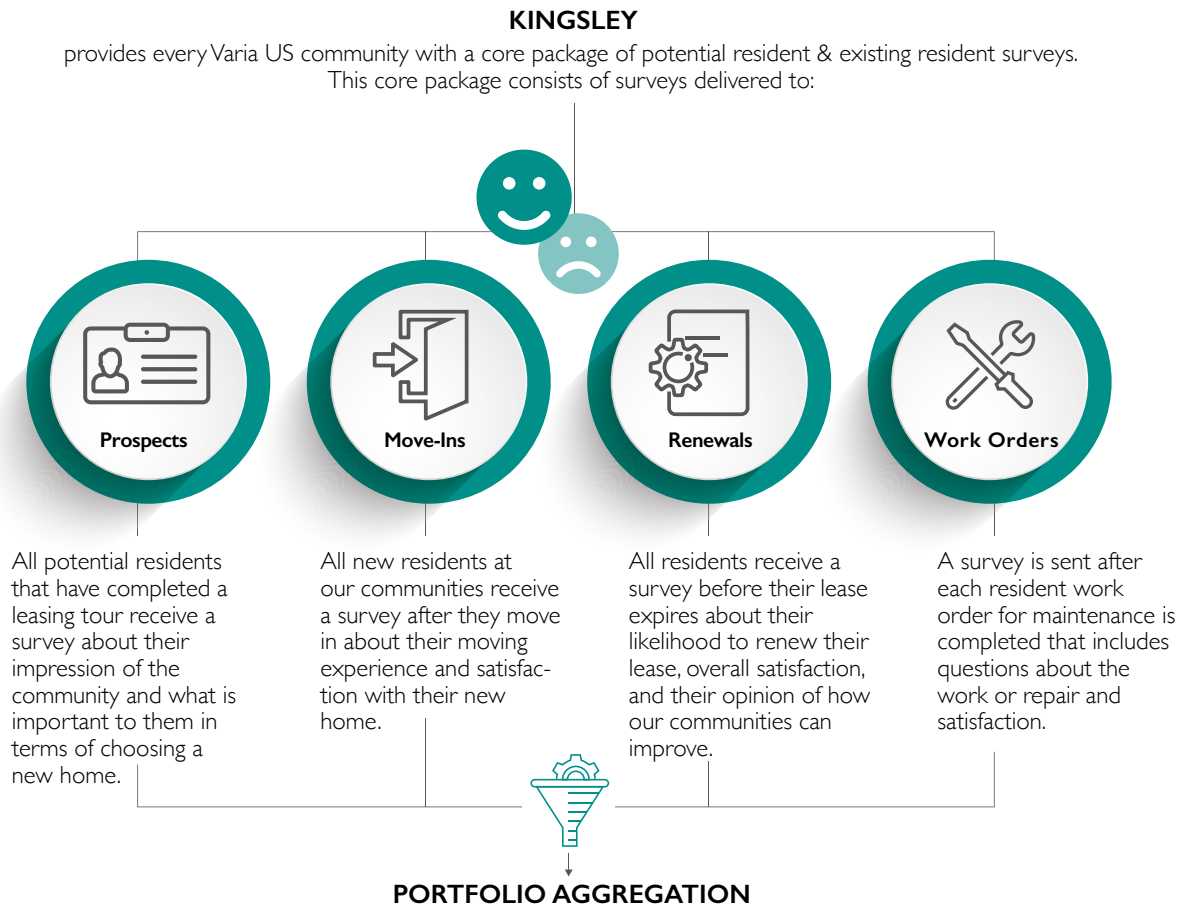
On behalf of Varia US, Stoneweg US actively measures, benchmarks, works to improve the resident satisfaction and reputation of Varia US communities

Resident engagement and satisfaction are integrated throughout Varia US' ESG strategy. It's intentionally included repeatedly to reinforce the principle that the value we deliver to our shareholders is tied to how well our residents are served.

Specifically, Varia US' first of four ESG objectives, "Enhance Resident Life," sets goals to achieve and maintain a favorable overall resident satisfaction score.

This year in our ESG Objectives outlined two new initiatives. Implement resident sustainable living guides for regular distribution and quarterly sustainability updates for residents. These will focus on asset level practical ESG subject matter that aims to enhance resident life and improve environmental performance at all Varia US communities.

Since 2021 Stoneweg US, on behalf of Varia US, entered into an agreement with Kingsley Associates (A Grace Hill Company) and RealPage to support these initiatives through surveys, technology and benchmark reporting. We continued these proven best-practices through these same service agreements throughout 2023 and are pleased to provide an update here on our progress.



Community management staff and Stoneweg US Asset Managers have access to a web browser-based portal and a phone application to view survey responses as they are received in real time. Routine reporting on results is automatically generated weekly to each community manager, regional manager and Stoneweg US Asset Manager to address any concerns or acknowledge meaningful achievements.

Varia US' objective is to receive a ~20% annual overall response rate. This is consistent with historical averages that Kingsley has achieved with similar multifamily owner clients and this response rate level is considered large enough on an annual basis to be considered representative and meaningful.

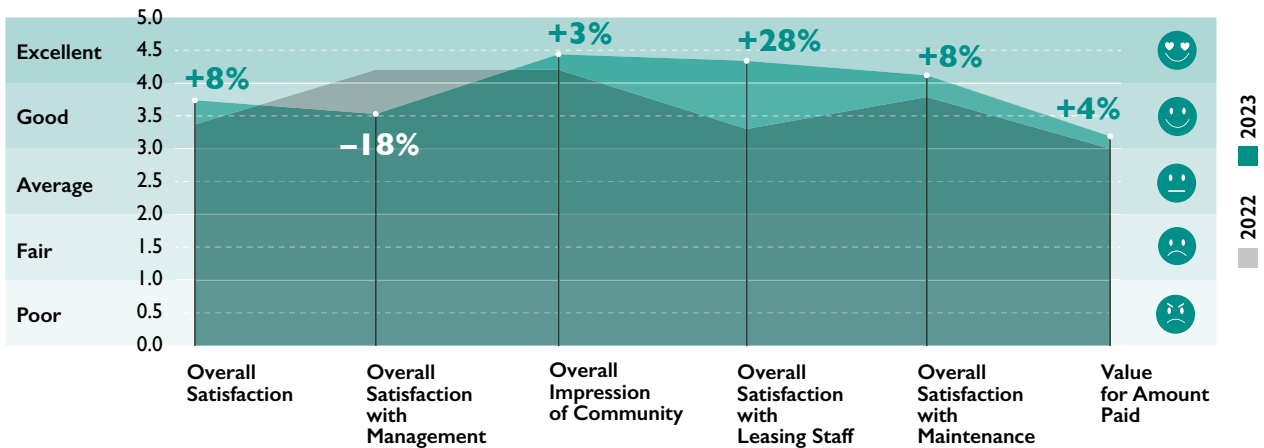
Stoneweg US and Varia US, remain committed to enhancing the residential experience in all our properties, and we take pride in sharing our 2023 Kingsley Surveys results, which indicate improvements across all the sur-

veyed categories. However, we acknowledge the work ahead of us in meeting the Kingsley Index (KI) high-performance benchmark.

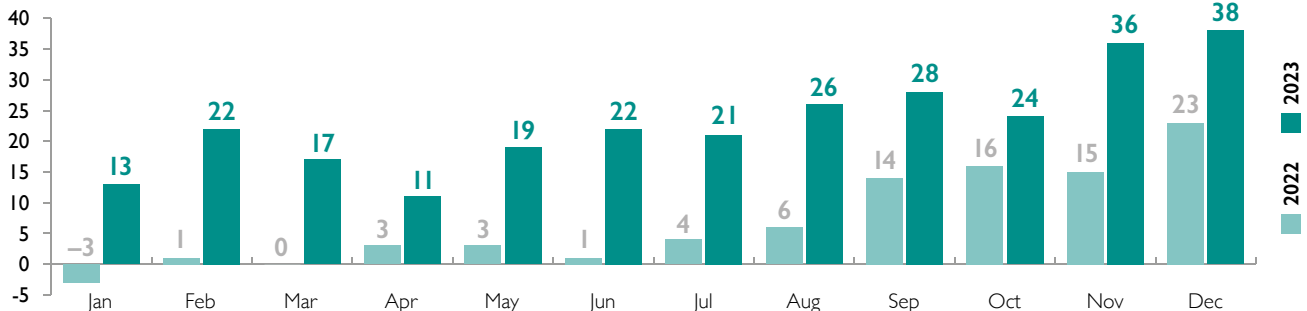
In 2023 the Varia US portfolio Kingsley Survey response rate declined slightly to 17%, representing 4,559 unique responses to the 4-touch point survey initiating activities. Though the response rate declined slightly, we believe the same size remains large enough to be representative of the resident experience.

Our Overall Satisfaction category, backed by 4,559 unique responses, received an 8% increase over our 2022 score, achieving an annual total score of 3.74 on a five-point scale. This positive uptick testifies to our residents' recognition of our continuous effort to better their living experiences.

We registered a 3% improvement in our Overall Impression of Community category from the previous year, with a score of 4.44 out of 1,230 unique ratings. This growth



Net Promoter Score results 2022–2023

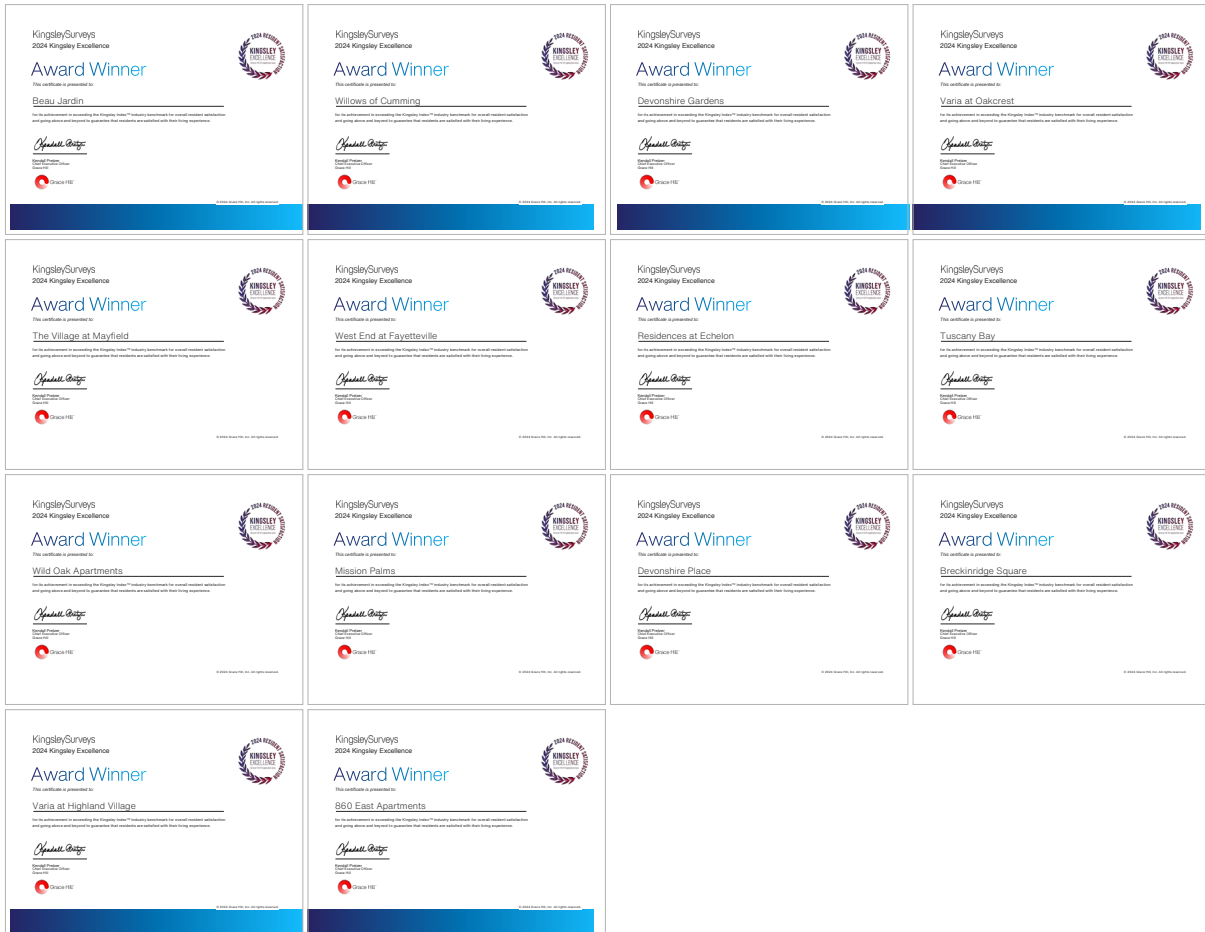






We are extremely proud to share the list of our communities that have earned this distinguished recognition, along with their 2024 'Overall Satisfaction' scores:

1. **Beau Jardin**, for the second year in a row with an impressive score of 4.52.
2. **Willows of Cumming**, for the second year in a row with an outstanding score of 4.35.
3. **Devonshire Gardens**, for the second consecutive year with a score of 4.33.
4. **Varia at Oakcrest**, for the first time with a very impressive annual score of 4.33
5. **The Village at Mayfield**, again another year of consistent excellence with a score of 4.19.
6. **West End at Fayetteville**, for the second year in a row with a robust score of 4.18.
7. **Residences at Echelon**, for the first time with a great score of 4.16.
8. **Tuscany Bay**, made it to the excellence list this year with a score of 4.15.
9. **Wild Oak**, appearing for the first time on the excellence list with a score of 4.15.
10. **Mission Palms**, second consecutive year of superior service with a score of 4.05.
11. **Devonshire Place**, achieved excellence this year with a score of 4.00.
12. **Breckinridge Square**, for the first time exceeded excellence with a score of 3.97.
13. **Varia at Highland Village**, appears for the first time with an excellence score of 3.97.
14. **860 East**, made it on the excellence list this year with an impressive score of 3.95.



We extend our deepest appreciation to all our residents for their feedback, which has been invaluable to our growth. We also take this opportunity to congratulate our dedicated community management staff and Stoneweg US Asset Managers, whose tireless work and commitment to quality service have made these recognitions possible. These awards motivate us to continue our pursuit of excellence and elevate the standard of living in all Varia US communities.

**REALPAGE BUSINESS INTELLIGENCE**

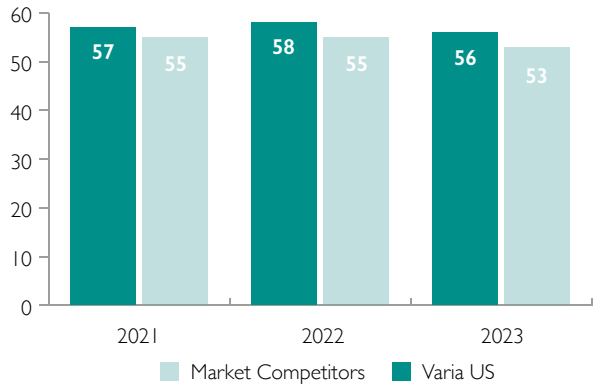
As part of our commitment to be data-driven, we continue to integrate advanced technology into our operations. In 2021, Stoneweg US entered a partnership with RealPage to bring business intelligence across all Varia US locations.

This strategic collaboration has substantially streamlined our process of data collection and analysis. Using automated APIs, RealPage BI collates all property-level data daily across the portfolio. This automation process efficiently condenses information, allowing us to dedicate our time to extracting actionable insights instead of compiling reports. In stark contrast to the prior method of manual weekly reports, ad hoc email requests for data, and using multiple logins to access transactional activity, RealPage BI now provides always-updated information about our portfolio with just a single click.

Furthermore, RealPage BI also pairs the most recent property activity data with market, sub-market, and peer results. This service significantly reduces the time and effort it took to perform an in-depth analysis, providing meaningful context in real-time.

As part of our ESG initiatives, Stoneweg US tracks two specific KPIs for the Varia US portfolio, namely lease renewal rate and Resident Views on Reputation and Sustainability.

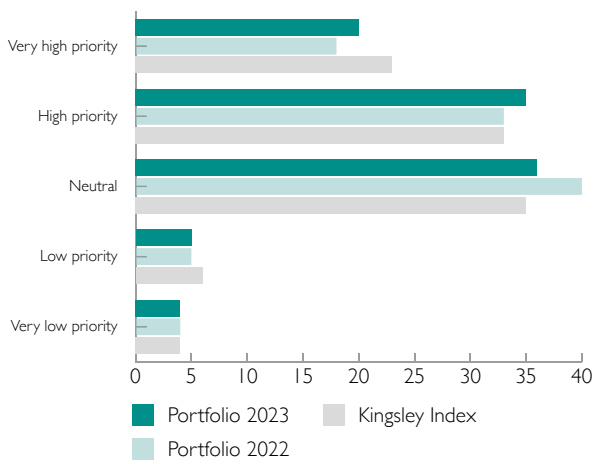
**Lease Renewal Conversion Rate**



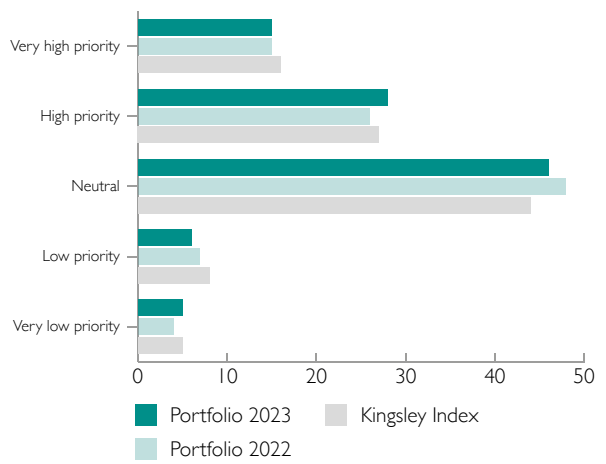
Our communities' performance in lease renewal conversion rates, also known as resident retention, in 2023 was commendable. Nearly 56% of our residents chose to renew their leases, versus the market rate of 53%. This high retention rate plays a pivotal role in reducing exposure to vacancies and controlling turnover-related expenses, directly contributing to the investors' benefits.

Business Intelligence is key to driving better investment outcomes and enhancing our residents' experiences. We remain dedicated to innovating and implementing strategic measures that will propel our success further in the multifamily real estate market.

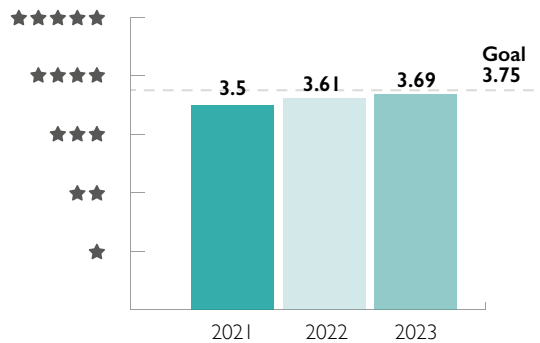
**Priority of Community's Sustainability Practices**



**Priority of Sustainability Certifications**



**Combined Portfolio Google Review Score**



Google review score by property as of December 31, 2023 weighted by Net Rentable Square Footage.

Wild Oak Apartments,  
Kansas City, Missouri



# SPOTLIGHT ON COMMUNITY STAFF EXCELLENCE

Welcome to this year’s spotlight interview, where we feature the outstanding contributions of Katie Harris, Community Manager at Wild Oak Apartments in Kansas City, Missouri. Katie has been instrumental in fostering a vibrant and inclusive community that exemplifies the highest standards of resident satisfaction and engagement. In this interview, we explore Katie’s innovative approaches to community management, her commitment to sustainability, and her dedication to enhancing the living experience at Wild Oak Apartments. Join us as we discover Katie’s journey and her passion for creating positive community impacts.



Katie Harris, Greystar Community Manager for Wild Oak Apartments.



### Tell us about Wild Oak.

Wild Oak is a 348-unit garden-style community whose prime location attracts individuals for its close vicinity to downtown, the airport, fine dining, and is located in the top school district in Liberty, Missouri. All of these unique traits of the community are the reason the demographic ranges from young professionals who travel for work to families who desire a high level of education.

We offer a variety of spacious one-, two-, and three-bedroom smart apartment homes. With additional daily use amenities such as reserved parking, detached garages, and carports. We are extremely pet-friendly, 60% of our residents have chosen Wild Oak for not only them but their fur babies as well. Having a dog park centrally located in the community and being surrounded by nature trails ensures endless walks with man’s best friend.

We have two state-of-the-art saltwater swimming pools to help relax and cool down our large community. Our pool deck has recently been expanded to include a gazebo with comfortable seating for ten and a plethora of outdoor games such as cornhole, Connect 4, and Giant Jenga. It is the best oasis to entertain your guests and grill the perfect burger.

Our 24-hour fitness center is the ideal place to escape your busy life and take some time for yourself. A large variety of equipment and machines to test your endurance, strength, balance, and flexibility. All residents receive a free Peloton membership upon move-in to be utilized in the fitness center. At the end of their workout, they can cool down with a complimentary chilled lavender hand towel.



Each apartment home is newly renovated with fresh carpet and vinyl wood flooring. The galley-style kitchens have Energy Star stainless steel appliances, crisp white cabinetry, and light quartz countertops to tie it all together. These unique homes have large open floorplans that were built in the 2000s but have high-end finishes as if it was built in 2024. The best of both worlds and a one-of-a-kind community.

**Why do residents choose to make Wild Oak their home?**

Residents choose Wild Oak because of the convenient location, hard-to-beat amenities, and welcoming Wild Oak Team.

**How do you greet new residents when they move in, and what steps do you take to ensure they feel welcome in the community?**

We want move-in day to be exciting and EASY! Moving can already be stressful enough; we want the lease signing and key pick-up process to be effortless. To ensure that is the case, from the time of application we communicate consistently. We set up a personalized time for key pick-up that will not be rushed and is long enough to meet the office team and have a thorough walk-through of their new home. We put a personalized gift of champagne and a branded Wild Oak glass on their kitchen counter along with their move-in packet which consists of all things to know about living here and an invitation to that month's resident event. The perfect opportunity to meet their neighbors and for many, new life-long friends.



**Can you describe a time when a resident had an issue or concern, and how did you handle it?**

In October 2022 the new Wild Oak Team took over and most were not retained from the prior staff. As change can be scary, we had a lot to prove to the residents about how this change would be beneficial and we did have their best interest at heart. The team stayed late/ came in early to have one-on-one conversations with any residents who requested or expressed concern. We listened and cared and were able to put their minds at ease, worked to resolve unanswered maintenance issues, and rebuilt their trust as this is their home.

**How do you handle resident complaints or conflicts, and what methods do you use to resolve them?**

The office and service team are well-trained to handle complaints or conflicts. If the issue needs further attention the Community Manager’s door is always open! From there, the Regional Manager is always on board to resolve as well. Using that tiered system helps alleviate conflict and find solutions

**What measures do you take to promote a sense of community among residents, and how do you encourage resident participation in community events and activities?**

As we continue to listen to the surveys and provide residents with events that are desired, we help build a sense of community as the turn-outs seem to increase month over month. This leads to more interaction between their neighbors, so much so that they end up planning their own get-togethers outside of resident events. It is so fun to see!

**How do you stay up-to-date on the needs and preferences of your residents, and what steps do you take to ensure their voices are heard?**

Our #1 goal is to make our residents happy. We may be thinking we are doing a great job, but the feedback needs to match. We partner with Kingsley Platform to provide a way for the residents to give their honest opinions. Residents receive a survey after move-in day, when work orders are completed, and at their lease anniversary just to name a few. These are then sent to the team to read, digest, and talk about. From there the Community Manager reaches out directly to have a one-on-one conversation. Many of these surveys have helped implement policy changes, adjust resident events, and help our team grow and learn.

**Can you describe a successful initiative you implemented to improve the quality of life for residents in the community?**

Wild Oak partnered with Greenway Waste & Recycling to provide five nights a week, door-to-door, valet trash and recycling pick-up. We believe the more convenient it is to recycle, the more likely our residents are to do it.

**What role does sustainability play in resident satisfaction?**

Wild Oak is a community that educates its residents on sustainability. Being in the Midwest, we are behind on this. Before Stoneweg purchased Wild Oak, the community did not offer recycling, have Energy Star appliances in each home, or have smart-home technology features that help sense water leaks and smart thermostats for lower usage on utilities. Most communities do not have these features in our area. After living at Wild Oak, we know that sustainability will play a huge part in their satisfaction moving forward.



Scan the QR code to dive into an engaging discussion on sustainable living and its positive effects on the community. The video interview features the Community Manager at Wild Oak Apartments in Kansas City, Missouri and explores the transformative impact of integrating sustainability practices and their experience participating in the Mesa pilot program within the community building.

**How do you communicate important information and updates to residents, and what methods do you use to ensure that everyone is informed?**

We take communication very seriously as a team. We send a newsletter on the 1<sup>st</sup> of every month with important Wild Oak information as well as send emails and texts so we are catering to every resident’s preference for communication.

**How do you encourage and maintain positive relationships with residents, and what steps do you take to address any negative perceptions or feedback?**

The team has an open-door policy and they work to make it known that residents are always welcome in the office. The team encourages feedback because it helps make the community better.

**How do you manage resident renewals and retention, and what strategies do you use to keep residents satisfied and engaged in the community?**

On average, our renewal retention varies on a monthly basis but was up to 70% last April. This speaks volumes as the long-term happiness of our residents is a top priority. When residents receive their anniversary letter 90 days before their lease expires, we have already done our part in creating a positive experience during their lease with clear communication, fast work order completion, and providing that sense of community with resident events that it is an easy “yes” to sign a new 12-month lease.

**Can you discuss any ongoing training or development opportunities you provide for your staff, and how do you ensure that they are equipped to provide a high level of service to residents?**

As the Community Manager, I believe a well-oiled machine runs smoothly. That includes cross-training each



employee for not only the job they have but the job they want. In doing that, it creates a high level of knowledge & sense of confidence for each member to be able to help each resident in any unique situation. We have required annual training to ensure we are up-to-date with state laws as well as endless optional training to broaden our horizon. Knowledge is power!

**What makes Wild Oak so successful in terms of resident satisfaction?**

I truly believe Wild Oak is successful because we care. Each team member goes above and beyond to make sure each resident's life is enhanced while living here and they are proud to call us home.



# AFFORDABILITY & WORKFORCE HOUSING

Varia US is dedicated to investing in the American multifamily real estate market, with a concentrated focus on American workforce housing. The notion of “workforce housing” represents primarily naturally occurring market rate affordable rental properties tailored for moderate to medium-income individuals and families that make-up a crucial portion of the US workforce. These are working professionals employed in various sectors like education, healthcare, public safety, and the service industry, who may struggle to find market-rate housing they can comfortably afford, especially in key urban regions.

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## UNDERSTANDING THE RENT AFFORDABILITY OF THE VARIA US PORTFOLIO: ATTAINABLE HOUSING FOR THE AMERICAN WORKFORCE

Varia US remains steadfast in its commitment to investing in the American multifamily real estate market, with a particular emphasis on workforce housing. This term encompasses naturally occurring market-rate affordable rental properties attainable for moderate to middle-income individuals and families who are a critical part of the US workforce. These individuals, often employed in sectors such as education, healthcare, public safety, and service industries, frequently face challenges in finding market-rate housing that they can afford.

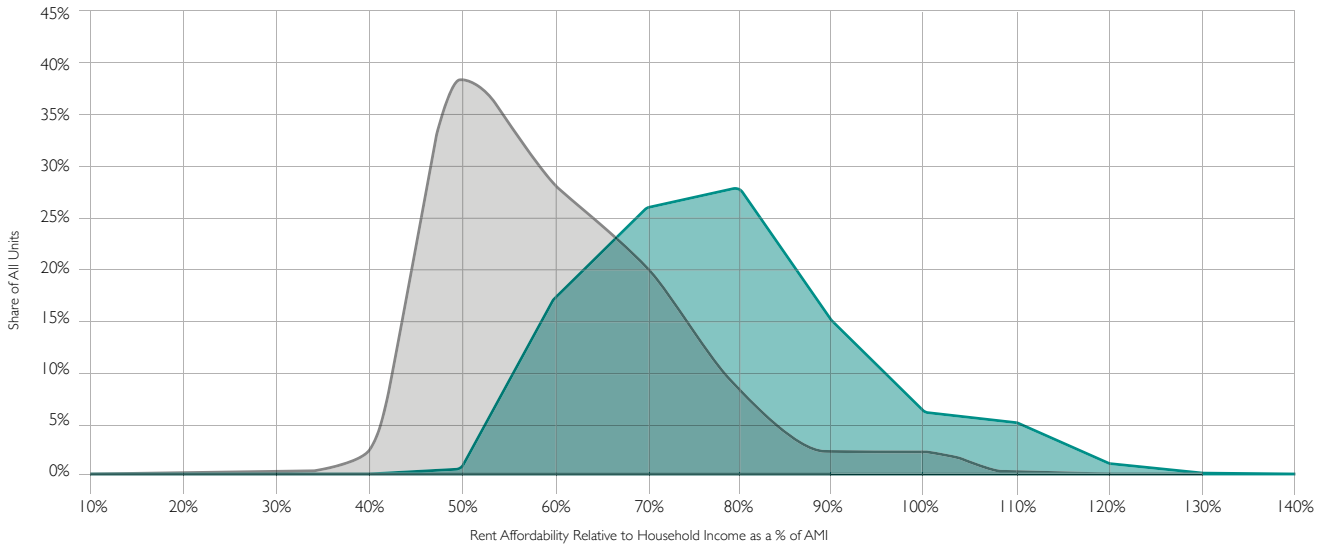
The significance of workforce housing transcends affordability. It ensures that essential workers can live near their places of employment, enhances their quality of life, and promotes diverse and vibrant communities. From an investment standpoint, workforce housing typically demonstrates resilience and stability, thereby aligning financial returns with social responsibility objectives.

In 2023, the average monthly rent across the Varia US portfolio increased to \$1,223 from \$1,134 in 2022. Utilizing the widely accepted standard of spending no more than 30% of annual income on housing, this rent would be affordable for households earning approximately \$48,920 annually, a rise from the \$45,000 threshold last year. For single-income earners, this corresponds to an hourly wage of about \$23, up from \$22 in 2022.

The portfolio's weighted average for the 2023 Area Median Income (AMI) per bedroom now reflects that over half of the units are priced to be affordable for households earning between 70% and 80% of AMI. This is a shift from 2022, where the portfolio targeted affordability slightly above 50% of AMI. With the US AMI for a single-person household at \$67,970 in 2023, Varia US's average rent remains well-aligned with the needs of the American workforce.

Affordability Analyses – 2022–2023 – Varia US

■ 2022 ■ 2023



The accompanying chart provides a comparative visual representation of rental unit affordability relative to AMI for both 2022 and 2023, based on the Varia US portfolio’s average in-place rents by bedroom, employing the 30% income standard. This chart is an invaluable tool for understanding how Varia US’s portfolio meets the affordability requirements of the American workforce.

Using the 2023 Census Tract Area Median Income (AMI) data for each apartment community in the Varia US portfolio, the updated visualization places location-based relative affordability in the correct context, recognizing variations in the cost of living across different regions. This approach allows for a more accurate assessment of what constitutes ‘affordable’ housing in each community and for the portfolio as a whole.

This data visualization enhances our appreciation of Varia US’s investment strategy. It not only clarifies the company’s focus on the American workforce but also underscores its strategic role in addressing the rental needs of diverse income brackets.

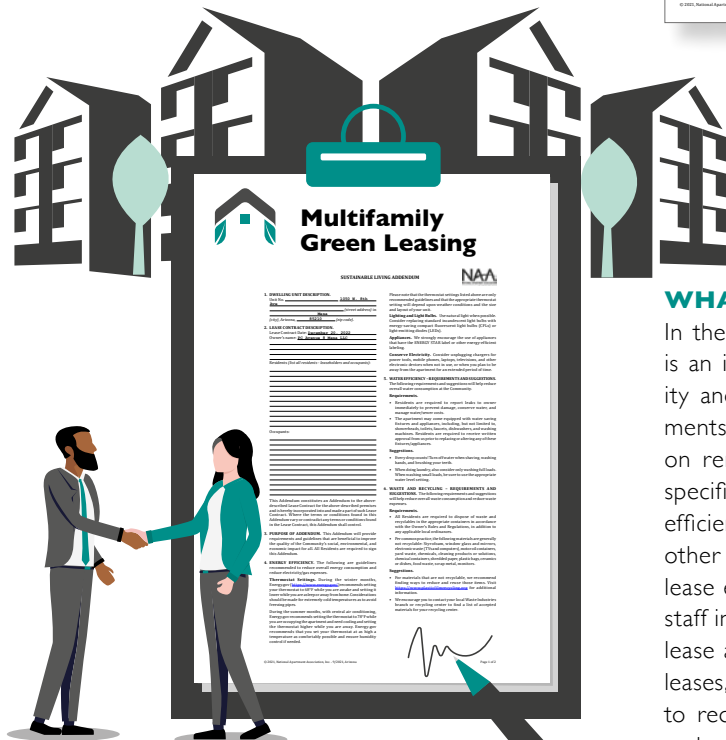
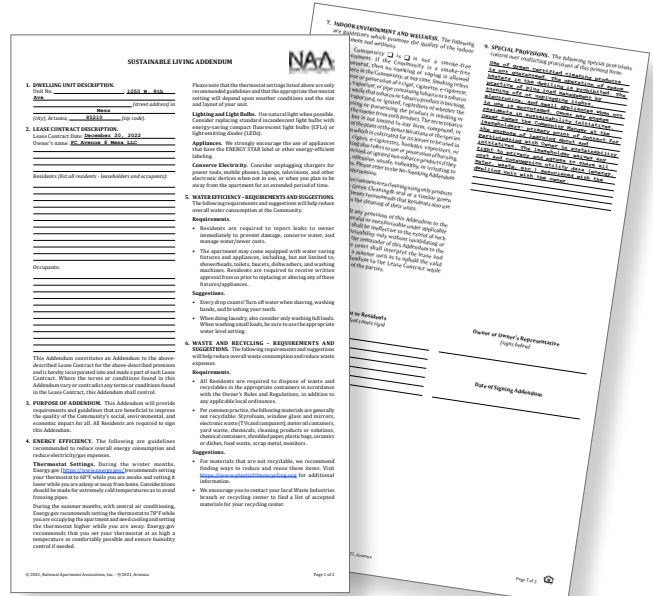
Varia US’s strategy exemplifies a significant aspect of social responsibility—often referred to as impact—combined with the financial incentive of executing an effective investment strategy aimed at providing affordable housing for the American workforce.

Through its strategic partnerships, innovative investment approaches, and unwavering dedication to meeting the rental needs of the American population, Varia US continues to make a substantial contribution. This ensures that hard-working individuals and families have access to safe, high-quality, and attainable apartment communities, securing a good place to call home.

# GREEN LEASING

## MULTIFAMILY GREEN LEASING

Green leasing in the context of a multifamily real estate asset level sustainability strategy serves as a powerful tool for resident engagement. It presents a unique opportunity to involve residents in the collective pursuit of sustainability goals.



## WHAT IS A GREEN LEASE?

In the context of multifamily real estate, a green lease is an innovative approach that incorporates sustainability and environmental considerations into lease agreements. Unlike traditional leases, which primarily focus on rent and tenant obligations, green leases integrate specific provisions and commitments related to energy efficiency, water conservation, waste management, and other environmentally friendly practices. During the lease execution process, when community management staff interacts with new residents, the topic of the green lease addendum is actively discussed. By adopting green leases, property owners and residents mutually commit to reducing the environmental impact of the property and promoting sustainable living. These agreements align the interests of both parties, fostering a collaborative approach towards creating healthier, more energy-efficient, and sustainable multifamily communities.

**Shared Responsibility:** A green lease establishes a shared responsibility between landlords and residents to manage resources efficiently. This encourages residents to take part in sustainability initiatives, such as energy conservation, recycling, or using water-efficient appliances.

**Education and Awareness:** Green leases can be instrumental in raising awareness about environmental issues and educating residents on how their behaviors impact resource consumption and waste generation. This knowledge can empower residents to make more sustainable choices in their daily lives.

**Transparent Communication:** By stipulating data sharing on utility usage and other sustainability-related metrics, green leases facilitate open dialogue about environmental performance between landlords and residents. This transparency can stimulate ongoing engagement and promote a shared commitment to continuous improvement.

**Health and Wellness:** Green leases often include provisions that promote healthier living conditions, such as the use of non-toxic cleaning supplies or improved indoor air quality. These tangible benefits can directly improve residents' quality of life, fostering appreciation for the wider sustainability efforts.

**Community Building:** Lastly, green leasing initiatives can serve as a platform for building a sense of community around shared sustainability values. This can take various forms, from communal composting programs to resident-led sustainability committees, all of which deepen resident engagement and promote a culture of sustainability within the property.

In these ways, green leasing not only operationalizes sustainability within multifamily real estate assets, but also fosters a deeper connection between residents and the broader mission of environmental stewardship. It moves beyond a transactional relationship between landlords and tenants, fostering a cooperative partnership that actively engages residents in achieving sustainable living.

#### **Stoneweg US Spearheads Green Leasing Initiative for Varia US Properties**

Stoneweg US began its Green Leasing initiative on behalf of Varia US in 2022. With a commitment to environmental stewardship, energy efficiency and sustainability, select Varia US owned apartment communities began integrating sustainability into its leasing strategies – a move

that not only positions Varia US to be a leader in the US multifamily real estate sector but also makes a meaningful contribution to the larger environmental efforts in the multifamily real estate sector.

In line with this vision, Stoneweg US, on behalf of Varia US, has successfully implemented the National Apartment Association's (NAA) Sustainable Living lease addendum across 12% of its apartment communities in 2022. This first step moves the company towards its ambitious commitment to rolling out green lease addendums across their entire portfolio. In 2023 the increase of Green Leases increased 6% to 18 % of the entire portfolio. This is due in part to some states not yet adopting a standard lease addendum addressing Sustainable Living, such as the state of Texas, and the need for further collaboration with our 3rd party fee managers who conduct the day to day operations at the communities where we invest. Our goal has been slightly revised to have green lease addendums in place for all leasing activity across its portfolio by the end of 2024 where the practice has been standardized by NAA Sustainable Living lease addendums for the state where the property is located..

The expansion of green lease addendums aligns with Stoneweg US' broader sustainability goals and its commitment to responsible property management. By driving the adoption of these addendums, Stoneweg US aims to create a positive ripple effect, encouraging tenants to adopt greener lifestyles and contribute to a more sustainable future.

Through this strategic initiative, Stoneweg US sets a benchmark for the industry, demonstrating that sustainable leasing practices are not only essential but also achievable. As the company progresses towards its goal by the end of 2024, it solidifies its position as a leader in environmentally conscious real estate practices.

Green leasing is an innovative strategy aimed at transforming the way we live and work by introducing sustainability, environmental care, energy efficiency, and health & wellness features directly into the leasing agreement. These Green Lease addendums serve as a comprehensive guide, highlighting the property's various sustainable features, thereby allowing the staff to illustrate how sustainability is interwoven into their daily operations. It also provides clear expectations for residents living in a community equipped with energy-efficient and waste reduction features.



**Key components of a green lease in U.S. multifamily real estate may include:**



**Energy Efficiency**

Landlords may commit to installing energy-efficient appliances, insulation, HVAC systems, or lighting in individual units and common areas. The lease may also outline how the costs and savings resulting from these improvements are distributed between the parties.



**Water Conservation**

The lease can include measures to reduce water consumption, such as installation of water-saving fixtures, appliances, landscaping and technology.



**Waste Management**

Green leases may stipulate recycling protocols and expectations, and may even encourage composting or other waste reduction initiatives.



**Data Sharing**

Agreements often include a provision for sharing data related to energy and water use, waste production, and other sustainability-related metrics between the landlord and residents. This aids in understanding the effectiveness of the implemented measures.



**Health and Wellness**

Green leases might also include measures that contribute to improved indoor air quality, such as the use of low VOC materials and green cleaning practices, promoting a healthier living environment.



**Tenant Engagement**

Many green leases feature clauses encouraging residents to follow sustainable practices. This could include everything from limiting energy use and recycling to using sustainable transport options.

One important element of the addendum is the introduction of a “Consent of Access and Utilities Use Information” clause. This clause paves the way for the collection of aggregate, anonymous resident utility consumption data directly from utility providers. This data is an invaluable asset for obtaining comprehensive utility usage for each building, which is pivotal for meaningful benchmarking. Such a benchmarking process enables them to assess the effectiveness of their utility conservation programs and identify areas needing improvement.

In addition to the above efforts, in 2022 Stoneweg US has examined the possibility of Varia US qualifying for the prestigious Green Lease Leaders (GLL) program. This program, established by the Institute for Market Transformation (IMT) and the U.S. Department of Energy’s Better Buildings Alliance, recognizes landlords who exemplify best practices in green leasing. To prepare to seek the GLL recognition in the future, Stoneweg US identified a few areas for improvements in their lease provisions. These include adding a point of contact for sustainability within the lease form, implementing energy efficiency improvements during unit turns, and ensuring compliance with at least five of the GLL program’s credit criteria.

Recognition as a Green Lease Leader can be applied for during the annual application period, typically open from March to May. Stoneweg US anticipates the company will meet the requirements of the GLL program in 2024 for the 2025 application year.

With these ongoing efforts, Stoneweg US, on behalf of Varia US, is transforming the portfolio. Through its green leasing initiatives, it continues to drive energy-efficient practices, champion sustainable living, and inspire other stakeholders in the industry to join the journey towards a greener, more sustainable future.



# AMENITIES

## PROMOTING RESIDENT WELL-BEING AND ENHANCING QUALITY OF LIFE

Varia US is firmly committed to enhancing resident well-being and fostering a high-quality living environment. Each of our communities is thoughtfully equipped with a suite of amenities designed to support diverse needs and promote a vibrant, healthy lifestyle. By thoughtfully curating these amenities, Varia US fosters an environment that not only supports the physical well-being of residents but also cultivates a sense of community, encouraging social interaction, and ultimately, promoting a rewarding, high-quality living experience.

**Here's a glance at how Varia US nurtures quality of life in its multifamily communities:**



**Green Spaces and Landscaping**

Our communities prioritize greenery, creating a tranquil environment that connects residents with nature. These landscaped spaces between buildings offer a refreshing outdoor retreat and a natural gathering spot.

**2024 Budget Plan:** \$1.4M in projects planned across the portfolio. Across the portfolio, a “hard scape” focus has been employed to move away from water intensive and non-native plantings and pivot to promote a more drought resilient and durable ground cover choices.

These shared spaces encourage social interaction, fostering a sense of community. They also serve as hubs for property managers to share information about upcoming events and activities, keeping residents informed and engaged.

**2024 Budget Plan:** \$640k in projects planned across the portfolio. At Mallard Crossing we plan to remodel the clubhouse interior, invest in the veranda, as well as add package lockers.



**Communal Spaces and Clubhouses**

Nearly all Varia US communities boast at least one pool, offering a cooling respite on hot days and a fun, low-impact way to exercise. Many of our properties even feature two pools to ensure ample space for everyone to enjoy.

**2024 Budget Plan:** \$785k in projects planned across the portfolio. New pool furniture is being purchased for several properties, as well



**Swimming Pools**

as many pool deck repairs and pergola additions.

Over 75% of our communities house dedicated fitness centers outfitted with commercial-grade equipment. These facilities promote physical well-being, making exercise convenient and accessible.

**2024 Budget Plan:** +\$500k in projects planned across the portfolio. At Mission Palms we're expanding the fitness center due to resident demand.



**Fitness Centers**



**Business Centers**

While personal computing devices are common, more than half of our communities continue to provide business centers. These facilities support residents' diverse digital needs, including printing services, often with the helpful assistance of community office staff.

**2024 Budget Plan:** Almost \$50k in technology replacements planned across the portfolio.

With personal BBQs and outdoor grills prohibited near buildings, patios, or balconies, we've designed outdoor kitchens with commercial grills in 75% of our communities. These spaces provide a safe, communal area for residents to cook meals and savor the outdoors together.

**2024 Budget Plan:** For example, we're investing \$127k at West End at Fayetteville in North Carolina is getting a 2<sup>nd</sup> grilling location with a gaming area for residents for more residents to enjoy the outdoors.



**Outdoor Grills**

Recognizing that pets are a cherished part of many households, we offer Pet Parks at nearly 60% of our communities. Moreover, we've been steadily introducing commercial-grade Pet Spa centers to make pet care easier for our residents. This commitment to accommodating pets contributes significantly to our broader efforts to support resident wellness and enhance the quality of life.

**2024 Budget Plan:** \$95k in projects planned across the portfolio. These projects are improvements to existing amenities such as lighting for evening activities at locations like Cordova Creek and Mallard Crossing.



**Pet Amenities**

# STONWEG US EMPLOYEE ENGAGEMENT

## THE ROLE OF STONWEG US STAFF IN ESG INITIATIVES AND SUSTAINING VARIA US' SUCCESS

The employees of Stoneweg US, as the US Asset Manager for Varia US, play a pivotal role in influencing the business and operations of Varia US. They are integral stakeholders, whose active involvement, commitment, and insights significantly shape the company's trajectory.

Stoneweg US deeply values its employees and prioritizes their engagement. We believe that by fostering an environment of inclusivity, transparency, and continuous learning, we can boost employee satisfaction and retention. This ethos extends to our commitment to openly report on employee programs and satisfaction surveys. We understand that transparency fosters trust and collaboration, leading to better business outcomes.

One of the areas where we focus our employee engagement efforts is in Environmental, Social, and Governance (ESG) initiatives. We believe that by integrating ESG principles into our operations and decision-making

processes, we can not only deliver superior business performance but also make a positive impact on society and the environment.

Our employees are central to these ESG initiatives. We encourage and support their active participation in various environmental conservation, social responsibility, and governance transparency initiatives. We see this as a way of instilling in them a sense of ownership and accountability, which we believe is crucial for the sustainable success of our ESG efforts.

To foster this engagement, Stoneweg US has implemented a range of specific actions.

Firstly, the company promotes regular internal communications on ESG subjects, ensuring that staff members are consistently informed and updated. Routine weekly communications serve as a platform to discuss relevant ESG topics, keeping employees well-informed and encouraging ongoing dialogue.





Stoneweg US also organizes educational employee events, often conducted as “lunch and learns,” in a hybrid virtual/in-person format. These events provide opportunities for staff members to deepen their knowledge and understanding of ESG principles, fostering a culture of continuous learning and growth within the organization.

Recognizing the power of visual communication, Stoneweg US creates and shares short videos on ESG subjects. These videos serve as engaging and accessible resources, conveying important information and promoting awareness among the staff.

To integrate ESG into the fabric of the organization, Stoneweg US has introduced ESG criteria into job descriptions and employee annual goal setting processes. This inclusion ensures that sustainability and responsible practices are considered in individual performance evaluations, emphasizing the importance of ESG alignment throughout the workforce.

Moreover, Stoneweg US has made notable efforts to advance its DEI (Diversity, Equity, and Inclusion) policy and inclusivity strategy. By fostering a diverse and inclusive work environment, the company strives to create a culture that embraces different perspectives, experiences, and backgrounds.

By implementing these actions, Stoneweg US actively engages its staff on ESG matters, fostering a sense of ownership and collective responsibility. Through routine communications, educational events, videos, performance evaluations, and an inclusive work environment, the company ensures that its employees are not only knowledgeable but also actively contribute to the organization’s sustainability goals and broader ESG initiatives.

This approach underscores Stoneweg US’s belief that employee engagement is key to maintaining a robust and high-performing team. We believe that when our employees are actively engaged in our mission, they perform at their best, leading to outstanding results for Varia US.

In essence, our employees are not just part of Stoneweg US – they are key drivers of our success and instrumental in achieving our ESG goals. Their engagement and commitment to ESG principles will undoubtedly propel Varia US to new heights, contributing to a sustainable and prosperous future.

At Stoneweg US, philanthropy is a cornerstone of our corporate values, driven by our commitment to community and social responsibility. Our philanthropic efforts are guided by four key pillars: Access to Housing, Access to Food, Biodiversity, and Education. Each year, we allocate nearly \$80,000 to support initiatives aligned with these pillars, ensuring that our contributions make a meaningful impact.



Our dedication goes beyond financial support; we actively encourage our employees to participate in volunteer activities through our volunteer time off policy. This policy enables our team to engage directly with organizations that align with our philanthropic goals, fostering a culture of giving back within the communities where we live, work, and play. At Stoneweg US, we believe that supporting our multifamily assets means supporting the broader community, striving to make a positive difference and contribute to a better world.

# STONEWEG US EMPLOYEE SURVEY

## STONEWEG US EMPLOYEE SATISFACTION SURVEY

In 2021, Stoneweg US took an important step in connecting with our team by having a professional third-party firm conduct our first employee satisfaction survey. We're happy to say we've kept this initiative going and are excited to share the results of our third annual survey.

This effort reflects our ongoing commitment to transparency and helps maintain the trust our stakeholders place in us.

Stoneweg US Employee Survey measures how team members feel about their:



Stoneweg US believes that conducting regular employee engagement surveys is crucial. These surveys serve as a mirror for the organization, reflecting areas of strength and potential opportunities for improvement. They provide valuable insights into how our team members feel about their jobs, their co-workers, their leadership, and the company as a whole.

Moreover, they offer an opportunity to identify and address areas of improvement. By acting on these insights, we can enhance the overall employee experience, thereby increasing employee engagement and do a better job for all the people we serve.

The 2021 employee satisfaction survey was the first milestone in our journey, but that was just the beginning. Now in 2023 we've completed our third employee annual survey in a row, and we remain committed to listening to our employees, learning from their feedback, and implementing necessary changes to improve our work environment and operations.

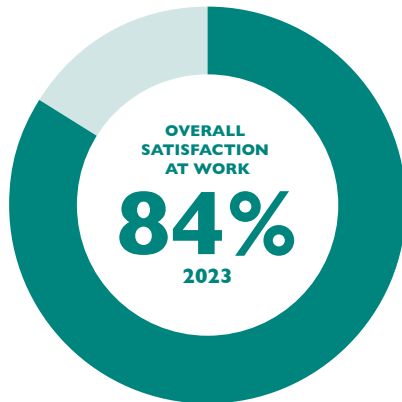
In 2023, Stoneweg US continued our commitment to employee satisfaction and workplace transparency by conducting our third consecutive employee survey through

a professional third-party firm. This year, 90% of our respondents affirmed that "I feel good about the ways we contribute to the community", a testament to our ongoing efforts to foster a culture relevant social impact. Our survey results show that 92% of our team members feel they are "given a lot of responsibility", and 79% experience a "high-trust" culture. These insights highlight our strengths, such as contributing positively to the community, while also identifying areas for growth like enhancing management communication. We are proud to share these results, which reflect our unwavering commitment to our team and help us build a stronger, more inclusive company.

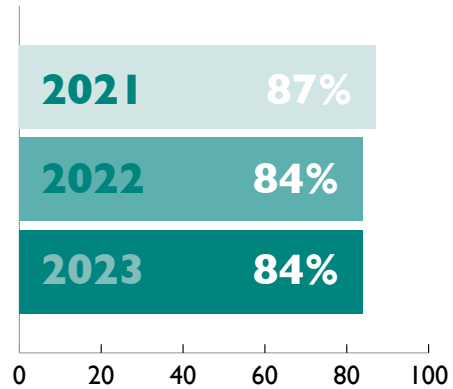
We firmly believe that employee satisfaction is a cornerstone of a thriving organization. As we continue to grow and evolve, we will keep the lines of communication with our employees wide open. Our goal is not only to ensure that Stoneweg US remains a great place to work but also to maintain and enhance the trust and confidence that our stakeholders have in us.

This journey towards improved employee engagement and satisfaction is a continuous process, and we look forward to sharing more updates with our stakeholders as we move forward.

Satisfaction at work



Satisfaction Change Over Time



Summary of Key Findings

<b>Difference from benchmark</b>	GPTW Statement: -13% Average of All Statements: -13%
<b>Areas to leverage</b>	Sharing Information, Hiring & On-boarding to Support Culture. Involving Employees in decision making.
<b>Employee workplace experience</b>	Retention: High Trust: 79%, Flight Risk: 11% Effort: High Trust: 73%, At Risk: 8%
<b>Most positive statements compared to the benchmark</b>	This is a physically safe place to work. Our facilities contribute to a good working environment. I feel good about the ways we contribute to the community.
<b>Statements with the largest growth potential</b>	Management makes its expectations clear. I can be myself around here. I feel I receive a fair share of the profits made by this organization.
<b>Key groups to work with</b>	Tenure: Less than 2 years, 2 years to 5 years Managerial Level: Employee/Individual Contributor (no people management responsibility), Frontline Manager or Supervisor (first tier manager; supervises other employees, not other managers), Mid-Level Manager (runs major departments or divisions, but not part of executive team)

Top Scoring Focus Area 2023



People here are treated fairly regardless of their sexual orientation



People here are treated fairly regardless of their gender



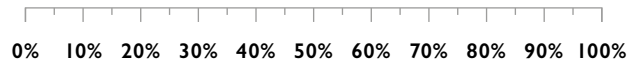
People here are treated fairly regardless of their race



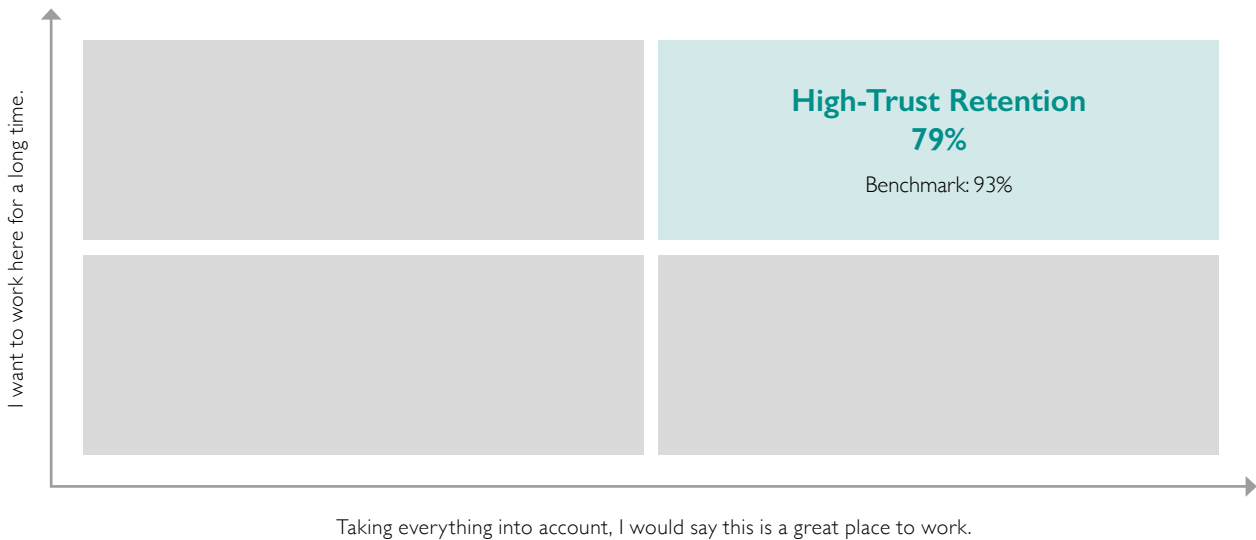
People here are treated fairly regardless of their age



If I am unfairly treated, I believe I'll be given a fair shake if I appeal

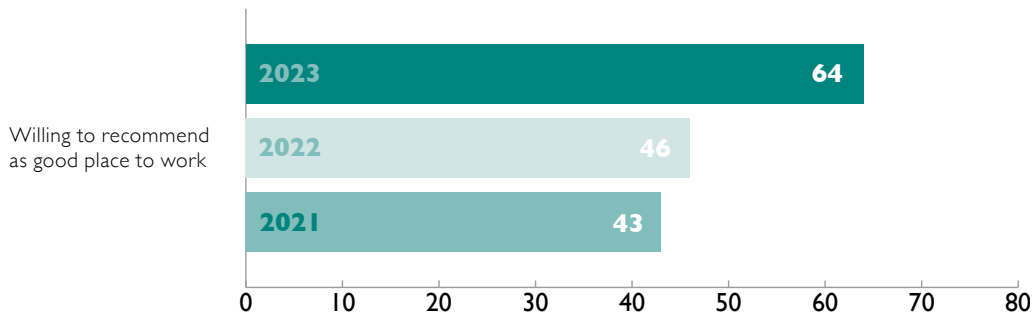


Intent of Retention



79% of our team members are experiencing a **high-trust** culture and are invested in your organization.

### Employee Net Promoter Score(ENPS)



Net promoter score is a widely used market research metric that typically takes the form of a single survey question asking respondents to rate the likelihood that they would recommend a company, product, or a service to a friend or colleague.

The Net Promoter Score is calculated by:

**Subtracting the percentage of detractors from the percentage of promoters.** (The percentage of passives are not used in the formula.) For example, if 10% of respondents are detractors, 20% are passives and 70% are promoters, your NPS score would be  $70 - 10 = 60$ .



Stoneweg US employees were offered several opportunities to answer survey questions in their own words. This word cloud was made from all responses.

At Stoneweg US, our company Fundamentals serve as the core principles that drive our mission and daily operations. These Fundamentals encompass our commitment to integrity, innovation, and sustainable growth, guiding our decisions and actions to create value for our stakeholders and communities. We believe that adhering to these principles fosters a positive and productive work environment, which is reflected in the feedback from our annual employee survey. The word cloud below highlights the key themes and sentiments shared by our team, emphasizing the values that shape our company culture. In the next section, we delve deeper into how these Fundamentals influence our strategies and impact across various facets of our business

# FUNDAMENTALS

## THE STONEWEG WAY: THE CORE FUNDAMENTALS DRIVING OUR CORPORATE CULTURE

At Stoneweg US, our philosophy is simple yet powerful – our identity is shaped by our people and our culture. We are committed to fostering a healthy corporate culture that adds intrinsic value to our stakeholders while cultivating a high-performance environment conducive to success. For us, corporate culture isn't an abstract concept but a tangible, actionable, and relevant element that drives positive outcomes.

Beginning In 2021, we took a significant step in reinforcing our vision to be a respected leader and a desired partner in the US multifamily real estate industry. We introduced 'The Stoneweg Way,' a set of 29 core 'Fundamentals' that act as our operational playbook. Inspired by David J. Friedman's book, "Culture by Design", these Fundamentals serve as an integral part of our corporate culture, outlining how we aspire to conduct our business.

The Stoneweg Way is organized into four focus areas: Communication, Ways of Excelling, Team, and Attitude. Each area comprises a set of actionable Fundamentals, which guide our team over a 29-week period. To facilitate this, we have developed a multifaceted activation plan: sharing and discussing employee-written insights internally.

In June 2023, Stoneweg US achieved a significant milestone by publishing its first summary of our work, highlighting the company's diligent work in addressing its Fundamentals. This booklet covers the previous 29-week cycle, showcasing employee insights, thoughts, feelings, and specific applications of the company Fundamentals in their day-to-day work. By capturing these experiences, Stoneweg US aims to provide a comprehensive understanding of how the practice of its Fundamentals aligns with the company's goals and strategies.

As Stoneweg US continues to complete cycles, we continue to publish new additions to this series. The company has begun to make these publications available [online](#), allowing interested parties to gain valuable insight into how the practice of their Fundamentals supports the overall vision and objectives of the company and its stakeholders.

Stoneweg US is also utilizing an interactive online and mobile app platform that offers best practices and tutorials, and communicating our Fundamentals to our external partners.

The CultureWise mobile app serves as a powerful tool for employee engagement at Stoneweg US. With features like viewing company Fundamentals, sharing insights, watching videos, receiving notifications, and giving kudos, the app fosters a connected and aligned workforce. It also offers coaching guidance, a leaderboard for gamification, and quick tips for continuous learning. Through the app, Stoneweg US cultivates a strong company culture and keeps employees actively engaged in upholding its values.








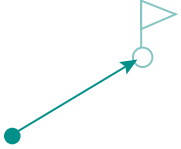

As we continue to refine our ESG strategy and strive towards fulfilling our vision, living "The Stoneweg Way" becomes a vital element of our long-term success. Our Fundamentals guide us in our daily operations and strategic decisions, underlining our commitment to sustainability and ethical conduct. Through the Stoneweg Way, we aim to demonstrate that a robust ESG approach is not only good for the environment and society but also essential for the sustained success of our business.





But the reach of our Fundamentals goes even further. They are intricately woven into our broader Environmental, Social, and Governance (ESG) policies and initiatives, forming a comprehensive 360-degree approach to promoting a healthy corporate culture. The product of this incorporation is to minimize lofty rhetoric and promote tangible action.

As we continue to refine our ESG strategy and strive towards fulfilling our vision, living “The Stoneweg Way” becomes a vital element of our long-term success. Our Fundamentals guide us in our daily operations and strategic decisions, underlining our commitment to sustainability and ethical conduct. Through the Stoneweg Way, we aim to demonstrate that a robust ESG approach is not only good for the environment and society but also essential for the sustained success of our business.

<p><b>1.</b></p>  <p><b>ACT WITH INTEGRITY.</b> Demonstrate an unwavering commitment to doing the right thing in every action you take and in every decision you make, especially when no one's looking. Build trust by being transparent and forthright in your communication, internally and externally. Act in the best interests of our stakeholders and earn their trust and respect through your daily actions. Be the best steward of our investors' resources. Always consider that your money and your reputation are at stake.</p>	<p><b>2.</b></p>  <p><b>HONOR COMMITMENTS.</b> Do what you say you're going to do, when you say you're going to do it. This includes being on time for all phone calls, appointments, and meetings. If a commitment can't be fulfilled, notify others early and agree on a new deliverable to be honored.</p>	<p><b>3.</b></p>  <p><b>DEMONSTRATE A PASSION FOR EXCELLENCE.</b> Take pride in the quality of everything you touch and everything you do for each of our stakeholders. Regard your work product as if it has your personal stamp. Always ask yourself, “Is this my best work?”</p>
<p><b>4.</b></p>  <p><b>GET BETTER.</b> Regularly evaluate the way you/we work to find ways to improve. Don't be satisfied with the status quo. “Because we have always done it that way” is not a reason. Guard against complacency. Wherever possible, use technology to get things done better, faster, and more efficiently.</p>	<p><b>5.</b></p>  <p><b>HAVE A BIAS FOR ACTION.</b> Work with a sense of urgency to get things done. Avoid analysis paralysis. Gather the relevant facts and evaluate your options thoroughly, then get moving. We have confidence in you and empower you, so act decisively. If new information becomes available, don't be afraid to make a new decision and change course</p>	<p><b>6.</b></p>  <p><b>DELIVER RESULTS.</b> While effort is important, our stakeholders expect results. Follow-up on everything and take responsibility to ensure that deadlines are met and tasks get completed. Hold yourself accountable for what you do and how you do it.</p>
<p><b>7.</b></p>  <p><b>BE SUSTAINABILITY-DRIVEN.</b> Be mindful of the impact we all have on our community, the environment, and the world at large. As a landlord, investor, and asset manager, we have a responsibility and the capacity to do something for the greater good. Look for, and take advantage of, opportunities to make a positive contribution.</p>	<p><b>8.</b></p>  <p><b>GET CLEAR ON EXPECTATIONS.</b> Create clarity and avoid misunderstandings by discussing expectations upfront. Set expectations for others and ask when you're not clear on what they expect of you. End all meetings with clarity about action items, responsibilities, and due dates.</p>	<p><b>9.</b></p>  <p><b>BE A FANATIC ABOUT RESPONSE TIME.</b> Respond to questions and concerns quickly, whether it's in person, on the phone, or by e-mail. This includes simply acknowledging that we got the question and we're “on it,” as well as keeping those involved continuously updated on the status of outstanding issues.</p>

**10.**




**SHARE INFORMATION.**  
With appropriate respect for confidentiality, share information freely throughout our organization. Be transparent and raise red flags when you see them. The more people know, the better we can collaborate and solve problems. Eliminate silos by asking yourself, "Who else needs to know this?"

**11.**



**LISTEN TO UNDERSTAND.**  
Listening is more than simply "not speaking." Give others your undivided attention. Be present and engaged. Minimize the distractions and let go of the need to agree or disagree. Suspend your judgment and be curious to know more, rather than jumping to conclusions. Be open-minded.

**12.**



**SPEAK STRAIGHT.**  
Speak honestly in a way that helps to make progress. Say what you mean, and be willing to ask questions, share ideas, or raise issues that may cause conflict when it's necessary for team success. Be courageous enough to say what needs to be said. Address issues directly with those who are involved or affected.

**13.**




**DEMONSTRATE AN ENTREPRENEURIAL SPIRIT.**  
Innovation, improvement, and success don't come from playing it safe. They come from a thoughtful and intentional willingness to try the unconventional and to ask "What if?" Be bold and daring. Try a new way. Think differently.

**14.**



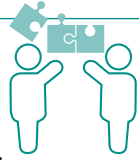
**LOOK AHEAD AND ANTICIPATE.**  
Solve problems before they happen by anticipating future issues, planning for contingencies, and addressing them in advance. Work with appropriate lead times. Preventing issues is always better than fixing them.

**15.**




**EMBRACE DIVERSE PERSPECTIVES.**  
Be open to learning from others, no matter what role they have, and regardless of their age, background, experience, or tenure with our company. Be inclusive. Everyone has something they can teach us.

**16.**




**PRACTICE BLAMELESS PROBLEM-SOLVING.**  
Demonstrate a relentless solution focus, rather than pointing fingers or dwelling on problems. Identify lessons learned and use those lessons to improve ourselves and our processes so we don't make the same mistake twice. Separate the person from the performance when giving constructive feedback.

**17.**



**FIND A WAY.**  
Take personal responsibility for making things happen. Respond to every situation by looking for how we can do it, rather than explaining why it can't be done. Be resourceful and show initiative by going the extra mile. Ask for help, rather than making excuses or waiting for others to solve the problem. See issues through to their completion.

**18.**



**TEAM UP WITH STONEWEG.**  
Be there for each other and be willing to step into another role or help a co-worker when that's what's required for success. Understand how what you do affects others and help each other to succeed. We win and lose as a team.

**19.**




**CHECK THE EGO AT THE DOOR.**  
It's not about you. Don't let your ego get in the way of doing what's best for the team. Be a servant leader and put the needs of others – our team, investors, and community residents – ahead of your own. Make sure every decision is based solely on advancing team goals and doing what's best for our stakeholders.

**20.**




**BE A MENTOR.**  
Take responsibility, both formally and informally, to coach, guide, teach, and mentor others. While this may take more time in the short run, sharing knowledge and expertise helps us build a stronger team in the long run.

**21.**



**SHOW MEANINGFUL APPRECIATION.**  
Recognize people doing things right, rather than pointing out when they do things wrong. Regularly extend meaningful acknowledgment and appreciation — in all directions throughout our organization.

**22.**



**ASSUME POSITIVE INTENT.**  
Work from the assumption that people are good, fair, and honest, and that the intent behind their actions is positive. Set aside your own judgments and preconceived notions. Give people the benefit of the doubt.

**23.**



**CREATE A CARING COMMUNITY.**  
Our relationships go deeper than simply being teammates at work. We genuinely care for and about each other. Whether it's a kind word during a tough stretch, a friendly smile each morning, or a helping hand in stressful times, show your compassion.

**24.**




**BE POSITIVE.**  
You have the power to choose your attitude. Choose to be joyful, optimistic, and enthusiastic. See the good in others. Your attitude is contagious. Spread optimism and positive energy.

**25.**




**CREATE A GREAT IMPRESSION.**  
Every conversation, phone call, e-mail, letter, and even voicemail, sets a tone and creates an impression. Be courteous and respectful with all our stakeholders. Pay attention to every interaction and be sure you're setting a tone that's friendly, warm, and helpful. Be dedicated to serving our stakeholders with your very best.

**26.**




**BE A LIFELONG LEARNER.**  
We enthusiastically support your development, so seek out and take advantage of every opportunity to gain more knowledge, to increase your skills, and to become a greater expert. Be resourceful about learning and sharing best practices. Expertise is one of the most important ways we add value for our stakeholders.

**27.**



**BE CURIOUS.**  
In the search for the best solutions, challenge and question what you don't understand. Use critical thinking and don't accept anything at "face value" if it doesn't make sense to you. Be curious, ask thoughtful questions, and listen intently to the answers. Dig deeper to go beyond the expected. Ask the extra question.

**28.**



**EMBRACE CHANGE AND GROWTH.**  
What got us here is not the same as what will get us to the next level. Get outside your comfort zone, rather than stubbornly hanging on to old ways of doing things. Use critical thinking and be excited by the possibilities that change and growth bring. Be flexible.

**29.**



**KEEP THINGS FUN.**  
While our passion for excellence is real, remember that the world has bigger problems than the daily challenges that make up our work. Stuff happens. Keep perspective. Maintain a healthy work/life balance. Don't take things personally or take yourself too seriously. Be thankful and laugh every day.



# GOVERNANCE



# VARIA US' APPROACH TO CORPORATE GOVERNANCE

## Our ESG and Sustainability Journey

As the importance of environmental, social, and governance (ESG) actions and performance continues to grow, companies worldwide are increasingly evaluated on their preparation and performance relative to these principles. Varia US remains dedicated to comprehensive ESG reporting because it's a practical framework to identify and mitigate risk, as well as opportunity.

Our ongoing partnership with Stoneweg US as our asset manager in the United States reinforces our commitment to sustainable growth and demonstrates our adherence to globally recognized sustainability reporting standards within our business strategy for the purpose of delivering value to our stakeholders.

Delivering our third annual comprehensive ESG report to our investors and stakeholders underscores our persistent dedication to ESG commitments. This report, a significant milestone in our journey primarily due to the newly mature phase of our environmental data coverage, consolidates our ESG information, and defines our commitment to transparent disclosure and sustainability governance. It builds upon the benchmark set by our inaugural ESG report published in 2022, offering a clear and quantifiable picture of our accomplishments and our growth trajectory. Additionally, Stoneweg US ensured for the 2<sup>nd</sup> year in a row that its 2023 Annual Report for Varia US included an ESG update, further underscoring its commitment to consistent ESG related communication, transparency and accountability.

As an active manager on behalf of Varia US, Stoneweg US consistently participates in GRESB activities throughout the year in person seminars and through virtual events. Our annual GRESB submission participation showcases both Varia US and Stoneweg US' dedication to benchmarking its ESG practices against industry standards and continuously striving for improvement.

Following industry best practices and third-party guidelines, our reporting approach continues to equip our investors and stakeholders with vital insights into our commitment to sustainability, climate risk, and key performance indicators (KPIs) related to our multifamily real estate investments and operations. Our governance strategy blends qualitative and quantitative disclosures, allowing us to assess performance, set ambitious goals, identify opportunities and risks, and craft effective strategies.

Our commitment extends beyond sustainability value signaling. We aim to demonstrate measurable progress, emphasizing risk mitigation and ensuring the long-term

protection of financial returns. Fundamental to this pledge is the collection and reporting of relevant data, a crucial aspect of any robust ESG strategy, and particularly significant in the multifamily real estate space. 2023 was objectively a successful year obtaining property-level metrics on energy, water, and waste diversion, providing a comprehensive snapshot of our portfolio performance.

In line with its commitment to comprehensive reporting, on behalf of Varia US, Stoneweg US provides online and here included in this report a TCFD (Task Force on Climate-related Financial Disclosures) Alignment Report. This report ensures that the company aligns with TCFD recommendations and provides stakeholders with transparent information regarding climate-related risks and opportunities.

This past year, we've continued to strengthen our commitment, building upon the best practices foundation we created and seeking to continuously improve in the form of data-driven insights and benefits. As the industry norms evolve towards achieving sustainable building certifications at the property level, our strategy pivots to launching pilots using technology to capture data for benchmarking. We're seeking to demonstrate practical leadership in the US multifamily real estate space.

Furthermore, on behalf of Varia US, Stoneweg US for the second consecutive year this report is utilizing the Sustainability Accounting Standards Board (SASB) framework for ESG reporting. This framework enables consistent and standardized reporting on material sustainability topics relevant to the real estate industry, ensuring clear and comparable disclosures.

Simultaneously, our approach encompasses broader ESG metrics tracking, such as diversity demographics, resident opinion and satisfaction, and stakeholder engagement. This multifaceted approach draws strengths from the diversity of Varia US's portfolio, promotes long-term resilience to climate and market risks and aids our goal of continuous growth.

Stoneweg US actively participates in the Stoneweg Group ESG committee, a dedicated team focused on shaping and implementing robust ESG strategies across these independent organizations globally.

As we issue our third annual ESG report, we take pride in our accomplishments accrued over the past several years. We remain focused on performance in terms of ESG, committed to our long-term plan for a sustainable and resilient future.

# ESG STRATEGY AND 2024 ROADMAP

## Varia US's ESG Process

### Continuous: Engagement, Education, Certification, Data Collection & Investment

- Keep Environmental and Sustainability Management System (ESMS) and dashboard current for reporting to board, executive and management stakeholders.
- Conduct asset-level stakeholder dialogs, ESG communications, and resident surveys.
- Collect data on emissions, energy, water, waste, and social activities.
- Report data for asset-level environmental or social performance benchmarking and standards.
- Seek ENERGY STAR Performance Certifications.
- Seek sustainable building certifications (e.g., BREEAM, GREEN GLOBES).
- Monitor and manage progress of asset-level ESG capex investments.
- Implement energy, water, and waste efficiency measures at the asset level.
- Conduct ESG-related due diligence for potential acquisitions and compile ESG information for dispositions.
- Prepare and report to the Board of Directors' ESG Committee quarterly.
- Engage with partnerships and peer organizations for experience exchange and collaboration.

### Implementation & Performance Analysis

- Begin annual analysis of building environmental performance.
- Start third-party data assurance process.
- Initiate GRESB submission.
- Begin carbon accounting process.
- Implement asset-level ESG capex investment plan.
- Receive and publish Kingsley Excellence Award results.
- Conduct annual affordability analysis for resident leases.
- Conduct ESG Materiality Assessment (every 3 years, next due 2025).



### Assurance & Reporting

- Start the annual Multifamily Impact Council (MIC) framework disclosure.
- Draft and publish "ESG Update" in the annual report.
- Complete annual analysis of building environmental performance.
- Finalize third-party data assurance.
- Submit to GRESB.
- Begin the US DOE's annual performance review for Better Buildings and Better Climate Challenge Goals.
- Conduct physical climate risk and transition risk assessments.
- Continue carbon accounting.
- Begin Carbon Disclosure Project (CDP) submission.
- Publish the ESG Annual Report.
- Stoneweg US starts submission to the UN PRI.





Q3

**External Benchmarking & Carbon Accounting**

- Conduct ESG training for corporate asset management and third-party site staff.
- Complete and publish the annual MIC framework disclosure.
- Draft and publish ESG update for the half-year financial report.
- Review and evaluate Science Based Targets initiative (SBTi) performance.
- Finalize and publish Carbon Accounting, including SBTi updates.
- Complete US DOE's annual performance review for energy efficiency and decarbonization goals.
- Submit to the CDP.
- Conduct asset-level energy, water, and waste technical assessments.
- Update and review Emissions Reduction Plan (ERP) and identify priorities for the next year.
- Begin budget planning for the following year's asset-level ESG capex investments.
- Complete Stoneweg US submission to the UN PRI.
- Conduct and complete corporate ESG rating exercise with appropriate agencies.



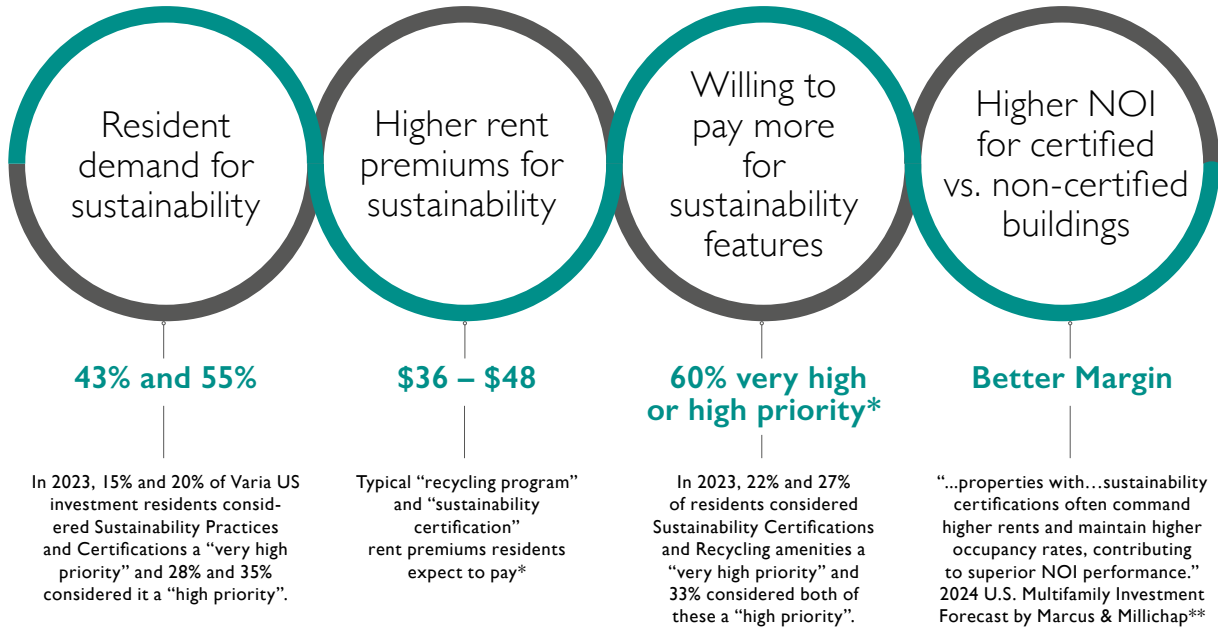
Q4

**Policy Review & Future Planning**

- Publish GRESB Benchmark Report.
- Publish GRESB Public Disclosure Report.
- Publish TCFD Alignment Report.
- Annual review and update of the ESG Policy.
- Update training materials to reflect new ESG policies and industry best practices.
- Update ESG page on the Company's website.
- Evaluate and update ESG strategy, milestones, and goals.
- Create and approve the annual ESG reporting, communications plan, and corporate budget.
- Finalize priorities from the ERP.
- Finalize the asset-level ESG capex investment budget.
- Conduct Stoneweg US employee survey.
- Publish UN PRI submission results and scoring.
- Update the ESMS dashboard.

VALUE OF ESG FOCUS

Resident Satisfaction Increases Profitability



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FOCUS ON SUSTAINABILITY IMPACTS VALUE



**Risk Management**

By integrating sustainable practices, properties can proactively address risks related to extreme weather events, such as flooding, storms, and heatwaves, which are becoming increasingly prevalent due to climate change. Furthermore, sustainability initiatives align with the global transition towards a low-carbon economy, reducing climate transition risks. By adopting renewable energy sources, implementing energy-efficient technologies, and reducing greenhouse gas emissions, multifamily real estate investments can navigate regulatory changes and evolving market demands. This proactive approach not only reduces the financial risks associated with these transitions but also enhances the long-term value and marketability of the properties.

- Regulatory Compliance Risk
- Functional Obsolescence risk
- Climate Risk: Flood/Wind/Fire/Drought
- Insurance Premium Risk
- Carbon + Resource Expense Risk
- Reputational Risk
- Resilience Risk: Recovery/Business Interruption Losses
- Down Cycle Valuation Risk

**Identify Opportunities (Value Added)**

By integrating sustainable practices, such as energy efficiency, water conservation, waste management, and green building certifications, properties attract environmentally conscious residents and investors. Sustainable features not only reduce operational costs but also enhance resident satisfaction and attract higher-quality tenants, leading to increased occupancy rates and rental income.

- Increased Occupancy
- Increased Tenant/Resident Retention
- Shorter Lease up and Down Time
- Lower Operating Expenses
- More Desirable Spaces (light, air)
- Potential for Rent Premiums
- Higher NOI's
- Value Creation



\* Per by Design + backed by data 2023 Survey Dashboard published by Greystar. [Design Survey Interactive Report • Analytics \(greystar.com\)](https://www.greystar.com/design-survey-interactive-report-analytics)  
 \*\* <https://www.marcusmillichap.com/research/market-report/multiple-markets/2024-us-multifamily-investment-forecast>



# GOVERNANCE STRUCTURE

Varia US' ESG governance structure blends top-down policy and strategy development with bottom-up execution and education, to ensure the comprehensive application of our ESG standards across all facets of our business. From the boardroom to our multifamily properties, everyone participates in our sustainability journey.

In 2022 the Varia US Board of Directors formed a board level ESG Committee, which was a significant step in our top-down approach. This active committee consists of a selection of members from our Board of Directors who take the lead in approving policies, monitoring strategy, and creating accountability with respect to the company's ambitious yet achievable goals. Supporting the committee is our US Asset Manager, Stoneweg US, providing invaluable support to realize these goals, making sure our ESG strategy remains a driving force in our business.

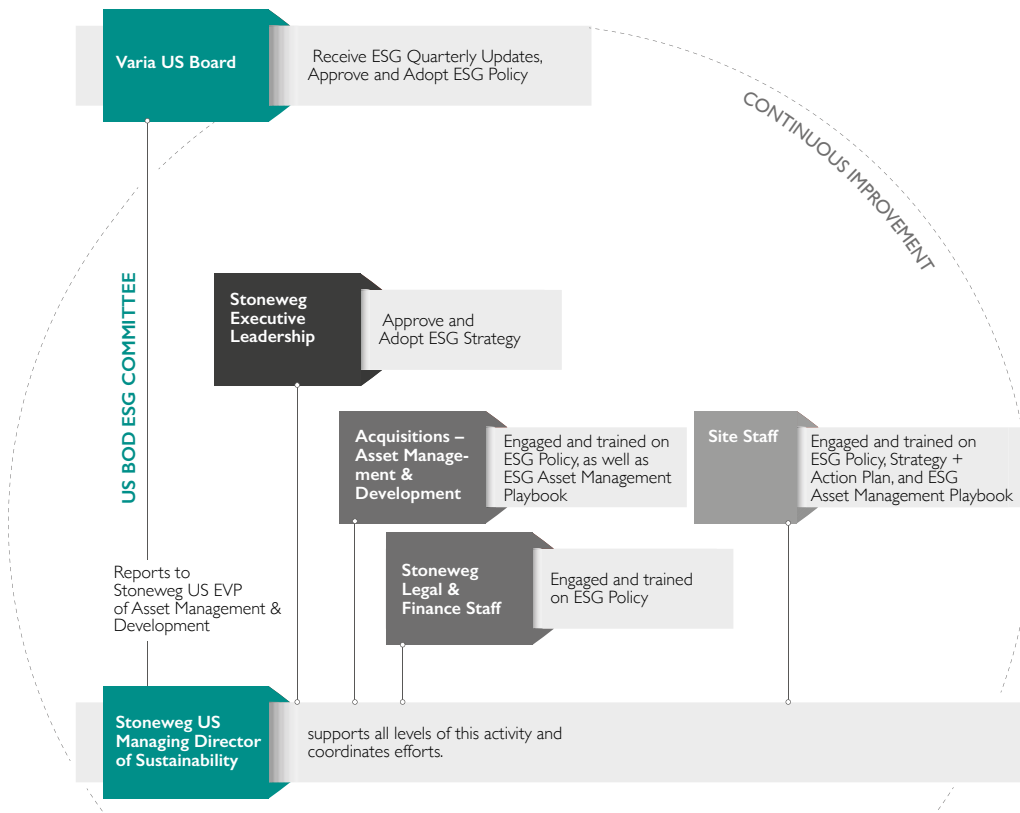
Varia US recognizes the critical role played by our site staff and residents in bringing our ESG strategy to life. Hence, our bottom-up approach involves substantial

efforts to educate our stakeholders about our ESG policy and best practices, recognizing their achievements and fostering a culture of sustainability at the grassroots level.

Integration is a fundamental pillar of our adopted Sustainability Principles. For us, it signifies the embedding of best-in-class ESG practices into our core business strategy. We see this as a pathway to create life enhancement, ensure accountability, and promote continuous improvement. We're committed to integrating sustainability into every layer of our organization, marking a new era of responsible real estate investment and management for Varia US.

### Varia US Board of Directors, ESG Committee

- Dany Roizman, Chairman of the ESG Committee, Member of the Board
- Grégoire Baudin, Member of the Board
- Jaume Sabater, Vice Chairman of the Board



## ESG INVESTMENT

In 2023 it became clear that expectations around Environmental, Social, and Governance (ESG) considerations have continued to evolve. ESG is no longer a “nice-to-have” but an essential component of real estate investment strategies. This shift is evident across markets, with investors worldwide demanding action and insights into sustainable investment practices.



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In the US multifamily real estate sector, the need to embed ESG criteria remains strong. The majority of institutional investors as well as US multifamily residents have indicated a desire for sustainability.

In the US a focus intensified in 2023 on the evolution of the ESG regulation landscape led by the SEC. We did see the SEC increase its scrutiny and requirements for ESG disclosures, mandating more comprehensive reporting from publicly traded companies in the United States. This focus on transparency and the accuracy of ESG-related claims aims to prevent greenwashing and ensure that investors receive reliable information. This regulatory stance has made it imperative for organizations to prioritize ESG considerations strategically.

Several municipal benchmarking and building performance standards also saw significant updates such as New York City's Local Law 97 which implemented carbon emission limits for buildings over 25,000 square feet. This is just one example of how real estate investments are now becoming subject to increasingly stringent regulations, compelling property owners and investors to prioritize sustainability and upgrade their buildings. When planned and executed properly, there is the potential for real estate investors to take advantage of energy-efficient technologies, building retrofits, and renewable energy systems to minimize carbon footprints and enhance overall building performance. It's a complex process that requires supervision and engagement on all levels of organizations.

Consequently, market dynamics for real estate investments are beginning to be transformed. Properties complying with performance standards are becoming more highly sought after, experiencing increased demand, higher occupancy rates, and enhanced rental incomes due to reduced operating costs and positive environmental impacts.

Another key element shaping 2023 was the growing awareness of physical climate hazards in the US. Increased severity of wildfires, storms, water stress, and floods highlighted the risks to real estate investments. Implementing resilience measures to mitigate these risks can reduce vulnerability to property damage and curb insurance premiums, adding complexity to investment decisions but emphasizing the criticality of sustainability for both risk mitigation and financial performance.

Looking ahead, the practical reality is that these trends are likely to grow in relevance. With rising societal awareness, increasing regulations, rigorous performance stan-

dards, and escalating climate risks, demand for ESG-compliant multifamily real estate investments will continue to rise. Investors will increasingly prioritize ESG performance, recognizing its potential to minimize risks, enhance reputation, and deliver long-term value.

For multifamily real estate entities like Varia US, the future holds both opportunities and challenges. The opportunity lies in leading ESG practices, meeting the global demand for sustainable investments, and positively impacting residents, communities, and the environment. The challenge is integrating ESG principles into strategies generating alpha for investors whilst complying with changing regulations, managing performance benchmarks, maintaining stakeholder transparency, and effectively managing climate-related risks.

# STONEWEG US' COMMITMENT TO ESG

In 2023, Stoneweg US demonstrated significant leadership and advocacy in ESG practices across various high-profile platforms. Our active participation in media, events, forums, and conferences reflects our commitment to sustainability and innovation in the multifamily real estate sector.

## 2023 HIGHLIGHTS

■ **Conservise Multifamily Retreat (Momentum 2023):** Presented on ESG best practices, highlighting our strategies for sustainable investment.

■ **PERE Network's 18th Annual America Forum:** Discussed ESG in US Multifamily Real Estate Investment, emphasizing our commitment to integrating ESG principles.

■ **GRESB Benchmarking Webinar:** Shared insights as a first-time submitter, showcasing our transparency and dedication to improving sustainability metrics.

■ **NAA Apartmentalize 2023 Conference:** Presented on sustainable buildings and decarbonization, reinforcing our role in driving industry standards.

■ **IMN ESG & Decarbonizing Real Estate Forum:** Engaged in dialogue on ESG data, scope 3 emissions, and sustainability, contributing to the broader conversation on environmental impact.

■ **RealPage RealWorld Conference:** Provided insights on US multifamily sustainability goals, aligning our objectives with industry advancements.



■ **Better Buildings Challenge Multifamily Newsletter:** Featured the Varia US 2022 ESG Annual Report, underlining our achievements in sustainability.

■ **Propmodo Feature:** Authored an article on ESG in multifamily real estate, sharing our experiences and best practices.

■ **ENERGY STAR Day:** Highlighted our energy-efficient achievements, showcasing our commitment to high performance real estate.

■ **Climate United Initiative:** Thomas Stanchak joined the Advisory Council, influencing sustainable practices at a national level.



- **PENSION REAL ESTATE ASSOCIATION (PREA) Conference:** Represented Stoneweg US, engaging with peers on environmental topics.
- **White House Roundtable:** Recognized for our efforts in the Better Buildings and Better Climate Challenge.

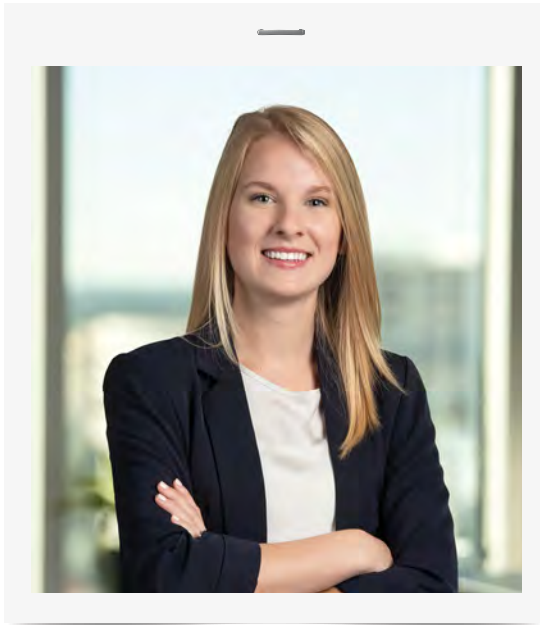


- **Freddie Mac Multifamily Impact Summit:** Participated in roundtable discussions, furthering our mission of sustainable multifamily real estate investment.
- **GRESB Regional Insights Panels in New York City and Chicago:** Presented on ESG insights, contributing to thought leadership in the field.
- **NAAHQ Article on EV Charging:** Featured in "The Future is Electric," demonstrating our commitment to innovative sustainable solutions.

- **Freddie Mac Impact Sponsor Roundtable:** Engaged in mission-driven financing discussions, aligning investment strategies with sustainability goals.
- **World Water Day Support:** Promoted water use efficiency and water-stress management, reinforcing our environmental stewardship.
- **U.S. Department of Energy (DOE) Better Buildings Summit:** Participated in exploring emerging technologies for sustainability.
- **Earth Day Celebration:** Highlighted our Energy Star partnership, emphasizing our environmental initiatives.
- **EV Charging Implementation:** Partnered with Zeal to install EV chargers, enhancing our properties' sustainability.
- **Company-Wide Workshop on UN SDGs:** Educated our team on sustainability goals, integrating global standards into our operations.
- **The Village at Mayfield Water Conservation:** Published a joint case study with AlertLabs, demonstrating our success in reducing water consumption and costs.

### ADVOCACY AND INDUSTRY INFLUENCE

Stoneweg US's thought leadership extends beyond participation in events; it involves actively shaping the future of sustainable real estate through advocacy and innovation. Our contributions to industry discussions, policy development, and technological advancements position us as leaders in ESG practices, driving positive change across the multifamily real estate sector. Through continuous engagement and commitment, Stoneweg US is dedicated to fostering a sustainable and responsible investment environment for all stakeholders.



## INTERVIEW WITH MADISON FORCHION

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**Tell us about you. Who are you? Share your professional experience and responsibilities as it relates to Stoneweg US and Varia US, and include any personal details you feel comfortable sharing.**

I joined Stoneweg US in December of 2020 as a Senior Accountant, and have since grown with Stoneweg to become an Accounting Manager, primarily working on monthly internal reporting for Stoneweg managed properties as well as the quarterly public reporting for Varia US. Moving forward, I will also assist with the debt capital markets activities for Varia US, including the financing of new properties and re-financing of existing properties, which provides an exciting opportunity to realize the benefits of ESG initiatives via reduced interest rates offered for “green loans”.

**Do you think ESG is an important element of how Stoneweg US and Varia US conduct business? If yes, provide a couple of examples and why.**

ESG has quickly become a prominent element to the way Stoneweg US, and as a result Varia US, conducts business. Prioritizing ESG initiatives is a means to increasing our resident satisfaction through a variety of measures. For example, installing more efficient HVAC systems and appliances as well as LED lighting leads to lower energy bills and therefore puts money back into resident pockets. Another great example is our partnership with Esusu, which allows residents at our properties to increase their credit via positive rental history credit reporting, and therefore provides them with more financial flexibility in the future. Knowing that we are positively impacting

our residents’ lives pushes us to continue implementing innovative ESG initiatives that benefit our residents and the environments in which they live.

As an added bonus, our ESG initiatives also benefit our investors by decreasing utility expenses, for example by installing solar panels and high efficiency appliances. Another example of these savings occurred when we implemented Alert Labs leak detection technology, which detected a water leak and resulted in \$72,000 of water refunds at one property alone. Furthermore, we have also seen opportunities to earn other income, for example by installing EV charging stations at some of our properties. By decreasing expenses and creating additional revenue streams, we will significantly increase the value of our portfolio and, therefore, the return to investors.

**How do you envision the role of accounting and finance evolving to integrate ESG reporting and performance metrics in the future?**

Accounting and finance teams will ultimately become key players in ESG reporting and performance metrics. As ESG continues to evolve, accounting and finance professionals can leverage their existing knowledge on financial reporting to assist with standardizing ESG reporting and creating clear guidance facilitating consistency, comparability, and transparency of ESG reporting, all of which are requirements for existing financial reporting. Furthermore, accounting and finance teams will play key roles in ensuring compliance with established ESG standards, similar to how auditors currently ensure compliance with financial standards such as GAAP and IFRS.

Additionally, if leveraged properly, finance teams within individual organizations can analyze ESG data to help drive company strategy and positively impact the bottom line.

**From your perspective, how might the risks and opportunities presented by ESG initiatives impact the accounting and financial landscape of US multifamily real estate investments?**

Over time as the focus on ESG becomes more widespread, I believe ESG reporting will become a primary component of annual reporting in US real estate. As ESG practices continue to evolve, the risks and opportunities presented will translate into ESG reporting standards that were not previously required. Accounting and finance teams will need to work with their organizations to ensure key metrics such as energy consumption, water usage, and waste are being tracked in a reliable and consistent manner to facilitate the ESG reporting process. Having reliable data as a basis for reporting will lead to greater transparency on the costs and benefits of ESG initiatives, and therefore will ultimately unveil the increases in property value associated with such initiatives.

**Could you share your insights on how ESG considerations might influence financial performance and decision-making within the real estate industry in the coming years?**

As ESG becomes increasingly intertwined with real estate operations, the resulting benefits will come to the forefront of the real estate industry and further underscore how ESG initiatives can positively impact the bottom line.

Initiatives such as installing LED lighting, solar panels, temperature control devices, and leak detection devices can all help improve NOI. As a result, the value of the underlying properties will increase and generate more value for investors in the form of recurring expense savings and an increase in property value.

Furthermore, lenders are now offering discounts for properties for achieving savings in energy and water usage or having certain green certifications such as an ENERGY STAR certification. These interest savings will translate to higher overall returns.

Moreover, moving forward, there is likely to be increased regulation around ESG, which is already happening in places such as New York (Local Law 97, for example, limits greenhouse gas emissions of certain buildings beginning in 2024). As these regulations become more prominent and restrictive, asset managers and investors will be required to incorporate ESG into their decision-making processes as they decide which assets to invest in and how to spend capex funds on existing assets.

**Reflecting on your experience providing financial information for Varia US's comprehensive carbon accounting report, what challenges and opportunities did you encounter in this process?**

In compiling financial information for the Varia US carbon accounting report, the biggest challenge the accounting team faced was the existing level of disaggregation in our financials compared to what was required by the carbon accounting reporting. If our current reporting was not disaggregated to the extent required by carbon accounting, we had to perform a deeper dive of the financial activity to obtain the necessary level of detail. On the flip side, this experience helped our team uncover opportunities for improvement in our financials. For example, disaggregating professional services into each of its key components (accounting, legal, advisory, etc.) can help us improve our budgeting and forecasting as well, which benefits the Company as a whole.

**How do you perceive the interaction between carbon reporting and financial performance? What challenges and opportunities do you see in creating effective feedback loops?**

Carbon reporting can provide significant insights into financial performance by highlighting the relationship between a company's environmental impact and its financial health. For example, since carbon reporting often requires detailed information on energy use and emissions, it can help organizations identify inefficiencies and opportunities for cost savings via waste reduction and energy conservation. As a result, the information provided by carbon reporting can be seen as an opportunity to increase the bottom line by implementing new processes and policies across the organization to reduce waste and energy, and therefore costs. A great example of an opportunity to reduce emissions and save costs is in travel. With video calls available at our fingertips, companies can find ways to reduce travel and therefore the related costs and emissions associated with flights and rental cars.

**Where do you see the greatest opportunities for ESG initiatives to enhance the financial performance of US multifamily real estate investments?**

There are many opportunities to leverage ESG initiatives as a means to enhance financial performance. First, there are significant cost savings to be had with the implementation of ESG initiatives. Companies can start with "low hanging fruit", for example by adding LED lights and smart technology such as climate sensors [MFI] to reduce energy usage and therefore decrease utility expenses. These changes generate recurring savings for the remaining life of the investment. Second, ESG measures that reduce utility costs for residents lead to increased resident satisfaction and higher resident retention, which indirectly decreases turnover costs, marketing costs, and other costs associated with replacing tenants. There are also opportunities to increase other income by installing improvements such as EV charging stations. These recurring cost savings and new revenue streams ultimately increase the valuation of the properties, allowing for a higher exit price for investors.

**What are your thoughts on the future intersection of ESG considerations and financial reporting? How is Stoneweg US preparing to adapt its accounting practices to these anticipated trends?**

At Stoneweg US, we know that ESG will become a key component of our financial reporting in the near future and will ultimately become a focus point for investors as well. We are preparing for this shift by attending conferences on ESG reporting to ensure we have a pulse on ESG standards/frameworks as they are released. Additionally, we continue to monitor any mandates in ESG reporting required by various jurisdictions and review examples of the reporting as it becomes available to increase our knowledge in this area. Finally, we are making updates to our recording processes as needed to ensure our books facilitate the preparation of future carbon accounting and ESG reporting. Preparation is key here.

**Based on your experience, how can accounting and finance professionals contribute to advancing a company's ESG objectives, even in the early stages of ESG integration?**

In the early stages of ESG reporting, it is critical for accounting and finance teams to ensure they are familiar with the ESG frameworks they will be required to comply with well ahead of implementation, along with all data points they will be required to report on. Once a clear understanding is obtained, it is important that this information is outlined and discussed with other teams in the organization to determine what processes are currently in place to compile all necessary data. Accounting and finance teams should also consider the impacts ESG reporting may have on their ERP systems. To the extent processes do not currently exist, they need to work with the necessary people to modify existing processes, or implement new processes (and potentially even new systems) altogether, such that all data points can be accurately produced in time for the first reporting cycle.

In addition, finance professionals can assist with performing cost-benefit analyses of various ESG initiatives to help quantify the costs and benefits of various ESG related projects, thereby supporting investment decisions.

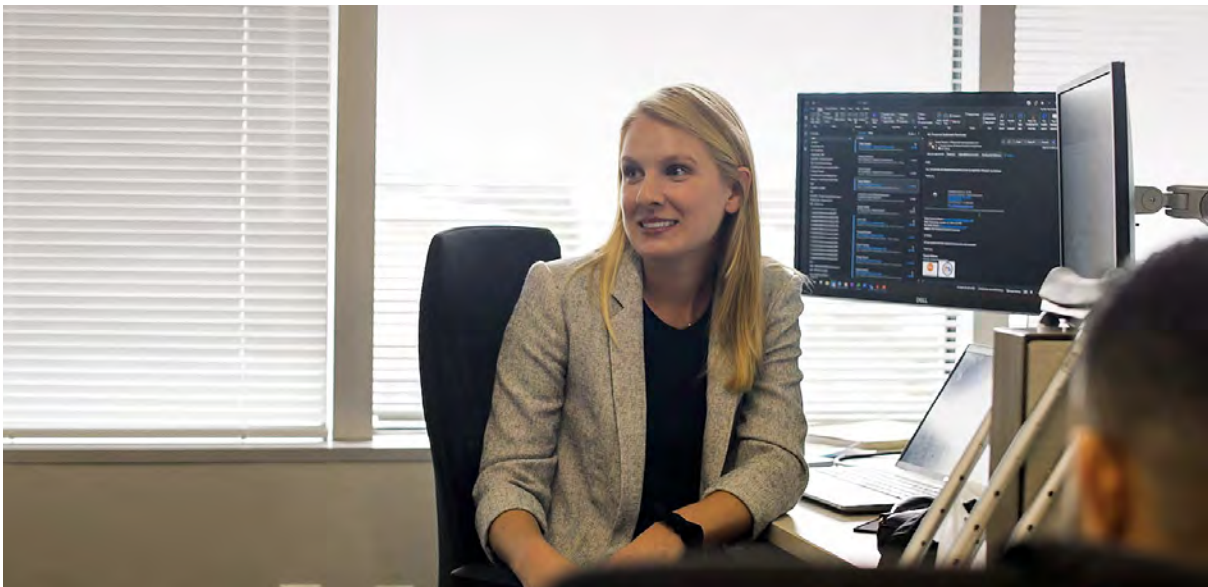


**What do you see as the biggest challenges and opportunities in integrating ESG considerations into accounting and financial management at Stoneweg US?**

One of the biggest hurdles in this process from a finance/accounting perspective will be ensuring we have a good understanding of the reporting requirements and ESG concepts in general before it becomes a mandatory component of our financial reporting. Additionally, we need to have a team in place, which may involve third-party consultants, to ensure we comply with the required ESG reporting standards/framework when we begin incorporating ESG into our reporting. We will also need to ensure we understand the requirements from all jurisdictions in which we have properties, as standards may vary.

Another challenge from a finance perspective is quantifying certain benefits associated with ESG initiatives, such as quantifying how much of a premium residents are willing to pay to live at green properties, which would in turn assist with calculating the ROI on our ESG spend.

A final challenge I foresee organizations having as they implement ESG initiatives, which we have already overcome because of the efforts of our dedicated ESG team at Stoneweg US, is working with consultants to obtain accurate benchmark data that can be used to perform analysis over ESG projects. Now that we have our benchmark data ready to go, the opportunities to prove out the cost savings and ROI associated with ESG initiatives are limitless.



## ESG BUDGET AND RELATED EXPENSES

Over the past several years, Stoneweg US has worked on behalf of Varia US to establish and activate ESG, sustainability, and resource efficiency as accretive features of its operational practices at both the company level and across its portfolio. We invest in ESG and sustainable practices to not only improve our investments but also to further enhance our asset-level community strategies. This approach blends sound financial strategies with forward-thinking and responsible resource stewardship.

In 2023, at the company level, an investment of approximately \$200,000 was made to engage consulting services, including GRESB, Carbon Accounting, and the Portfolio Level Emissions Reduction Plan. These investments in context represent approximately 0.14% of our 2023 Gross Potential Income of \$141.8 million, are expected to enhance our long-term ESG and sustainable practice performance and identify valuable opportunities to improve financial performance through sustainable practices across our operations.

Varia US discontinued its corporate-level contribution to the Arbor Day Foundation at the end of 2022. We are very proud of the \$300,000 investment made in Arbor Day over 2021-2022. As our ESG initiative enters a mature phase, we have pivoted to investing directly in the real estate we own to reduce our environmental footprint and improve the resident living experience.

The costs for achieving ENERGY STAR Performance Certifications remained flat through the end of 2023. Starting in early 2024, we have economized on the certification expense by processing these through our Utility Services Provider, Conservice. This arrangement is expected to cut the total cost of achieving these performance certifications by 90%.

The portfolio-wide master service agreements that support our ESG initiatives continued in 2023. As mentioned, our partnership with Conservice is expected to yield significant savings in the overhead cost of achieving ENERGY STAR Performance Certifications. There were no changes to the costs or benefits of the Kingsley resident satisfaction survey system or the Esusu financial fitness resident amenity. The agreement with RealPage for Business Intelligence services also continued in 2023, with all aspects remaining the same.

In 2023, ESG-related capex expenses increased in proportion to the overall spending, totaling approximately \$7,360,000. This amount represents 20% of the total capex investment for 2023.

Notable additions and improvements to the communities included the grand reopening of the clubhouse at Mallard Crossing at St. Matthews in Louisville, KY. This event celebrated the modernization of the property's amenities, including a fully refurbished gym and resident center, while preserving the unique vintage character of the clubhouse dating back to the early 19th century. The installation of 18 Xeal EV charging stations and plans for incorporating solar panels in 2024 demonstrate our commitment to sustainability.

Several new EV charging stations were brought online across the portfolio in 2023. Although a lot of due diligence was conducted, we did not complete any onsite solar power installations in 2023. However, several installations are expected to be completed by the end of 2024. We are focusing on opportunities that present the best ROI, driven by the average cost of energy in various US locations.

Expense Category	Description	Expense in USD
GRESB	Membership, Assessment, Response Check, Results Review, TCFD Alignment Report, Transition Risk Report, SFDR Assessment* (SFDR not currently included in our routine).	18,000
GRESB Consulting	3 <sup>rd</sup> party support to complete annual assessment.	65,000
Green Building Initiative	Annual Membership.	1,500
Data Assurance	Level type 2 assurance of environmental data for ESG Annual Report and GRESB assessment.	18,000
Data Assurance Support	Expense paid to Conserve to support data assurance process.	6,000
Building Certifications	Green Globes and similar sustainable building certifications. (~4/annually).	120,000
GHG Disclosure Consulting	Comprehensive Scope 1, 2 & 3 emissions: define, operationalize, collect data, set science-based targets, report.	83,000
ESG Annual Report	Design and produce ESG Annual Report.	11,500
General Consulting Budget	Third-party expert assistance to support strategic planning, policy writing and continuous improvement.	60,000
<b>Total</b>		<b>383,000</b>

# TCFD

## TCFD ALIGNMENT REPORT FROM GRESB

The Task Force on Climate-related Financial Disclosures (TCFD) Alignment Report provided by GRESB is an innovative and comprehensive tool designed to aid its participant members, such as Varia US, in addressing the challenges posed by climate change and supporting their disclosure efforts in line with TCFD recommendations.

The TCFD, established by the Financial Stability Board (FSB), has developed a set of recommendations for consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. The aim is to enable these market players to make well-informed decisions and appropriately assess climate-related risks and opportunities.

GRESB's TCFD Alignment Report responds directly to this call for greater transparency and risk mitigation. By providing a detailed analysis of a participant member's current alignment with the TCFD's four overarching themes – governance, strategy, risk management, and metrics & targets – it highlights areas of strength and flags where improvements could be made.

The governance section evaluates how well an organization's governance structure supports the understanding and management of climate-related risks. The strategy section assesses how the company identifies and manages these risks and opportunities in the short, medium, and long term. The risk management portion looks at how the organization identifies, assesses, and manages climate-related risks. Lastly, the metrics and targets section scrutinizes the tools the participant uses to assess and manage pertinent risks and performance indicators.

In essence, the TCFD Alignment Report serves as a roadmap for GRESB participants. It guides them in integrating climate-related risks and opportunities into their regular financial planning and risk management processes. By doing so, it helps create more resilient businesses that are better equipped to tackle the risks and seize the opportunities that climate change presents.

## VARIA US TCFD ALIGNMENT REPORT

In 2022 Varia US received its very first GRESB Report. Alongside this initial GRESB report, Varia US also received the GRESB TCFD Alignment Report, demonstrating its commitment towards transparency, climate change mitigation, and sustainability.

In 2023, Varia US continued to build on this foundation. The company participated in the GRESB assessment again and received an updated TCFD Alignment Report. This updated report provided new insights into Varia US's progress and efforts towards ESG commitments and climate-related risk management.

One significant improvement in 2023 was Varia US's TCFD Alignment Level, which was rated as 'A' - Maximum alignment. This was a notable achievement as the GRESB average remained at 'B'. This reflects Varia US's enhanced efforts in aligning with TCFD recommendations and underscores its leadership in climate-related financial disclosures.

Varia US has made the 2023 TCFD Alignment Report publicly available, continuing its commitment to transparency. This report can be accessed by all stakeholders on the Varia US website, in the dedicated ESG section. By doing so Varia US seeks to offer a clear view of how it aligns with the global standards set by the TCFD and GRESB.

## KEY CHANGES AND COMPARISONS (2022 VS. 2023)

### Governance:

- In 2022, Varia US established a strong governance structure for managing climate-related risks. By 2023, the company achieved maximum alignment in the governance section, reflecting the board's enhanced oversight and management's role in addressing climate-related issues.

### Strategy:

- Varia US improved its strategy alignment score from 2022 to 2023, particularly in identifying and managing climate-related risks and opportunities over short, medium, and long terms. The 2023 report highlights the company's adoption of more comprehensive scenario analyses and strategic planning to address these risks.

### Risk Management:

- The 2023 report showed a perfect score in risk management, indicating significant progress in Varia US's processes for identifying, assessing, and managing climate-related risks. This improvement from 2022 demonstrates the company's growing proficiency in integrating these processes into its overall risk management framework.

### Metrics and Targets:

- Although Varia US maintained strong performance in metrics and targets, the 2023 report identified areas for further improvement in Scope 3 GHG emissions reporting. The company aims to enhance its data coverage and accuracy in the coming year to better align with TCFD recommendations.

### Public Commitment:

- Consistent with its 2022 approach, Varia US has made its updated TCFD Alignment Report available to stakeholders [on its website's](#) ESG section. This ongoing transparency reflects Varia US's dedication to advancing ESG practices, managing climate-related risks, and keeping all stakeholders informed of its progress.

## LOOKING AHEAD

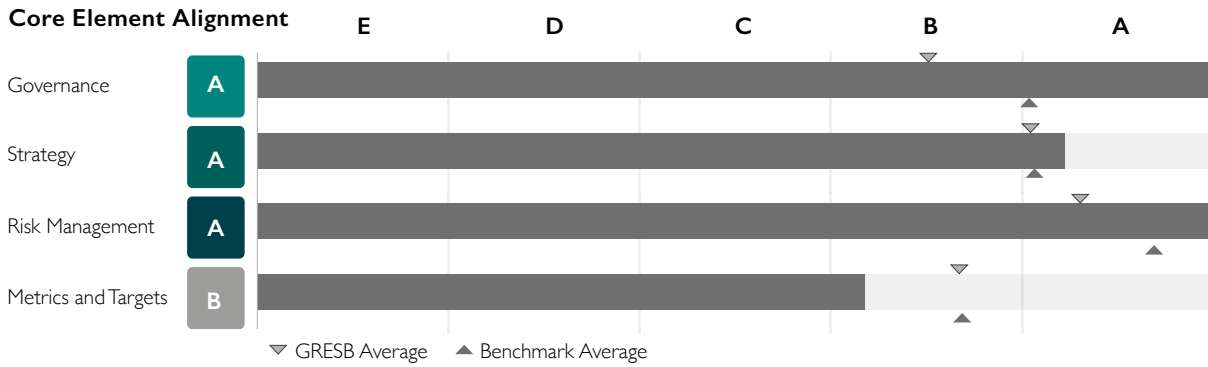
As Varia US continues to demonstrate leadership with its ESG performance in the US multifamily real estate investment sector. The company remains committed to participating in future GRESB assessments and updating its TCFD Alignment Report annually. The company is now pivoting its focus to optimizing its ESG initiatives, prioritizing opportunities that offer the best return on investment while furthering its commitment to sustainability and climate resilience.

Staying true to its promise of transparency, Varia US will make future reports available to stakeholders, reinforcing its dedication to creating shared value for all stakeholders and driving a brighter, sustainable future.



GRESB Average: **B**

Benchmark Average: **A**



### Core Element Alignment Breakdown

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# PARTNERSHIPS

## PARTNERSHIPS AND MEMBERSHIPS

### ENERGY STAR Partnership

Stoneweg US, on behalf of Varia US, continued its active participation throughout 2023 with the United States Environmental Protection Agency's (EPA) ENERGY STAR program as an ENERGY STAR partner. Stoneweg US, through its voluntary partnership with the U.S. EPA's ENERGY STAR Program, is working to improve energy efficiency and fight climate change through a strategic, corporate energy management program that will enhance the organization's financial health and help preserve the environment for future generations.

In partnership with ENERGY STAR, Varia US:

- Measures and tracks the energy performance of our organization's facilities where possible by using tools such as those offered through ENERGY STAR
- Develops and implements plans consistent with the ENERGY STAR Energy Management Guidelines to achieve energy savings
- Help spread the word about the importance of energy efficiency to our staff and community
- Supports the ENERGY STAR Challenge, a national call-to-action to help improve the energy efficiency of America's commercial and industrial buildings by 10 percent or more Highlight our achievements with recognition offered through ENERGY STAR

### About Energy Star:



ENERGY STAR was introduced by EPA in 1992 as a voluntary, market-based partnership to reduce greenhouse gas emissions through energy efficiency. Today, the ENERGY STAR label can be found on more than 60 different kinds of products as well as new homes and

commercial and industrial buildings that meet strict energy-efficiency specifications set by the EPA. Over the past twenty years, American families and businesses have saved a total of nearly \$230 billion on utility bills and prevented more than 1.7 billion metric tons of greenhouse gas emissions with help from ENERGY STAR.

In 2023 Varia US was successful in certifying (20) locations with ENERGY STAR as highlighted in the Environmental section of this report. Varia US now reports all energy, water and waste data available to ENERGY STAR Portfolio Manager for all locations, and combined with our sustainability efforts we believe we will grow the number of ENERGY STAR certified communities in the years to come.

### Better Buildings and Better Climate Challenges



The Better Buildings and Better Climate Challenges are voluntary, market-based platforms for organizations like Stoneweg US on behalf of Varia US to set ambitious, portfolio-wide, operational energy efficiency and GHG emissions reduction goals and showcase how they are taking steps to address climate change. By accelerating energy efficiency and other clean energy investments, reporting on progress, and sharing their plans and solutions for meeting their ambitious goals, partners like Stoneweg help pave the way for others.

The United States Department of Housing and Urban Development (HUD) is partnering with the United States Department of Energy (DOE) to support this transformative market leadership program in the multi-family sector. HUD will work with DOE to provide technical assistance, facilitate peer-to-peer learning opportunities, share the work of leaders, and highlight real-world replicable solutions.

### Goals and commitments:

- Better Climate Challenge (BCC): Partners commit to reducing their greenhouse gas emissions by 50% within 10 years starting with base year 2023.
- Better Buildings Challenge (BBC): Partners commit to reducing their energy consumption by 20% within 10 years starting with base year 2023.

**Green Building Initiative**



Varia US is a proud member of the Green Building Initiative. This membership grants Varia US access to a network, education, and activities with other corporations as well as non-profits, design firms, and other market leaders working to support sustainable real estate.

Varia US' Green Building Initiative membership contribution helps fund community outreach to achieve global sustainability, health, and resilience goals; comprehensive standards development efforts promoting transparency, consensus, due process, diversity, equity, and inclusion; and investment in future leaders of this movement through advancement of education and credentialing programs.

**About the Green Building Initiative:**

Green Building Initiative (GBI) is a nonprofit organization and American National Standards Institute (ANSI) Accredited Standards Developer dedicated to reducing climate impacts by improving the built environment. Founded in 2004, the organization is the global provider of the Green Globes and federal Guiding Principles Compliance certification and assessment programs.

**Utility Management Advisory**

On behalf of Varia US, in 2022 Stoneweg US joined the peer group known as the Utility Management Advisory (UMA). UMA is a professional assistance group for those working in the multifamily industry and involved in utility management or sustainability. UMA is a peer group / sounding board / think tank / place to hear about new technologies and regulations. UMA is operated by volunteers and is not-for-profit.

**Utility Management *Advisory***

The UMA is a resource for those seeking collaboration with other professionals serving in similar capacities. Stoneweg on behalf of Varia US through the UMA cooperates with a diverse peer group to continue to bring efficiencies, new technologies, and new ideas to multifamily organizations.

**Multifamily Impact Council**



In 2022, on behalf of Varia US, Stoneweg participated as a founding member of the Multifamily Impact Council (MIC). The MIC is a non-profit membership organization dedicated to establishing a framework of impact principles and reporting guidelines for the multifamily industry in the United States. Stoneweg, on behalf of Varia US, is working with the MIC to create a consistent and transparent impact framework for the industry.



# CODE OF BUSINESS CONDUCT AND ETHICS

Acting on behalf of Varia US, Stoneweg US seeks to demonstrate through all its actions a meaningful commitment to proper business conduct and ethics policy principles. This commitment forms the bedrock of the company’s interactions with all stakeholders, including investors, investment community residents, employees, contractors, and the public alike.

At the heart of Stoneweg US’ business conduct and ethical behavior policies are the core values of excellence, impact, and value creation. These values are imbued into every aspect of the organization’s operations and personnel interactions.

**Excellence** signifies Stoneweg US’ unwavering commitment to maintain the highest standards in all its endeavors. Whether it is the quality of service provided to clients or the treatment of employees, Stoneweg US strives for nothing less than exceptional.

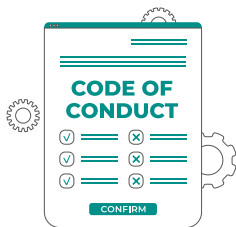
**Impact** encapsulates the meaningful change that Stoneweg US aspires to bring about in the world. From its commitment to sustainability principles, to fostering an inclusive work environment for everyone on the Stoneweg US team, the company and its people are dedicated to making a positive and lasting difference.

**Value creation** forms the last of these three pillars and is closely linked with the other two. Stoneweg US focuses on creating significant value - not just economic, but also social and environmental. This is evident in the company’s dedication to investing in a commercial real estate portfolio that provides an attainable, quality living experience for the US workforce.

To ensure every employee is aligned with these principles and conducts themselves accordingly, Stoneweg US administers a comprehensive training program. At the time of hire and annually thereafter, each employee is trained using the “Employee Handbook”. As part of this process, employees are required to sign a document each year acknowledging their understanding and agreement to abide by Stoneweg US’ employment policies.

Stoneweg US’ commitment to its core values is also reflected in its approach to attracting and retaining talent. The company sees the process of employee training and development as an important investment that contributes to the continuous improvement of skills. Recruitment and retention efforts are geared towards ensuring the right talent is matched with the right job roles.

Finally, Stoneweg US’ commitment to excellence, impact, and value creation also shines through in its client interactions. Clear, open, and transparent communication is highly valued, fostering trust throughout the organization.



The following selection of company policies are included here because the subject matter is relevant to Stoneweg US’ shared values with Varia US in terms of business conduct and ethics:

- Diversity, Equity and Inclusion
- Corporate Ethics and Human Values
- Environmental Policy for Assets
- Supplier Code of Conduct
- Transparency and Accountability
- Risk Management
- Protection of Confidential Data
- IT Security
- Executive Compensation
- Composition of the Board of Directors
- Community Engagement
- Anti-bribery Corruption and Money Laundering
- Sustainable Corporate Office Policy
- ESG and Responsible Investment Policy
- Equal Employment Opportunity
- Policy Against Workplace Harassment
- Reasonable Accommodations Policy
- Genetic Nondiscrimination Policy
- Timekeeping and Compensation
- Employee Benefits
- Employee Time Off
- Employee Travel Expenses
- Electronic Resources and Social Media
- Confidentiality
- Non-Solicitation
- Conflict of Interest
- Employment of Relatives
- No Weapons at Work
- Workplace Violence
- Drug and Alcohol Policy
- Smoke Free Workplace
- Injury and Illness Prevention Program
- Rules of Conduct (A non-exhaustive list outlining unacceptable unethical or negligent behaviors).

**Employee Policy Training and Compliance**

Stoneweg US, as part of its commitment to robust employee policy education and training, collaborates actively with the Stoneweg Group to utilize the innovative capabilities of the Coorpacademy platform. This platform, a powerful tool for knowledge and skills development, leverages cutting-edge technology to create a highly effective and engaging learning environment.

Coorpacademy, a cloud-based solution, is designed to deliver high-quality, relevant learning content through massive open online courses (MOOCs). It transcends traditional learning barriers, enabling Stoneweg US employees to access a rich resource of information at their convenience. The platform’s flexibility extends to mobile learning, allowing employees to engage with training material from anywhere, at any time.

Additionally, the Coorpacademy platform plays a pivotal role in managing and monitoring employee training at Stoneweg US. It provides the ability to track the progress of individual employees, identify gaps in knowledge, and tailor content to address specific learning needs.

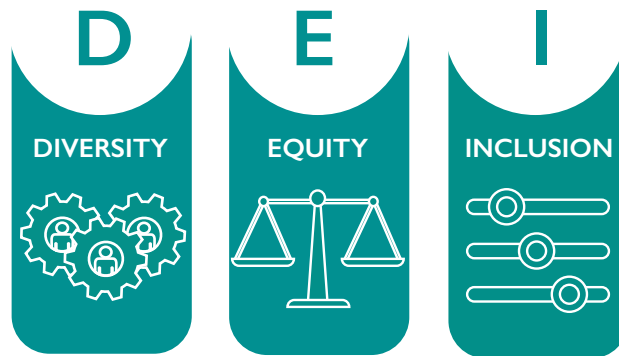
Moreover, the platform’s engagement monitoring and skills tracking features give Stoneweg US the capability to assess the impact of their training initiatives, ensuring they are effective and meet the organization’s standards of excellence. Through this collaboration with the Stoneweg Group and use of the Coorpacademy platform, Stoneweg US continues to invest in its greatest asset: its employees.

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A unique feature of the Coorpacademy platform is its use of gamification, which transforms learning into a fun, interactive experience. This approach not only engages employees more deeply but also fosters a sense of healthy competition and collaboration that further enhances the learning process.



# DEI & COMPANY DEMOGRAPHICS



At Varia US Properties and Stoneweg US, fostering a culture that upholds diversity, equity, and inclusion (DEI) is more than a commitment – it’s an integral part of our operations. Our most valuable asset is our team of people, whose diverse individual experiences, perspectives, and backgrounds form the collective strength of our organizations.

Embracing this diversity across all facets – including age, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical and mental ability, political affiliation, race, religion, sexual orientation, socio-economic status, veteran status, and other distinct characteristics — fuels the innovation and creativity at the core of our success.

Since 2021, the significance of DEI has been firmly entrenched in our ESG policy. This commitment has had a broad reach, impacting everything from recruitment, selection, compensation, benefits, professional development, training, promotions, transfers, and professional growth to social and recreational programs.

Stoneweg US has enacted a stand-alone DEI policy that is tailored specifically for its employees, affirming the company’s dedication to fostering a diverse and inclusive environment. Any behavior that falls short of our DEI standards is subject to disciplinary action.

Moreover, our commitment to DEI extends beyond our work environment. We are conscious of our role within our communities, making concerted efforts to give back and promote a more profound understanding and respect for diversity.

Our employees, who represent Varia US Properties on behalf of Stoneweg US, are tasked with living these DEI values, committed to treating each other with dignity and respect in all situations.

Should any employee feel they have encountered discrimination that conflicts with our DEI policy, we strongly encourage them to approach a supervisor or Human Resources representative for assistance. With these policies and initiatives in place, we are dedicated to creating a workspace where everyone feels valued, heard, and can reach their full potential.

Varia US and Stoneweg US’ DEI initiatives are applicable, but not limited to, our practices on:

- Recruitment and selection
- Compensation and benefits
- Professional development and training
- Promotions, transfers, and professional growth
- Social and recreational programs

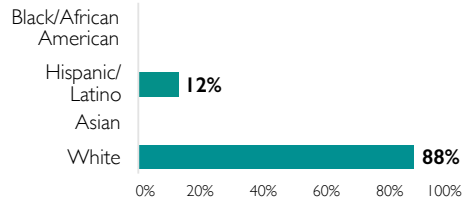
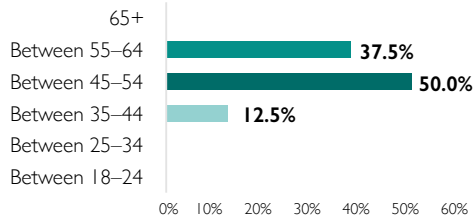
### Demographics

At Varia US and Stoneweg US, we deeply value the individual diversity that defines our organizations. The practice of sharing demographic data - including age, gender, and ethnicity - in an aggregate form plays a significant role in our commitment to ESG standards. This initiative underscores our dedication to diversity, equity, and inclusion (DEI), acting as a testament to our goal of supporting and sustaining varied and vibrant workforces.

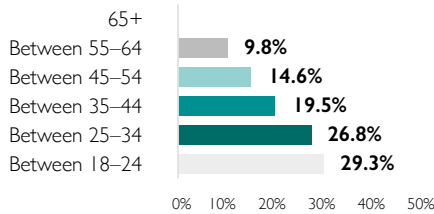
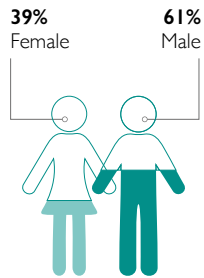
Sharing this demographic data is an integral part of our social and governance responsibilities in the context of ESG. It offers a clear, panoramic view of our organization's demographic composition. Such openness paves the way for us to regularly assess our DEI progress, fortifying our commitment and guiding our actions towards achieving better representation across all aspects of our businesses.

#### Varia US Board of Directors (Dec 31, 2023)

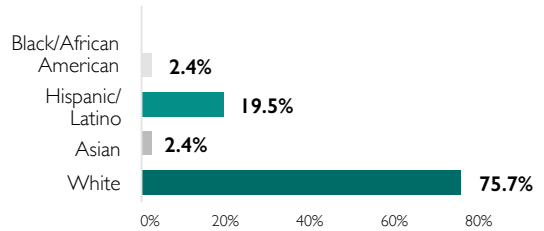
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#### Stoneweg AM + US (Dec 31, 2023)



#### Stoneweg US (Dec 31, 2023)



# CORPORATE SOCIAL RESPONSIBILITY

In the multifamily real estate investment sector, Varia US and Stoneweg US seek to be leaders in establishing and implementing its environmental, social, and governance (ESG) initiative. This forward-thinking strategy is an integral part of both Varia US and Stoneweg US's commitment to Corporate Social Responsibility (CSR), with the aim to outline and execute supportive measures that consider the welfare of its multiple stakeholders.

**Sustainable Capital Investment:** A core facet of Varia US's CSR strategy, executed by Stoneweg US is its focus on sustainable capital investment. The company recognizes the importance of employing eco-friendly construction and renovation practices. This includes the use of green building materials and energy-efficient systems. We demonstrate this commitment by seeking and achieving sustainable building certifications.

**Investor Relations and Ethical Business Practices:** Both Varia US and Stoneweg US regard its investors as key stakeholders. The company ensures that ethical business practices, transparency, and fairness are at the heart of their dealings. This dedication to ethical conduct resonates within their governance practices and is a key element of their ESG initiative. We demonstrate this in cooperation with the Stoneweg Group through comprehensive and third party assured reporting on a regular basis to our investors.

**Resident Welfare and Community Engagement:** Varia US and Stoneweg US place a significant emphasis on the well-being of its residents and the communities where properties are located. From executing a strategy to invest in a US portfolio of apartments that are safe, healthy, and attainable to encouraging site teams to arrange activities that promote local business and charities, both Varia US and Stoneweg US' CSR commitments extend beyond the confines of the portfolio. We demonstrate this commitment through additional services programs like Esusu, which reports residents' rental payment data into the credit bureaus as a way to improve renters' credit scores.



**Employee Engagement:** Stoneweg US, through its work on behalf of Varia US, also identifies its own staff and the third-party property management teams we partner with as important stakeholders. Both companies promote a diverse and inclusive work environment and support the professional growth of its employees. We demonstrate this by putting greater effort into our DEI initiatives this year and expanding the scope in order to be more equitable organizations.

**Resilience and Adaptability:** Adapting to environmental risks and changing circumstances is also an essential part of Varia US and Stoneweg US' CSR commitment. Their ESG initiatives incorporate strategic planning for climate change and other environmental factors, contributing to the resilience and longevity of their properties and communities. We demonstrate this through our work on TCFD alignment, GHG scoping and Transition Risk reporting.

Varia US and Stoneweg US' comprehensive CSR strategy and meaningful activities underscore our commitment to our stakeholders - investors, residents, employees, and the broader community, while acknowledging our responsibility towards global environmental sustainability.

# CYBERSECURITY



From the standpoint of Stoneweg US, managing multi-family real estate investments on behalf of Varia US, cybersecurity is a crucial part of their ESG commitments. Recognizing the importance of robust IT security to maintain and grow its business operations, Stoneweg US, in collaboration with the Stoneweg Group, actively implements comprehensive cybersecurity measures, policies, and procedures.

One of the crucial elements of Stoneweg US' cybersecurity strategy is its emphasis on continual staff training and education. As part of their commitment to maintaining the highest levels of IT security, all Stoneweg US employees participate in annual cybersecurity training programs with the Stoneweg Group as a whole. Moreover, the company utilizes the Coorpacademy training platform to ensure regular educational engagement throughout the year. This emphasis on training aids in keeping cybersecurity front and center in the minds of all staff, fostering a culture of vigilance and proactive protection.

Stoneweg US operates under the Group's IT security policy, designed to ensure sufficient IT security and a structured procedure to deal with potential incidents. This policy is governed by the Group Executive Committee, with the IT function and the Security Managers tasked with its implementation. Additionally, an annual report on recorded incidents and potential policy adjustments is submitted by the Group Risk Manager, ensuring continuous policy review and improvement.

Physical and logical security measures are integrated into Stoneweg's IT security framework. The Group deploys secure access to premises and workstations. Logical security is maintained through stringent access rights, restrictions on program installations, and the use of secure VPN connections for remote access to computer files.

In terms of employee measures, each company in the Group follows a code of conduct specifying rules for the use of IT resources and minimum security protocols. Telecommuting is also addressed, with specific conduct rules detailed in an agreement between the company and the employee. The Group also provides guidance for employees using company-issued laptops and connecting to IT files from abroad.

Engaging with external counterparties, the Group restricts access to its IT network for security and confidentiality purposes. Any limited access granted ensures a minimum level of security, verified by the Security Manager. No computer links between the counterparty's and the Group's systems are allowed to preserve the security and integrity of the Group's IT network.

Network connections from locations beyond our areas of operation are proactively restricted. Should employees need to travel outside of these areas, they are required to seek prior authorization for temporary access to our technology for business purposes. Additionally, our Finance department employs advanced protocols for payment processing and money transfers, ensuring that all financial transactions are secure and undergo a thorough validation process. These steps underscore our dedication to maintaining a secure digital environment for our operations.

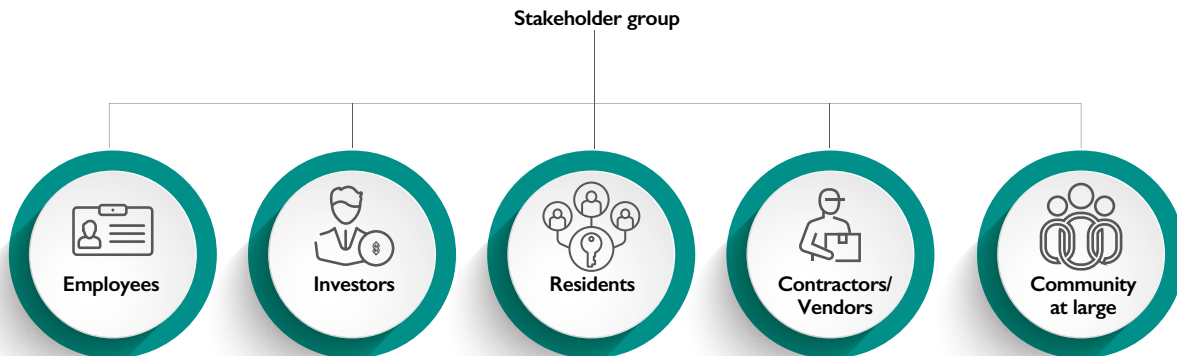
Through regular training, meticulous policies, and stringent security measures, Stoneweg US strives to maintain a secure and trusted environment for its business operations and stakeholders.

# STAKEHOLDER ENGAGEMENT

## STAKEHOLDERS

Varia US and Stoneweg US understand the importance of stakeholder engagement in shaping our business practices and sustainability efforts. As such, we have identified five main stakeholder groups integral to our operations: our dedicated employees who work tirelessly to drive our mission forward; our investors who trust and support our strategic direction; our valued residents who

are at the heart of what we do; our contractors and vendors who play a pivotal role in our service delivery; and lastly, the broader community at large, which encompasses our wider societal and environmental impacts. Recognizing these key stakeholder groups guides our business approach, helping us balance varied interests and ensure our decisions contribute positively to all.



### Engagement

On behalf of Varia US, Stoneweg US is committed to fostering a dynamic relationship with our stakeholders, which encompasses our employees, investors, residents, and the broader community. Our approach focuses on creating value by addressing the impact and opportunities that surround environmental and social issues. Throughout 2023 we have invested substantial efforts to enhance our stakeholder engagement strategies, aiming for continual transparency, accountability, and trust-building.

### Our active endeavors include the following:

**ESG Policy Training:** We ensured that every employee underwent comprehensive policy training, reinforcing our commitment to sustainable practices.

**ESG Compliance Monitoring:** Our ongoing efforts include ensuring the adherence of asset management and property operating teams to ESG-specific requirements. This encompasses tenant/resident engagement and sustainable practices.

**Investor Communications:** We prioritize the practice of investor engagement, recognizing its key role in shaping our ESG strategies. We actively involve our investors in our sustainability journey, through a transparent and accountable approach, using regular communications published on a regular basis.

**Employee Satisfaction Surveys:** We conducted surveys to gauge employee satisfaction and set up a program dedicated to improving this based on the feedback received. The surveys featured a Net Promoter Score, fulfilling a GRESB requirement.

**Promoting Employee Health & Wellbeing:** We prioritized the health and wellbeing of our employees by providing resources, healthcare benefits, and conducting regular meetings that include needs assessments, goal setting, and consistent monitoring.

**Employee Safety Monitoring:** We have regularly check workstations and workplaces regularly, promoting safety standards.

**Monitoring Diversity:** We pay attention, acknowledge the importance and seek to foster diversity of our workforce by evaluating metrics such as age group distribution, gender ratio, and racial diversity.

**Partner Engagement:** We have created a policy and initiated the framework of a program that integrates ESG elements into our engagement with contractors and vendors.

**Expanded Education:** We have enhanced our educational content to include a detailed overview of our ESG policy and United Nations Sustainable Development Goals to make them understood, relevant and practical to each employee.

**Developing a robust DEI Policy:** We aim to formulate a policy that aligns with our dedication to diversity, equity, and inclusion.

**Varia US Board Activities:** We have expanded the scope of the compensation committee to incorporate oversight of diversity and inclusion matters and created an ESG Committee.

**Community Engagement:** We support and provide resources to each community in our portfolio to foster relationships and make an impact in their local community. For example, our leasing offices routinely manage toy and food drives to promote local charitable activity.

**Contractor/Vendor Code of Conduct:** We have created a policy and are building a framework to implement a code of conduct for contractors, suppliers and vendors, with regular engagement and monitoring of compliance.

**Greening of Leases:** We have introduced green leasing in the form of the state specific standard NAA Sustainable Living Addendum in Arizona and New Mexico, and are expanding this engagement activity where possible across the portfolio over in 2024.

**Third-party Engagement:** We aim to further involve our third-party vendors in our fundamentals, promoting shared commitment to our ESG values.

At Stoneweg US, working on behalf of Varia US, we are committed to fulfilling these goals, driven by our commitment to embodying the best practices in stakeholder engagement and ESG compliance.

## MATERIALITY

As part of Varia US's commitment to embedding sustainable practices within our organization, we have worked in collaboration with Stoneweg US to undertake a thorough ESG materiality assessment in 2022. This assessment was aimed at gaining a comprehensive understanding of which environmental, social, and governance (ESG) factors could be of financial significance to our business and priority to our various stakeholders.

Materiality, within the context of ESG, refers to the process of identifying and prioritizing those issues that are of greatest relevance to an organization and its stakeholders. By understanding these material factors, we can more effectively align our business strategies, operations, and ESG targets with the values of our stakeholders, which encompass teammates, partners, suppliers, and investors.

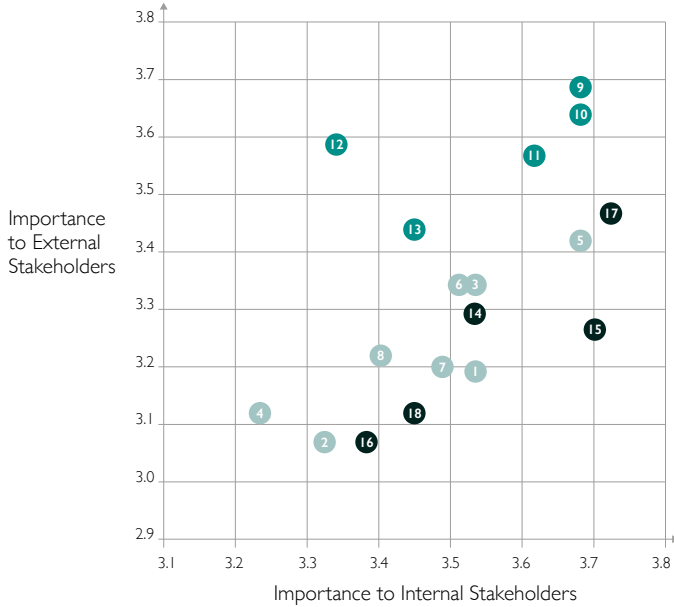
To garner a holistic view of these material factors, we conducted a meticulous analysis of ESG aspects that are of significance to our industry peers and investors. Thereafter, we directly engaged our key stakeholders through a materiality survey. A total of 88 stakeholders, including 39 teammates, 41 partners and suppliers, and 8 board members and investors, participated in this important exercise.

To ensure an effective assessment, we developed a custom survey, segmented into the three categories of ESG – environmental, social, and governance. Each survey was designed to be completed within 10 minutes and encompassed 18 multiple-choice questions. The issues evaluated spanned from climate change and resilience strategy to energy management, resident satisfaction, business ethics, and cybersecurity & data privacy. Each response was rated on a scale of 1 (Not Important) to 4 (Very Important) to aid in our aggregate analysis.

The outcome of this comprehensive assessment is compiled in the “Materiality Matrix” presented here. The matrix is a summary of survey results from the combined stakeholder respondents.



**MATERIALITY MATRIX**



**Environmental**

- 1 Physical Climate-Related Risks Resilience Strategy
- 2 Transitional Climate-Related Risks Resilience Strategy
- 3 ESG-Related Resources & Data Management
- 4 Greenhouse Gas (GHG) Emissions Management
- 5 Environmental Compliance
- 6 Innovation and Technology
- 7 Sustainable Operations
- 8 Ecological Impacts of Built Environment

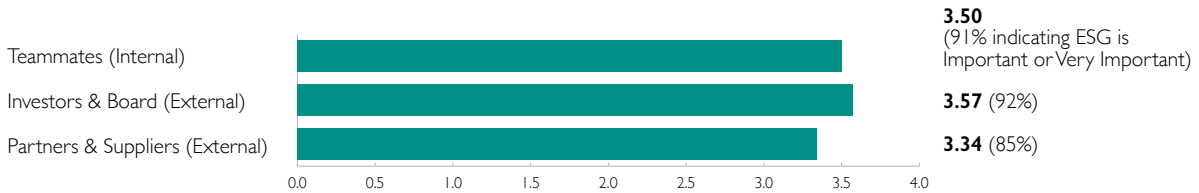
**Social**

- 9 Health and Safety of Employees and Residents
- 10 Employee Engagement, Satisfaction, and Retention
- 11 Diversity, Equity and Inclusion
- 12 Resident Engagement, Satisfaction, and Social Impact Amenities
- 13 Housing Affordability Impact and Community Reputation

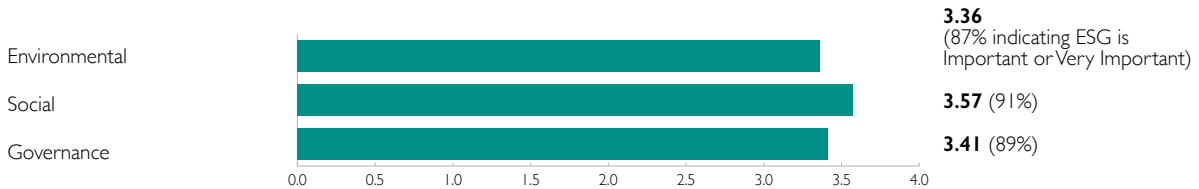
**Governance**

- 14 Health and Safety of Employees and Residents
- 15 Employee Engagement, Satisfaction, and Retention
- 16 Diversity, Equity and Inclusion
- 17 Resident Engagement, Satisfaction, and Social Impact Amenities
- 18 Housing Affordability Impact and Community Reputation

We found that all stakeholder groups surveyed consider each ESG element to be important or very important, thereby confirming the high importance of ESG to our organization. The average scores across stakeholder groups, represented on a scale of 1–4, were:



Overall, the average score was 3.43, with 88% of all responses indicating ESG factors to be “Important” or “Very Important.” This breakdown by category revealed the following averages:



Our mission, moving forward, is to further incorporate these material ESG topics into our business strategy, operations, ESG targets, and reporting. This will allow us

to more efficiently meet the needs of our stakeholders, achieve our sustainability goals, and continue to foster growth in a responsible and sustainable manner.

# ASSET MANAGEMENT PLAYBOOK

In 2023, Stoneweg US, working on behalf of Varia US, continued to improve and leverage the “ESG Asset Management Playbook” introduced in 2021. This playbook serves as an invaluable resource to fortify the outstanding efforts already undertaken by Stoneweg US Asset Managers on behalf of Varia US in their collaboration with dedicated third-party property management teams within the Varia US portfolio.

The playbook was crafted with the intention to offer a standardized model that aids both asset and property teams in effectively managing our portfolio through the multifaceted phases of procuring, renovating, and operating attainable, workforce multifamily properties. It pinpoints opportunities for every property type and to extend support to residents in numerous ways, including:

**Utility Savings:** We aim to cut down on utility expenses such as electricity, water, natural gas, and waste management costs.

**Environmental Health and Safety:** Our efforts are directed towards preventing health and safety hazards such as leaks, mold, pests, and security risks.

**Health, Wellness, and Financial Fitness:** We strive to supplement the well-being of our residents through life-enriching on-site programs.

**Apartment Community Amenities:** We endeavor to enhance the community living experience through the provision of recreational areas, swimming pools, and community activities.

In addition, our playbook supports asset managers by equipping them with essential frameworks and communication tools, such as checklists and sample memos. These can be easily adopted or incorporated from the playbook, serving as practical tools.

The playbook aligns with and supports Varia US' ESG policy and long-term goals. It underscores our commitment to cultivating healthy, safe, and engaging apartment communities while simultaneously ensuring the con-

tent growth of our portfolio's value. This dual focus on resident well-being and value creation within our attainable housing communities underscores Varia US' strategic aim to sustain high tenant retention and investor value.

The guidance provided in our playbook is derived from high-performance building reports, property assessments, expert interviews, and industry best practices. By adhering to the specifications laid out in the playbook and utilizing the forms and ideas therein, Varia US and Stoneweg US can harmonize their goals, portfolio-level opportunities, and desired achievements.

Our comprehensive guide that encapsulates a multitude of specifications embodying the best sustainable practices across all our operations. This crucial document serves as a practical tool for routine decision making, providing actionable steps and procedures for a range of activities from resident engagement to amenities, regular operations, maintenance, and capital improvements. It not only details how to perform these activities in a sustainable manner, but also reinforces our commitment to sustainability at each level of operation. The Playbook offers tangible solutions, enabling our teams to easily incorporate sustainability into their everyday tasks and decisions, and ultimately enhancing the overall ESG performance of Varia US.

Communication remains a vital component of our strategy. We encourage Asset Managers to actively engage their property teams about the best practices detailed in the playbook, ensuring the fulfillment of our objectives across all property-level operations.



# ENVIRONMENTAL RISK MANAGEMENT

In the course of our operations, Stoneweg US recognizes the imperative need for comprehensive environmental risk management on behalf of Varia US. This multidimensional and interdisciplinary process is dedicated to exploring, quantifying, assessing, and managing exposure to sustainability risks. Our focus extends beyond climate and natural risk hazards to issues such as contamination (including lead and asbestos), greenhouse gas emissions (refrigerants included), transportation, indoor air quality, and health and wellness.



The risk management process is an ongoing journey, initiated when a community is evaluated by the acquisitions team, asset managers, construction management, and the investment committee. As part of this process, we seek numerous documents from the property seller, as specified and pre-agreed upon in the purchase agreement, along with sales disclosures subject to jurisdictional law. Further, in-depth inspections are carried out by certified professionals, who investigate the historical context of the property, its current compliance with municipal codes and enforcement, perform visual site inspections, conduct site staff interviews, and review construction documents and materials testing as well as technical assessments. Investigations into insurance claim history and local crime reporting are also part of this comprehensive process.

To further support our pursuit to create a more sustainable future, Stoneweg US is now taking an added step to bolster our ESG compliance. We have introduced an ESG/Sustainability Due Diligence report for every potential new acquisition. This report is an exhaustive compilation of all material factors in the context of the company's ESG policy and strategy, and is presented to our investment committee to provide them with a comprehensive perspective before making key decisions.

This approach is an integral part of our comprehensive environmental risk management strategy. The ESG/Sustainability Due Diligence report encompasses a wide array of ESG risk factors including climate and natural risk hazards, greenhouse gas emissions, quality-of-life, and health and wellness considerations. The

report draws on an extensive range of data, including inspections by certified professionals, business intelligence services, site staff interviews, a review of construction documents, and more.

Through this proactive step, we aim to furnish our investment committee with the necessary insights to make informed decisions about potential acquisitions. The due diligence reports enable the committee to formulate a strategic acquisition plan tailored to the specific property, thus further embedding ESG considerations in our operations. For our existing portfolio, this approach complements our ongoing compliance and environmental risk management procedures, reinforcing Stoneweg US' commitment to sustainable and responsible real estate practices.

This extensive process equips our teams and the investment committee with the necessary knowledge and insight to make the most informed decisions when buying a property, thereby facilitating the formulation of a sound business strategy tailored to the individual deal. For communities already in our portfolio, we maintain a consistent process of compliance with environmental risk policy and procedures. This involves collaborative efforts between Stoneweg US, Varia US' lenders, insurance carriers, and fee-managers to continuously mitigate risk, thereby safeguarding lives and the climate. This concerted effort exemplifies our commitment to proactive and comprehensive environmental risk management in our quest to preserve and enhance the sustainability of our properties.

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# REPORTING AND DISCLOSURES



# SASB FRAMEWORK

Topic	Accounting Metric	Category	Unit of Measure	Code	Answer
ENERGY MANAGEMENT	Energy consumption data coverage as a percentage of total floor area, by property subsector	Quantitative	Percentage (%) by floor area	IF-RE-130a.1	In 2023 we achieved 79.7% whole building energy consumption data coverage as a percentage of total floor area across 31 of 31 properties in the portfolio. Energy Management is discussed on pages 56–57.
	(1) Total energy consumed by portfolio area with data coverage, (2) percentage grid electricity, and (3) percentage renewable, by property subsector	Quantitative	Gigajoules (Gj), Percentage (%)	IF-RE-130a.2	(1) 313,984.8 Gj (87,218 MWh x 3.6 Gj/MWh = 313,984.8 Gj) (2) 72.99% Grid Electricity, 27% Natural Gas (3) 0.035% Energy Management is discussed on pages 56–57.
	Like-for-like percentage change in energy consumption for the portfolio area with data coverage, by property subsector	Quantitative	Percentage (%)	IF-RE-130a.3	8% increase. Energy Management is discussed on pages 56–57.
	Percentage of eligible portfolio that (1) has an energy rating and (2) is certified to ENERGY STAR, by property subsector	Quantitative	Percentage (%) by floor area	IF-RE-130a.4	(1) 80% (2) 80% Energy Management is discussed on pages 56–57.
	Description of how building energy management considerations are integrated into property investment analysis and operational strategy	Discussion and Analysis	n/a	IF-RE-130a.5	Intergration of Energy Management into property investment and operations is discussed on page 57.

Topic	Accounting Metric	Category	Unit of Measure	Code	Answer
WATER MANAGEMENT	Water withdrawal data coverage as a percentage of (1) total floor area and (2) floor area in regions with High or Extremely High Baseline Water Stress, by property subsector	Quantitative	Percentage (%) by floor area	IF-RE-140a.1	(1) In 2023, our whole-building water data coverage was 100% as a percentage of total floor area across 31 of 31 properties in the portfolio. (2) 23% Water Management is discussed on pages 58–62.
	(1) Total water withdrawn by portfolio area with data coverage and (2) percentage in regions with High or Extremely High Baseline Water Stress, by property subsector	Quantitative	Thousand cubic meters (m <sup>3</sup> ), Percentage (%)	IF-RE-140a.2	(1) 1,791.948 (2) 34% Water Management is discussed on pages 58–62.
	Like-for-like percentage change in water withdrawn for portfolio area with data coverage, by property subsector	Quantitative	Percentage (%)	IF-RE-130a.3	11% decrease. Water Management is discussed on pages 58–62.
	Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and Analysis	n/a	IF-RE-140a.4	Water Management risks, strategies and practices to mitigate risks is discussed on pages 60.

Topic	Accounting Metric	Category	Unit of Measure	Code	Answer
MANAGEMENT OF TENANT SUSTAINABILITY IMPACTS	(1) Percentage of new leases that contain a cost recovery clause for resource efficiency related capital improvements and (2) associated leased floor area, by property subsector	Quantitative	Percentage (%) by floor area, Square feet (ft <sup>2</sup> )	IF-RE-410a.1	(1) 0% (2) 18% of resident leases include ESG language. Management of Tenant Sustainability Impacts discussed on pages 76–77.
	Percentage of tenants that are separately metered or submetered for (1) grid electricity consumption and (2) water withdrawals, by property subsector	Quantitative	Percentage (%) by floor area	IF-RE-410a.2	(1) 100% (2) 13% Management of Tenant Sustainability Impacts discussed on pages 76–77.
	Discussion of approach to measuring, incentivizing, and improving sustainability impacts of tenants	Discussion and Analysis	n/a	IF-RE-410a.3	Management of Tenant Sustainability Impacts approach and incentives discussed on pages 76.

Topic	Accounting Metric	Category	Unit of Measure	Code	Answer
CLIMATE CHANGE ADAPTATION	Area of properties located in 100-year flood zones, by property subsector	Quantitative	Square feet (ft <sup>2</sup> )	IF-RE-450a.1	Climate Change Adaption discussed, disclosed and described on page 76–77.
	Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks	Discussion and Analysis	n/a	IF-RE-450a.2	Physical and Transition Risks are disclosed and described on page 62 of this report.  Climate change risk exposure analysis and strategies for mitigating risks discussed on pages 72–77.

Activity Metric	Category	Unit of Measure	Code	Answer
Number of assets, by property subsector	Quantitative	Number	IF-RE-000.A	31 Assets, Portfolio Summary page 12.
Leasable floor area, by property subsector	Quantitative	Square feet (ft <sup>2</sup> )	IF-RE-000.B	7,962,911 sqft Net Rentable Area; Property Attributes page 172–173
Percentage of indirectly managed assets, by property subsector	Quantitative	Percentage (%) by floor area	IF-RE-000.C	n/a; multifamily portfolio.
Average occupancy rate, by property subsector	Quantitative	Percentage (%)	IF-RE-000.D	92.2%; Portfolio Summary page 10.



**Independent Assurance Statement**

Provided by ISOS Group, Inc.

**To the Management Team of Stoneweg US, LLC:**

ISOS Group, Inc. [“ISOS” or “we”] were engaged by Stoneweg US, LLC [“Client” or “Varia US”] to conduct moderate level type 2 assurance of environmental data [“Reported Information”], covering the period beginning January 1, 2023 and ending December 31, 2023 (“FY23”).

We have performed our moderate assurance engagement in accordance with the AccountAbility 1000 Assurance Standard v3 (“AA1000AS”). Our review was limited to the Reported Information comprising of:

- Energy consumption
- GHG emissions
- Water use
- Waste management

We have not performed any procedures with respect to other sustainability-related information and, therefore, no conclusion on information outside of this scope of work is expressed.

**Varia US’ responsibilities**

The Company’s management are responsible for:

- Preparing the data in accordance with generally accepted reporting practices,
- The accuracy and completeness of the information reported,
- The design, implementation and maintenance of internal controls relevant to the preparation of the report to provide reasonable assurance that the report is free from material misstatement, whether due to fraud or error,
- Ensuring the data performance is fairly stated in accordance with the applicable criteria and for the content and statements contained therein.

**Criteria**

The assurance process was intended to provide an independent opinion confirming that the Client has complied with procedures for data management at the company and minimized degrees of error by adequately:

1. Sourcing utility and waste hauler data to populate relevant data management systems,
2. Enforcing management and quality controls across the reporting period,
3. Aggregating and converting metrics into the correct unit of measure, and
4. Calculating greenhouse gas emissions.

**Boundary**

Organizational Boundary	Stoneweg US, LLC is an opportunistic real estate investment firm established in 2016 and based in St. Petersburg, Florida. The company specializes in the acquisition, asset management and development of multifamily assets.
Assurance Boundary	The boundary of assurance was limited to Stoneweg US, LLC’s Varia US fund’s forty-two (42) properties.
GHG Emissions Consolidation Approach	The GHG emissions boundary followed the operational control methodology specified in the GHG Protocol.

**Limitations and Exclusions**

Greenhouse gas quantification is unavoidably subject to inherent uncertainty because of both scientific and estimation uncertainty and for other non-financial performance information the precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time.

Several smaller scope 1 GHG emission sources (i.e., refrigerant releases, mobile combustion sources, emergency generators) have been excluded from this review. Reviews pertaining to the completeness and capture of all utility meters at properties, particularly those attributed to tenant spaces, is limited to what is disclosed in data management systems. No visit to the Client’s headquarters or facilities was conducted throughout this engagement. However, a sample set of properties were reviewed in more granularity and tested for data accuracy. It was determined that these limitations and exclusions do not materially impact the performance criteria or assurance engagement.

**Methodology**

The assurance procedures undertaken were to determine the strength of the systems in place. ISOS Group:

- Engaged a sample of individuals responsible for performance measurement,
- Evaluated current management systems for performance data collection, compilation, calculation, reporting, and validation,
- Determined consistency of assessing materiality, management approach, and application of quality control procedures,
- Reviewed sustainability disclosures, supporting data, and justification for rectifying discrepancies,
- Validated alignment to standard reporting protocols to ensure accurate claims to the quantitative methodology and approach and assurance claims,
- To verify quantitative claims, both at the aggregate level and on a sample basis, and test accuracy, consistency, completeness, and reliability, ISOS Group:
  1. Conducted a portfolio assessment analyzing performance results to uncover any errors, misstatements, gaps, or performance anomalies,
  2. Brought all findings to the Client’s attention to address and confirmed resolution,
  3. Selected the following properties for testing and analysis, including cross-reference to source data to uncover variances and address any exclusions and other limitations:
    - a. Mallard Crossing at St. Matthew (Louisville, KY)
    - b. The Village at Mayfield (Mayfield, OH)
    - c. Wood Hollow (Euless, TX)

**Findings**

Based on the process and procedures conducted, there is no evidence that the Reported is not materially correct and provide a fair representation of the Client’s environmental impacts to stakeholders for the stated period and reporting boundary.

**Application of the AA1000AP**

Findings and conclusions concerning adherence to the AA1000 AccountAbility Principles:

Inclusivity	Varia US has identified stakeholders through mapping influence, interest, and impact and outlines stakeholder engagement mechanisms in its ESG report.
Materiality	Varia US conducted materiality assessment in 2022 to identify key topics and their priority through stakeholder surveys. Responses have been integrated into risk management, compliance, and strategy development.
Responsiveness	Performance on material topics is reported through Varia US’s annual ESG report, Stoneweg US newsletters, and GRESB benchmarking.
Impact	Varia US discloses ESG targets and progress in its annual ESG report. It is recommended to consider setting targets in alignment with generally accepted standards, such as the Science Based Targets Initiative.

**Restriction of use**

This assurance report is made solely to the Client in accordance with the terms of our engagement, which include agreed arrangements for disclosure. Our work has been undertaken so that we might state to the Client those matters we have been engaged to state in this moderate assurance report and for no other purpose. Our moderate assurance report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Client for any purpose or in any context. Any party other than the Client who obtains access to our moderate assurance report or a copy thereof and chooses to rely on our moderate assurance report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Client for our work, for this independent moderate assurance report, or for the conclusions we have reached.



**Statement of Competency and Independence**

ISOS Group is an independent professional services firm that specializes in sustainability reporting under the Global Resources Initiative (GRI), CDP, and GRESB and is a provider of external assurance services. ISOS Group is a Global Reporting Initiative Certified Training Partner for the United States and a CDP Silver Education and Training Partner in the United States. Our team of experts have the technical expertise and competency to conduct assurance to the AA1000 assurance standard, which meets the criteria for assurance of environmental data.

No member of the assurance team has a business relationship with the Client, its Directors, or Managers beyond that required of this assignment. We conducted this assurance independently and, to our knowledge, there has been no conflict of interest. ISOS Group has a strong code of ethics and maintains high ethical standards among its staff in their day-to-day business activities. The assurance team has extensive experience in conducting assurance engagements over environmental, social, ethical, and health and safety information systems and processes.

Further information, including a statement of competencies, can be found at [www.isosgroup.com](http://www.isosgroup.com).

Signed on behalf of ISOS Group: San Diego, California – USA, June 20, 2024.



Brian Noveck  
CSAP Practitioner





## VARIA US PROPERTIES - ESG POLICY

### SUSTAINABILITY MISSION

Varia US Properties and its investment manager Stoneweg US are committed to providing innovative, high-performance sustainable real estate investment opportunities to drive life-enhancing financial, environmental, social, and governance (ESG) outcomes for our residents, investors, partners, and the communities where we invest.

Our approach includes the continuous pursuit of best practices in sustainable real estate and responsible investing, including appropriate stakeholder engagement, governance, and risk management in alignment with the United Nations Sustainable Development Goals (UN SDGs).

Our strategy focuses on monitoring and benchmarking our ESG performance in alignment with GRESB, as a framework of industry best practices, to tangibly demonstrate our leadership in the real estate industry to our stakeholders.

Varia US Properties and Stoneweg US, as its investment manager, both work in alignment with the UN Global Compact definition of sustainability that states: "Corporate sustainability is a company's delivery of long-term value in financial, environmental, social and ethical terms."

### SUSTAINABILITY PRINCIPLES

The pathway to achieving our Sustainability Mission is to drive enhanced financial, environmental, and social performance for the benefit of all stakeholders and communities in which we live, work, and invest, is rooted in our Sustainability Principles: Integration, Impact, and Integrity.

**Integration:** Integration means to embed and integrate best of class environmental, social, and governance (ESG) practices as part of the core business strategy to create life enhancement, accountability, and continuous improvement.

**Impact:** Drive positive impact in the lives of our residents, across the company and the industry, while mitigating risk and creating long-term value for stakeholders, including our investors, residents, managers, employees, service providers, and the communities we serve.

**Integrity:** Integrity means to conduct business always with the highest level of ethics, respect, and excellence.

### SUSTAINABILITY PRACTICES

The following Varia US and Stoneweg US Sustainability Practices have been developed in accordance with the Sustainability Mission and Principles. They serve as our guide to embed practical strategies that support the overall business strategy and create added value into our day-to-day business operations. These practices will be monitored and reviewed annually by the Stoneweg US Director of Sustainability, Stoneweg US Executive Leadership Team and the Varia US Properties Board of Directors. These Practices will be shared with all properties throughout the portfolio and all Stoneweg US employees, as well as disclosed to our investors and other key stakeholders through both of our websites.



**ESG Investing**

On behalf of Varia US, Stoneweg US integrates relevant, practical, and actionable ESG criteria into investment processes for the purpose of analyzing ESG material topics inherent in each transaction. Our ESG investing practices represent an essential aspect of the investment process for the purpose of identifying potential risk and opportunities throughout the investment cycle.

ESG assessments of material criteria are embedded in routine procedures at Stoneweg US and the ESG criteria analysis is reported during the due diligence process for acquisitions, and at least twice annually in summary format for standing investments.

On behalf of Varia US, the Stoneweg US Executive Leadership Team and Stoneweg Group Investment Committee is responsible for the consideration of acquisitions and standing investment ESG analysis for the purpose of decision-making throughout the investment cycle.

**A. ENVIRONMENTAL**

For Varia US Properties and Stoneweg US, environmental practices aim to:

- preserve & enhance quality of life for our stakeholders
- reduce utility expenses for our residents and our investors
- mitigate risk
- reduce our consumption and carefully use natural resources
- drive operational excellence

Varia US Properties and Stoneweg US have made a commitment to improve both environmental and financial performance throughout the portfolio.

Relative to what we aim to accomplish, on the following pages we outline best practices applicable for new construction associated with major renovations, improvements to existing assets, asset acquisition planning, and corporate operations.

Our aims and best practices will also be taken into consideration when hiring suppliers and procuring materials.

On behalf of Varia US, Stoneweg US will seek sustainable building certifications where appropriate and valuable. Emphasis will be put on the alignment of certifications with the business plan of each individual investment property. Stoneweg US will track building certifications across the portfolio and review them annually to evaluate their relevance in the context of the certification year as well as prioritizing renewals and updates of certifications to maintain their validity.

Varia US commits to independent third-party audits of sustainability data practices and reports to ensure accuracy and credibility

**Energy**

Varia US properties and Stoneweg US will work to reduce energy intensity and associated expenses for all managed assets by monitoring energy consumption, using energy efficient equipment, considering installment of renewable energy systems, energy storage solutions and clean technologies, and incorporating energy management best practices into daily operations, wherever feasible.



Best practices and initiatives may include, but not limited to:

- Ongoing benchmarking of energy data in ENERGY STAR Portfolio Manager
- Provide reporting mechanisms to separately account for operational and non-operational energy use, particularly focusing on EV charging stations and similar facilities.
- Enhance focus on energy efficiency across the portfolio. Implement measures to improve energy efficiency in buildings, like using high-efficiency HVAC systems and smart technology for energy management.
- Regular preventative maintenance and scheduled replacements toward high efficiency HVAC equipment and building systems
- Using smart technology and providing best practices training for residents and property managers to encourage energy savings
- Incorporating efficiency into decisions for building upgrades, capital expenditures, and major renovations
- Conducting regular technical assessments to identify opportunities to drive continuous improvement of energy efficiency from lighting to roofing to drought resistant landscaping
- Reviewing opportunities for both on and off-site renewable energy and incorporate where appropriate
- Tracking and complying with all energy efficiency and benchmarking legislation implemented across jurisdictions where Stoneweg US operates
- Conducting renewable energy opportunity assessments
- Developing a resilience program to mitigate weather and climate disruptions
- Collaborating with residents on energy management and sustainability/ ESG initiatives through engaging in green lease language in lease agreements where feasible
- Alignment with ESG Asset Management Playbook

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### GHG Management

A significant portion of the portfolio's greenhouse gas emissions are from the electricity and natural gas usage in our buildings; therefore, emissions will be tracked and managed in ENERGY STAR Portfolio Manager and reduced in accordance with the energy efficiency measures implemented as part of Stoneweg US' Energy Practices.

### Net Zero

Stoneweg US recognizes the significance of the United Nations Framework Convention on Climate Change (UNFCCC) 2015 Paris Agreement in combating climate change. Stoneweg US understands the importance of reducing greenhouse gas emissions in the atmosphere to achieve net zero. Stoneweg US takes meaningful steps to calculate, track, and reduce its GHG emissions and strives to implement programs which not only enable decarbonization, but also eliminate GHG emissions. Stoneweg US' commitments and efforts aimed at energy efficiency, decarbonization, and reduced GHG emissions are in alignment with the principles of net zero and contribute to the goal of combating climate change.

### Water

Varia US Properties and Stoneweg US will work to reduce water consumption and associated expenses for all properties through the monitoring of consumption, use of water efficient equipment where feasible, and incorporation of water management best practices into daily operations with a keen commitment to improve both environmental and financial performance.



Best practices and initiatives may include, but not be limited to:

- Ongoing benchmarking water usage in ENERGY STAR Portfolio Manager where water data is accessible
- Using smart irrigation, low-water landscaping, and leak detection systems where appropriate
- Implementing appropriate water monitoring technology and solutions to identify leaks, save money, and reduce associated risks more quickly
- Regular preventative maintenance of all applicable water-use systems, such as irrigation systems, toilet flappers, urinals, hot water heaters, faucets, showers, and pools
- Alignment with the ESG Asset Management Playbook

**Waste**

Varia US Properties and Stoneweg US will work to reduce landfill waste through tracking waste production and recycling rates, implementing waste management best practices, and purchasing recycled content or zero waste materials where applicable and feasible.

Best practices and initiatives may include, but not be limited to:

- Ongoing benchmarking of waste production and recycling rates in ENERGY STAR Portfolio Manager where waste data is accessible
- Recycling common area light bulbs wherever possible and feasible
- Ensuring appropriate recycling containers are available and accessible, and that signage is clear and easily understood by residents and building visitors
- Purchasing consumable materials with recycled content, such as recycled or biodegradable paper products, copy paper, paper towels, and bathroom tissue
- Purchasing materials with recycled content for major renovations and building upgrades, such as recycled content carpet and ceiling tiles

**Building Materials**

Varia US Properties and Stoneweg US strives to provide state-of-the-art properties that enhance the health and wellness of occupants, and we work to avoid use of materials that are known to be aversive to human health and the environment.

Best practices and initiatives may include, but not be limited to:

- Seeking to avoid exposure risks from materials with known toxic ingredients, such as: asbestos, formaldehyde, volatile organic compounds, ash, cadmium, mercury, lead, arsenic, and phthalates
- Using sustainable-certified, third party validated products and services that reduce environmental and human health impacts during new construction and redevelopment initiatives, whenever feasible.
- Some examples would include the following standards: Forest Stewardship Council (FSC), Rainforest Alliance; Cradle to Cradle, Floorscore, Green Seal and Greenguard
- Purchasing local materials and importing local fill where practical



**Biodiversity & Habitat**

In conjunction with all major renovations or re-development projects, Varia US Properties and Stoneweg US will assess and analyze environmental risks associated with the natural habitat of the applicable land, including any risk mitigation needs and costs related to:

- Identifying soil and water characteristics including their contamination levels
- Identifying soil and water, water restoration possibilities and mitigation needs, as well as related costs to reduce or avoid community risks
- Analyzing land topography to avoid removal of native material where practical, which could cause an environmental disturbance
- Understanding the biodiversity and natural habitat of the site to minimize disruption and maximize preservation opportunities during construction or renovation, inclusive of endangered species evaluations

**B. SOCIAL**

**Resident Life Enhancement**

Varia US Properties and Stoneweg US make a pointed and consistent effort to engage residents, asset, and property management teams to understand and support ESG efforts. We demonstrate our commitment to enhancing the quality of life of our residents and employee/stakeholder satisfaction through resident engagement practices and social responsibility support services that are tailored to each property.

Resident life-enhancing practices and initiatives include, but are not limited to:

- Offering residents at least one “supportive service” and/or amenity and track associated benefits.
- Esusu credit enhancement and rental payment support program, which helps to build resident credit and reduce risks of missed rental payments, while supporting better employment opportunities, increase housing stability, and reducing delinquency for residents
- Providing opportunities for residents to advance child and adult educational development in various areas (e.g. child-mentoring, and parenting and financial management workshops), as well as opportunities for community engagement

**Diversity, Equity & Inclusion**

Varia US Properties and Stoneweg US are committed to fostering, cultivating, and preserving a culture of diversity, equity, and inclusion (DEI). Our human capital is the most valuable asset we have, and our success is reliant on the collective sum of the individual differences. We embrace and encourage our employees’ differences in age, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical and mental ability, political affiliation, race, religion, sexual orientation, socio-economic status, veteran status, and other characteristics that make our employees unique.

Varia US Properties and Stoneweg US’ DEI initiatives are applicable, but not limited to, our practices on:

- Recruitment and selection
- Compensation and benefits
- Professional development and training
- Promotions, transfers, and professional growth
- Social and recreational programs



We focus on developing a work environment built on gender and diversity equity that encourages and enforces:

- Respectful communication and cooperation between all employees
- Teamwork and employee participation, permitting the representation of all groups and employee perspectives
- Work/life balance through flexible work schedules to accommodate employees' varying needs
- Employer and employee contributions to the communities we serve to promote a greater understanding and respect for diversity

All employees of Stoneweg US working on behalf of Varia US Properties have a responsibility to always treat others with dignity and respect. All employees are expected to exhibit conduct that reflects inclusion and supports belonging during work, at work functions on or off the work site, and at all other company-sponsored and participative events. All employees are also required to attend and complete annual diversity awareness training to enhance their knowledge to fulfill this responsibility.

Any employee found to have exhibited any inappropriate conduct or behavior against others may be subject to disciplinary action. Employees who believe they have been subjected to any kind of discrimination that conflicts with the company's diversity practice and initiatives should seek assistance from a supervisor or a Human Resources representative.

**Employee Safety**

Varia US Properties and Stoneweg US are committed to providing a safe workplace for our workers. We recognize that all employees have the right to work in a safe and healthy environment, consistent with the Occupational Health and Safety Act and any other applicable legislation. Part of our commitment is that we will provide ergonomic reviews and adjustment as needed to make sure each employee's work environment (desk, chair, and overall ergonomics) are appropriate and reduce risks of injuries.

Our company is committed to take every reasonable effort to eliminate the hazards that cause accidents and injuries. Disregard or willful violations of this practice by employees at any level may be considered cause for disciplinary action in accordance with the company's policies.

**Employee Performance and Career Development**

The long-term success of Varia US Properties and Stoneweg US is contingent upon the talent and commitment of our greatest asset, our employees. Both are committed to supporting the performance and career development of our employees, striving to provide a culture of learning, growth, and performance excellence.

Stoneweg US on behalf of Varia US Properties will foster this culture through establishing clear performance objectives and may support employee performance and career development through the following ways:

- Encouraging employees to engage in relevant training opportunities, including formal training sessions, employee coaching and mentoring and participation in conferences
- Funding the cost of training materials and professional certification for personnel where applicable for personnel, including accountants, asset management teams, and IT professionals.
- Encourage community service through implementation and/or expansion of an employee charitable contribution matching program



**Employee Health & Wellbeing**

Varia US Properties and Stoneweg US along with its operating partners strive to create extraordinary environments for our residents and the communities in which we invest. It is also our duty to create an extraordinary corporate working environment that facilitates positive health and wellness for our greatest asset, our employees.

Varia US Properties and Stoneweg US recognize the importance of good nutrition, regular physical activity, and reduced sedentary time in the prevention of chronic disease and the maintenance of health and wellbeing. As such, we are committed to creating a workplace culture that supports and encourages regular physical activity and facilitating active participation of workers in a range of initiatives that promote increased physical activity, reduced sitting time, and healthy eating options.

Strategies and initiatives for employee health and wellness include but are not limited to:

- Supporting reduced sitting time through available standing height tables/desks or workstations, removing waste bins from individual desks to a central location to encourage movement, or providing software reminders for staff who sit for long periods of time
- Encouraging participation in sports teams, group fitness activities and/or fitness challenges
- Encouraging walking meetings when feasible
- Providing relevant information materials, such as posters or brochures
- Providing healthy food and drink options where feasible
- Ensuring catering and onsite food outlets have healthy food and drink choices
- Installing water purification if necessary and where feasible
- Installing water bottle filling stations where feasible

Best practices for the operations and management of the corporate offices to ensure employee health and wellness related to indoor air and water quality may include but not be limited to:

- Use only low/no volatile organic compound (VOC) paints and finishes
- Institute a green cleaning practice for common areas and corporate facilities
- Use high efficiency filter vacuums
- Conduct proper IAQ evaluations and testing, where appropriate
- Use an integrated pest management plan, if and where appropriate
- Meet fire safety and carbon monoxide monitoring standards
- Institute a safety and security practice, including emergency procedures, regular drills and communicate regularly with employees
- Test water quality as needed
- Immediately address occupant noise complaints as feasible
- Meet or exceed ASHRAE outdoor air ventilation rate guidelines to control indoor sources of odors, chemicals, and carbon dioxide
- Institute a smoke-free office practice
- Incorporate tobacco free signage as appropriate

**Resident and Community Health & Well-being**

The impact of the built environment on human health has become an important aspect of sustainable high-performance buildings. Varia US Properties and Stoneweg US leadership understand this impact and are committed to owning and managing assets by working with operating partners so that properties meet or exceed healthy building criteria.

Best practices and initiatives may include, but not be limited to:





- Use only low/no volatile organic compound (VOC) paints and finishes
- Incorporate a green cleaning policy for common areas and vacant units
- Use high efficiency filter vacuums
- Conduct regular indoor air quality (IAQ) evaluation, and where appropriate implement appropriate testing protocols
- Ensure separate ventilation for chemical storage areas
- Utilize an integrated pest management (IPM) plan
- Meet fire safety and carbon monoxide monitoring standards
- Institute requirements for property level safety and security policy, including emergency procedures, regular drills and communicate regularly with occupants
- Test water quality as appropriate
- Prevent water stagnation in pipes
- Install water purification if necessary
- Install water bottle filling stations where feasible
- Immediately address to noise complaints as feasible
- Meet or exceed ASHRAE outdoor air ventilation rate guidelines to control indoor sources of odors, chemicals, and carbon dioxide
- Provide healthy vending machine/food options, via community garden programs, where feasible
- Institute a smoke-free common areas and/or building policy
- Incorporate tobacco free signage as appropriate

**Stakeholder Engagement**

Varia US Properties and Stoneweg US understand the impact that stakeholders have on our business and operations. Therefore, we are committed to engagement with our key stakeholders to facilitate two-way interaction and provide transparency of our programs and progress, particularly around our environmental, social and governance (ESG) efforts and, in turn, drive performance as a result of our strengthened relationships.

Stakeholder engagement best practices and initiatives may include but not be limited to:

- Engaging stakeholder groups to develop and maintain positive and productive relationships
- Involving stakeholders in identifying issues that are material to our business
- Providing transparency to our stakeholders through annual corporate and ESG reporting
- Conducting resident satisfaction surveys, including questions around ESG topics
- Conducting employee satisfaction surveys, including questions around engagement, professional development, and ESG topics
- Providing training and support services for residents and employees around industry best practices and ESG topics
- Employing the use of Third-Party Assurance services for relevant disclosures for non-financial ESG data when appropriate to further promote transparency and trust the environmental asset level performance information we share.



**C. GOVERNANCE**

A cornerstone of Varia US Properties and Stoneweg US' business philosophy is strong corporate governance, high ethical standards, and professional responsibility. Underlying all business activities is a focus on staying true to our core values of integrity, respect, collaboration, performance and maintaining a customer-centric approach to our business. We take pride in our efforts towards transparency with our stakeholders, as well as our diligent compliance with laws, regulations, and industry standards, and an uncompromising commitment to our Code of Ethics.

**ESG Committee**

The Varia US Board level ESG Committee is comprised of a direct delegation of members from the Varia US Board of Directors and is supported to achieve its goals by the Company's Asset Manager.

The following is a summary of the Varia US ESG Committee's responsibilities and functions:

- ESG Strategy
  - o Monitor the development of the Company's ESG strategy.
  - o Assess climate risks, climate-related opportunities (CROs) and transition paths and supervise relevant initiatives and activities.
  - o Review the ESG budget and submit it to the BOD for its approval.
- ESG Policies
  - o Review the Company's ESG policies and submit it to the Board of Directors for approval.
  - o Monitor the Company's ESG policies and their implementation.
- ESG Monitor and Review
  - o Monitor ESG reporting requirements.
  - o Monitor how all milestones and targets defined by ESG Strategy are reported to the Board of Directors and in the ESG Report.
  - o Emphasize financial consequences and measurable outcomes related to ESG factors.
- ESG Reporting
  - o Review the ESG report and submit it to the Board of Directors' approval.
  - o Report to the Board of Directors on a regular basis.
  - o Regular coordination with other Company's committees and with Stoneweg Group ESG Committee.



**Employee Participation**

To ensure compliance and strict adherence to the Varia US Properties and Stoneweg US compliance requirements, government regulations, and industry standards, Stoneweg US employees are required to participate in annual training that includes:

- Personal trading policies and preclearance requirements
- Misuse of material non-public information
- Outside business activities
- Gifts and entertainment
- Political contributions
- Anti-money laundering
- IT and cybersecurity, including electronic communication
- Risk management
- Data privacy, record keeping, and disposal of consumer information
- Standards of conduct
- External communications (media, marketing, and advertising)
- Vendor and external research provider due diligence
- Fraud
- Bribery
- Conflicts of Interest

Varia US Properties Stoneweg US also seeks to implement a corporate governance framework that provides appropriate levels of oversight in the areas of audit, risk management and potential conflicts of interest. Stoneweg US on behalf of Varia US Properties maintain strict policies that prohibit bribery and other improper payments to public officials consistent with the U.S. Foreign Corrupt Practices Act and similar laws in other jurisdictions in which we invest. Varia US Properties and Stoneweg US value our reputation as organizations that conducts business with honesty and integrity, and we maintain a zero-tolerance approach to lapses in these areas.

Stoneweg US on behalf of Varia US Properties require all Stoneweg US employees to always comply with the Stoneweg Employee Handbook and provide an annual certification of compliance.

## PROPERTY ATTRIBUTES

Property	Address	City	State	Zip Code	Ownership form	Year of construction	Units	Number of Buildings	Site Size in sq. ft.
Amaze @ Noda	3750 Philemon Ave	Charlotte	North Carolina	28206	Sole-Ownership	2020	298	3	431,680
Ashford	1200 Dairy Ashford Rd	Houston	Texas	77079	Sole-Ownership	2015	312	1	135,579
Avenue 8 Apartments	1050 West 8th Avenue	Mesa	Arizona	85210	Sole-Ownership	1986	194	12	385,158
Beau Jardin	10347 Sannois Drive	St. Louis	Missouri	63146	Sole-Ownership	1965	182	18	470,012
Bellevue Hills	11829 Amerado Boulevard	Bellevue	Nebraska	68123	Sole-Ownership	1974	264	21	788,000
Breckinridge Square	203 Breckinridge Square	Louisville	Kentucky	40220	Sole-Ownership	1970	294	20	695,261
Brent Village	1409 Buck Drive	Bellevue	Nebraska	68005	Sole-Ownership	1971	180	16	404,236
Brookwood Apartment Homes	201 South Kolb Road	Tucson	Arizona	85710	Sole-Ownership	1973	272	36	432,586
Cordova Creek	7965 Humphrey Hill Drive	Memphis	Tennessee	38016	Sole-Ownership	1986	196	29	851,162
JRG Lofts	437 W 6th Street	Covington	Kentucky	41011	Sole-Ownership	2021	178	1	60,952
Lochwood	55 Lochwood Court	New Albany	Indiana	47150	Sole-Ownership	1972	200	29	615,938
Mayfield Apartments	919 Aintree Park Drive	Mayfield	Ohio	44143	Sole-Ownership	1966	252	13	778,194
Mission Palms Apartment Homes	951 West Orange Grove Road	Tucson	Arizona	85704	Sole-Ownership	1979	360	92	1,258,842
Residences at Echelon Apartments	3500 SW Hollywood Drive	Lee's Summit	Missouri	64082	Sole-Ownership	2020	243	8	485,471
Retreat Northwest	1130 Racquet Club North Drive	Indianapolis	Indiana	46260	Sole-Ownership	1973	336	34	2,044,532
Ridge on Spring Valley	5704 Spring Valley Road	Dallas	Texas	75254	Sole-Ownership	1978	208	13	324,091
River Oaks Apartments	7730 East Broadway Boulevard	Tucson	Arizona	85710	Sole-Ownership	1982	300	16	448,958
Rolling Hills Apartments	9100 Rainbow Springs	Louisville	Kentucky	40241	Sole-Ownership	1972 & 1975	400	26	1,120,157
Shawnee Station	6405 Maurer Road	Shawnee	Kansas	66217	Sole-Ownership	2001	228	10	673,873
St Matthews Apartments	400 Mallard Creek Road	Louisville	Kentucky	40207	Sole-Ownership	1988 & 1991	600	55	1,571,035
The M Club	7007 Courthouse Drive	Indianapolis	Indiana	46226	Sole-Ownership	1979	388	24	1,694,920
The Meadows Apartment Homes	2154 Meadow Glade Lane	Memphis	Tennessee	38134	Sole-Ownership	1986	200	11	625,522
Tierra Pointe Apartments	6901 Los Volcanes Road NW	Albuquerque	New Mexico	87121	Sole-Ownership	1985	352	22	521,784
Varia at Highland Village	120 Main Street	Highland Village	Texas	75077	Sole-Ownership	2010	161	12	615,593
Varia at Oakcrest Apartments	1310 Oakcrest Drive	Columbia	South Carolina	29223	Sole-Ownership	2000	271	28	838,349
West End at Fayetteville	3050 Plantation Garden Boulevard	Fayetteville	North Carolina	28303	Sole-Ownership	2012	360	25	1,870,902
Wild Oak	7987 N Flintlock Road	Kansas City	Missouri	64158	Sole-Ownership	2000	348	16	1,047,182
Willows of Cumming	225 Nancy Lane	Cumming	Georgia	30040	Sole-Ownership	1996	156	8	554,519
Wood Hollow Apartments	3875 Post Oak Boulevard	Fort Worth (Eules)	Texas	76040	Sole-Ownership	1985	346	17	535,374
Wylde at eagles Creek	6612 Eagle Pointe Drive North	Indianapolis	Indiana	46254	Sole-Ownership	1987	256	22	835,350
Zona Village	2855 West Anklam Road	Tucson	Arizona	85745	Sole-Ownership	1969	183	25	249,075
<b>Total</b>							<b>8,518</b>	<b>663</b>	<b>23,364,289</b>

	Gross Square Footage	Net Lettable area in sq. ft.	Property Type	Fair Value in USD	Vacancy Rate	Recycling	Green Buildings Certifications	Performance Certifications
	277,328	221,215	Residential: Multifamily: Low-Rise Multifamily	69,300,000	8.0%	✓	2023 Green Globes Existing Building	2023 ENERGY STAR
	286,549	260,852	Residential: Multifamily: Low-Rise Multifamily	55,800,000	7.4%	✓	2023 Green Globes Existing Building	2023 ENERGY STAR
	216,788	213,400	Residential: Multifamily: Low-Rise Multifamily	38,000,000	6.1%	✓		2021, 2022 & 2023 ENERGY STAR
	191,000	159,520	Residential: Multifamily: Low-Rise Multifamily	20,000,000	3.2%			
	275,961	243,960	Residential: Multifamily: Low-Rise Multifamily	29,800,000	9.9%	✓		
	362,464	332,090	Residential: Multifamily: Low-Rise Multifamily	33,000,000	8.6%	✓		2023 ENERGY STAR
	167,101	147,875	Residential: Multifamily: Low-Rise Multifamily	17,000,000	8.3%			2023 ENERGY STAR
	209,118	206,784	Residential: Multifamily: Low-Rise Multifamily	28,570,000	9.9%	✓		2023 ENERGY STAR
	217,145	214,038	Residential: Multifamily: Low-Rise Multifamily	27,000,000	6.0%			
	171,393	131,543	Residential: Multifamily: Low-Rise Multifamily	59,300,000	7.0%	✓	2022 Green Globes New Construction	2022 & 2023 ENERGY STAR
	313,600	268,800	Residential: Multifamily: Low-Rise Multifamily	20,200,000	7.1%			2023 ENERGY STAR
	300,377	275,575	Residential: Multifamily: Low-Rise Multifamily	39,650,000	5.0%	✓		2023 ENERGY STAR
	377,807	372,918	Residential: Multifamily: Low-Rise Multifamily	65,950,000	4.7%	✓	2023 Green Globes Existing Building	2023 ENERGY STAR
	325,761	235,513	Residential: Multifamily: Low-Rise Multifamily	56,400,000	4.9%	✓	2023 Green Globes Existing Building	2021, 2022 & 2023 ENERGY STAR
	357,072	347,620	Residential: Multifamily: Low-Rise Multifamily	44,400,000	7.1%	✓		
	169,881	164,933	Residential: Multifamily: Low-Rise Multifamily	30,500,000	5.2%	✓		
	216,311	212,074	Residential: Multifamily: Low-Rise Multifamily	33,640,000	9.7%	✓		2023 ENERGY STAR
	510,040	504,640	Residential: Multifamily: Low-Rise Multifamily	51,600,000	6.9%	✓		2023 ENERGY STAR
	251,647	210,648	Residential: Multifamily: Low-Rise Multifamily	32,600,000	7.9%	✓		2021, 2022 & 2023 ENERGY STAR
	602,518	587,208	Residential: Multifamily: Low-Rise Multifamily	98,900,000	11.3%	✓		2023 ENERGY STAR
	310,287	303,544	Residential: Multifamily: Low-Rise Multifamily	41,100,000	7.1%	✓		
	194,200	191,200	Residential: Multifamily: Low-Rise Multifamily	22,200,000	7.6%			
	217,250	211,720	Residential: Multifamily: Low-Rise Multifamily	43,500,000	9.3%	✓		2023 ENERGY STAR
	234,581	195,115	Residential: Multifamily: Low-Rise Multifamily	41,700,000	7.2%	✓	2022 Green Globes Existing Building	
	353,600	299,102	Residential: Multifamily: Low-Rise Multifamily	40,200,000	6.6%	✓		2023 ENERGY STAR
	509,241	425,784	Residential: Multifamily: Low-Rise Multifamily	86,100,000	5.3%	✓	2022 Green Globes Existing Building	2023 ENERGY STAR
	329,964	325,488	Residential: Multifamily: Low-Rise Multifamily	60,900,000	5.4%		2022 Green Globes Existing Building	2021, 2022 & 2023 ENERGY STAR
	157,719	147,148	Residential: Multifamily: Low-Rise Multifamily	22,200,000	1.0%			
	256,779	251,639	Residential: Multifamily: Low-Rise Multifamily	41,900,000	11.7%	✓		2023 ENERGY STAR
	242,400	202,000	Residential: Multifamily: Low-Rise Multifamily	31,400,000	7.8%			
	100,430	98,868	Residential: Multifamily: Low-Rise Multifamily	17,200,000	6.5%	✓		2023 ENERGY STAR
	<b>8,706,312</b>	<b>7,962,814</b>		<b>1,300,010,000</b>				





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ENVIRONMENT

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GOVERNANCE



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