



ESG Policy



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ESG POLICY

1. ENVIRONMENTAL POLICIES AND SUSTAINABLE PRACTICES

a. Environmental policy objectives: VBI believes that a healthy environment is necessary for the well-being of society and posterity. As developers, owners, and operators of real estate, our investment decisions impact the environment. VBI complies with all local, state and federal environmental legislation and seeks to encourage economical utilization of finite natural resources and to incorporate sustainable practices where practicable. VBI recognizes that individual and corporate users of real estate are increasingly factoring energy efficiency and sustainability considerations into their real estate selection process, thereby rendering the utilization of sustainable practices increasingly economically viable for real estate developers and owners.

b. Technical standards, performance targets & relevant legislation

i. Bio-diversity loss prevention. VBI complies with relevant environmental legislation, including the requirement that the development of rural areas larger than a 500,000 sq. meters be subject to a full environmental impact assessment.

ii. Greenhouse gas emissions and use of renewable energy: VBI will adhere to US Green Building Council LEEDs standards where economically viable to do so, which historically has been the case for new construction of office buildings. USGBC LEEDs standards offer pointbased incentives to incorporate greenhouse gas emission reduction in the construction and building installation design. It is noted that it is often not economically viable to conform to a prescribed standard and VBI therefore seeks to implement systems or building management processes which aim to reduce greenhouse gas emissions. In all VBI owned or operated properties, there will be an attempt to maintain a conscientious use of energy efficient practices.

iii. Use of renewable energy. VBI will seek opportunities to utilize renewable energy sources when doing so results in either lower or equivalent energy costs or more reliable energy supply. VBI will assess the economic viability of solar net metering where viable.

iv. Air and water resource depletion and pollution. Where economically viable, VBI will include wastewater reutilization systems in new construction. As a commercial strategy, VBI seeks to locate properties within walking distance of target universities or along public transportation corridors, thereby reducing the use of private cars.

v. Use of sustainable materials. VBI's choice of materials is based entirely on economic criteria, which includes taking into consideration that tenants may be willing to pay higher rents if a property utilizes sustainable materials. LEEDs certification criteria take into consideration the use of sustainable materials, and VBI may opt for LEEDs certification as a commercial decision.

vi. Land contamination. VBI conducts phase 1 environmental assessments prior to all property acquisitions. If a Phase 1 assessment indicates a non-trivial probability of contamination, VBI will proceed with sample soil analyses. State environmental guidelines establish concentration limits for a broad range of environmental and human toxins. In the event that concentration limits are breached,



VBI may either opt to reduce toxin levels through a soil exchange and proper disposal of the toxic compounds, or not to proceed with the acquisition.

vii. Handling and storage of hazardous waste. State and federal environmental guidelines establish procedures for the transportation and storage of hazardous materials. VBI will adhere to all state and federal guidelines.

viii. Land degradation and deforestation. VBI's student housing investment strategy is focused on the redevelopment of existing urban areas. Land degradation and deforestation is not a relevant concern in the context of VBI's student housing business.

ix. Changes in land use. VBI's student housing strategy does not anticipate conversion of rural land to urban land. However, changes from commercial to residential, or vice-versa, are contemplated, within the guidelines of local planning guidelines.

c. Operational management and implementation of policies. In the investment underwriting process, VBI will clearly identify the environmental risks associated with the relevant investment and identify corresponding mitigation steps. Proposed mitigants are incorporated in the property design parameters. VBI will not proceed with an investment if it views that there is a substantial risk that the environmental risk cannot be mitigated as required by law.

d. Monitoring, compliance and reporting. Compliance with environmental guidelines are monitored on a regular basis and are addressed in project manager reports. **OBJETIVO**

2. SOCIAL POLICIES

a. Social policy objectives. VBI's social policies are focused on the following objectives: (i) promoting diversity along the lines of gender, race, ethnicity, sexual orientation and socio-economic background, (ii) supporting the safety, human rights and dignity of our stakeholders, (iii) contributing to the educational, social and economic development of the regions in which we invest, and (iv) contributing to the redevelopment of centrally located urban areas with extensive access to public transportation.

b. Performance targets & relevant legislation

i. Rights, well-being and interests of people and their communities. VBI's student housing strategy has been focused largely on the retrofit of existing buildings. Positively impacting the region in which our properties are located benefits us as property owners and revitalizes the communities in which our properties are located. This positive externality contributes to our financial success as investors.

ii. Human rights. VBI complies with local, state and federal legislation aimed at guaranteeing human rights. Of primary relevance to the activity of development and management of commercial



and residential real estate are the following: condemnation of slavery, condemnation of child labor or any form of child exploitation, and adherence to anti-discrimination laws protecting the rights ethnic minorities, women and LGBT employees and employee candidates. As owners of residential communities, VBI is committed to maintaining residential communities in which families are provided with dignified living conditions.

iii. Labor standards. Brazil's labor laws guarantee a high standard of labor conditions, including maximum permitted work hours, minimum vacation time, paternity and maternity leave, over-time pay, health benefits, and other benefits. Collaborators of VBI or entities into which the student housing joint venture will invest will either be treated as equity partners or as employees hired pursuant to Brazil's consolidated labor laws ("CLT"). Collaborators treated as equity partners will be permitted a higher degree of flexibility in determining their work routines and will be permitted to participate in profit distributions. These individuals generally hold minority interests through holding companies which are controlled by a smaller number of senior equity partners (who are currently the five direct beneficial shareholders of VBI Real Estate).

iv. Working conditions

1. VBI employees. VBI employees will be hired pursuant to the consolidated labor laws and will be entitled to the benefits and worker protections guaranteed therein.

2. Equity partners. Equity partners will have a higher degree of discretion over their work routines and will be permitted to participate in profits generated. Although these individuals may not be employees of VBI as defined by Brazil's labor legislation, the total compensation of junior equity partners is determined based on performance metrics and at the discretion of the senior partners.

3. VBI contracted parties and supply chain. All entities contracted by VBI will be subject to a pre-screening process before purchase orders may be submitted. The pre-screening process entails a background check on such entities' shareholders and histories and a potential supplier will be substituted with an alternative if the background checks. Standard contracts between entities controlled by VBI and third parties include reps and warranties that affirm that contracted parties will act in compliance with applicable labor laws.

4. Workplace safety standards. Pursuant to Brazilian law (NR-18), construction sites must adhere to an extensive workplace safety code. VBI will generally hire specialized consulting firms who advise VBI in preparing the worksite to comply with the requirements specified in NR-18 and who create periodic reports related to ongoing compliance with NR-18. Where VBI does not directly engage a specialized consulting firm, a general contractor will provide workplace health and safety compliance services as part of the scope of their services to VBI. Each construction project will typically engage



a construction management firm which provides a full-time, on-site engineer who is the party responsible with respect to the Ministry of Labor. A VBI employee or partner will review the reports of such workplace health and safety consultant and audit adherence to NR-18 on a test basis.

v. Child, slave and bounded labor or servitude and human trafficking. Brazilian federal law provides clear definitions of slave labor and Article 149 of the Brazilian penal code provides for strict criminal penalties for violation of prohibitions of slave labor. Brazil's labor laws also stipulate minimum working age and provides for strict penalties for violation of this minimum. VBI strictly adheres to federal prohibitions on slave and child labor.

vi. Indigenous rights. Brazilian federal laws designate areas subject to protection of indigenous populations. VBI strictly adheres to such regulations.

vii. Freedom of association and freedom of expression. Title II, Chapter 1, Article 5 of the Brazilian Constitution guarantees the rights of individuals freedom of expression and association. In addition to the rights guaranteed by the Brazilian constitution, VBI seeks to empower its employees, partners and other collaborators by creating a culture which encourages pro-activity, self-expression and reflection.

viii. Diversity. VBI seeks to promote diversity among its staff and third-party collaborators along the lines of gender, race, ethnicity, sexual orientation and socio-economic background. VBI recognizes diversity as a means of creating unique insights and expanding the depth and breadth of insights and relationships. VBI senior personnel participates early on in the screening process and seeks to establish a broad outreach process. If VBI senior personnel recognize that the work environment is excessively homogenous we will seek to correct this homogeneity in our candidate outreach.

ix. Consumer protection. VBI adheres to Brazil's federal consumer code. Beyond its legal obligations to its customers, the value proposition of VBI's student housing investment strategy is rooted in offering a convenient and transparent process by which students and their parents identify and secure appropriate and cost-effective housing and providing a stimulating and protective community of students and educators.

x. Data protection and privacy. Please refer to VBI's regulations manual which establishes guidelines for the handling of data, protection of confidential information, Internet usage, policies for data backup, use of email, password management, and Internet and email usage. These guidelines are published on VBI's website.

xi. Urban impact objectives. Subject to economic viability, VBI seeks to contribute to the regeneration and redevelopment of downtown regions in Brazil's tier-1 cities by identifying higher



uses of existing depreciated real estate with efficient pedestrian access to subway and dedicated bus lane transportation. In doing so, VBI is seeking to play a leadership role in promoting an increase in population density and entrepreneurial investment in centralized regions which may be accessed without the use of private automobiles. The positive social and environmental externalities of VBI's endeavor include urban regeneration, improvement of urban tourism infrastructure, reduction in carbon emissions by promoting increases in density along public transportation corridors, and the reclaiming of urban architectural heritage.

c. Operational management and implementation of policies. VBI's operational policies are published on its website, pursuant to the requirements of Anbima, the Brazilian association of entities which operate in the local financial markets, and the Brazilian CVM, the financial markets regulatory agency. In addition to written policies, VBI conducts internal training workshops on a periodic basis and requires that third-parties hired by VBI understand and comply with VBI's policies. As appropriate, contracts with external service providers will require that such service providers represent their awareness of VBI's policies and their intention to remain in compliance with such policies.

d. Monitoring, compliance, and reporting. VBI's internal compliance officer is responsible for monitoring compliance with VBI's ESG policies. Any indications of non-compliance with VBI policies are noted and discussed in periodic meetings in which VBI's equity partners and VBI's compliance officers participate.

3. HEALTH AND SAFETY

a. Health and safety policy objectives. VBI's health and safety objectives are to (i) comply with local, state and federal health and safety regulations relevant to construction and real estate asset management activities, and (ii) to promote awareness of workplace and community safety and well being among VBI's employees, collaborators, operating partners and residents of student communities in which VBI is a stakeholder.

b. Performance targets, practices and relevant legislation

i. Managing health and safety risks. In relation to construction activities, VBI seeks to adhere to NR-18, which establishes health and safety standards in the civil construction activity. Occupied buildings must comply with municipal, state and federal health and safety guidelines and state and municipal building codes. Compliance with fire safety guidelines is verified by on-site inspections and fire department certification. Issuance of a certificate of occupancy requires verification that the final constructed project conforms to the municipal building code and related safety guidelines.

ii. Local HSE advisors and consultants. VBI hires specialized consultants to adapt construction sites to the conditions required to adhere with NR18. Prior to the start of construction activities,



selected consultants, under the supervision of the responsible on-site engineer, will elaborate a workplace health and safety diagnosis and action plan, in which the worksite's compliance with the norms established in NR-18 is evaluated and measures required to comply with NR-18 are recommended. Upon the start of construction, consultants provide periodic written reports which include (i) a summary of observed violations of health and safety norms, (ii) palliative measures taken to correct violations of health and safety standards, (iii) incidents of workplace injury or illness, and (iv) inspections from local, state or federal regulators or enforcement officials. In addition, VBI personnel visit all work sites on a periodic basis with the on-site civil engineer responsible for compliance with workplace health and safety. For operating properties, the contracted property manager (which is expected to be Uliving in the case of student housing properties), is responsible for the diagnosis of health and safety risks and the implementation of measures required to mitigate such risks. Maintaining a healthy and safe student community is a significant component of Uliving's value proposition. Periodically (and at least once in every 2 years) each operating property will be subjected to a health and safety review by a qualified external consultant.

iii. Employee training. As per NR-18 norms, construction workers are provided with workplace health and safety instruction. Workplace health and safety consultants are charged with implementing worker instruction. On-site property managers and resident advisors are trained by the property manager in safety procedures which include: fire safety, evacuation procedures, management of kitchen equipment, and proper use of elevators.

iv. Reporting. During the construction phase, external consultants provide periodic workplace health and safety reports. These reports are supplemented by the daily presence of a responsible engineer and a periodic presence of VBI staff. Any breach of health and safety guidelines observed by VBI staff or selected service providers is recorded. During the operating phase, the property manager is responsible for reporting any nonconformities with health and safety guidelines. A summary report on health and safety compliance (in respect of the entire portfolio) is to be presented on an annual basis as part of the periodic reporting to investors.

4. ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING AND SANCTIONS

a. Policies. VBI maintains a code of conduct and policy manual which includes guidelines for KYC and anti-money laundering assurances. KYC policies entail looking through to final/ultimate beneficial owners of all transactions above a minimum threshold.² VBI's guidelines for record keeping, KYC and anti-money laundering precautions comply with the Title III of the US Patriot Act and relevant provisions of Brazilian CVM regulations.

b. Compliance monitoring. VBI's compliance officer is responsible for ensuring compliance with VBI's AML policies and compliance with the US OFAC sanctions policies. VBI maintains a counter-party



registration process which entails conducting KYC and gathering relevant documentation related to transaction counterparties and their ultimate beneficial owners prior to engaging in commerce with such parties. VBI's counterparty registration and approval guidelines are managed via its ERP system (SAP). KYC is reviewed on a periodic basis if there is any change in beneficial ownership of a counterparty or if there is reason to believe that a counterparty has undergone a change which could alter its suitability as a transaction counterparty to VBI or an entity controlled or managed by VBI.

5. ANTI-BRIBERY AND CORRUPTION

a. Policies. VBI adheres to anti-bribery and anti-corruption laws including, the US Foreign Corrupt Practices Act of 1977, the US Travel Act, the UK Bribery Act 2010, the Brazilian Anti-Corruption Law (Federal Law NO. 12,846/2013), the Brazilian Anti-Corruption Regulatory Decree (Decree No. 8,420/2015), the Conflict of Interest Law (Federal Law No. 12,813/2013), the Brazilian Law of Administrative Improbity (Federal Law No. 8,429/1992), and the Brazilian Public Procurement Law (Federal Law No. 8,666/1993). VBI's personnel are provided with copies of the VBI Code of Conduct and are provided with instruction related to compliance with anti-bribery and anti-corruption guidelines.

b. Compliance and monitoring. VBI personnel are required to sign a term of adherence to the VBI Code of Conduct. In addition, transactions between entities controlled by VBI and third parties are monitored by VBI's finance team and compliance officer. KYC files with final/ultimate beneficial owner data are updated from time to time, as appropriate.

6. ESG AND THE INVESTMENT PROCESS

a. Investment screening and due diligence. VBI's investment approval checklist includes measures to ensure compliance with the guidelines contained in this ESG policy statement.

b. Investment documentation. Transaction documents include reps and warranties which bind key transaction partners to adherence to practices which conform to VBI's ESG policies.

7. INTERNAL COMPLIANCE ORGANIZATION

a. Compliance officer. VBI's compliance officer is currently Juliana Yassuda. Juliana is responsible for enforcing compliance with VBI's policies related to ESG guidelines, anti-money laundering, counter-terrorist financing/sanctions, anti-bribery and corruption and tax compliance. VBI's compliance officer's efforts are supplemented by third-party advisors as appropriate.



8. TAX

- a. VBI complies with all relevant local, state and federal taxes. Internally, Sérgio Magalhães, our CFO, is responsible for managing tax compliance, with the assistance of external tax advisors, including Luciano Colauto and Philip Schneider, who advise on the more complex matters, for a fixed monthly fee, in the case of Luciano Colauto, and on an hourly fee basis, in the case of Philip Schneider. VBI may also work with other tax specialists, who are selected on the basis of their reputed expertise, their reputation for conservatism, and the cost of their services. VBI is open and transparent with the Brazilian tax authorities.
- b. VBI generally seeks advice in advance of transactions, in the context of structuring asset acquisitions/disposals, management equity plans, tax compliance positions and any materially complex transactions. Advice may be provided in written or verbal form.
- c. VBI has a policy that it will not undertake aggressive tax planning (i.e., high risk or likely to be considered abusive for tax purposes), and all transactions are undertaken based on their commercial merits.
- d. All investments are subject to internal tax review. In cases where tax issues are complex, VBI's investment committee participates in the tax review and tax thesis validation in order to verify that VBI's investment committee is in line with the tax policy prior to investment.
- e. VBI is aware of the risks around the facilitation of tax evasion, and actively seek to encourage a culture that mitigates these risks. For example, counterparty due diligence is undertaken prior to payments to suppliers and associated parties, and the commercial rationale of transaction/arrangements are clearly documented.
- f. VBI has not been subject to any meaningful local, state or federal tax challenges, with the exception of routine reviews of tax withholdings in relation to large construction projects. In no such tax reviews has VBI ever been designated by the tax authority as having taken an aggressive tax posture.
- a. Student housing JV tax positions
- i. Key tax positions. VBI's student housing investment program will utilize the FII structure, which offers similar tax advantages to a REIT structure. In relation to residential properties, the use of the REIT structure to minimize taxation on net rental income is clear and non-controversial. In relation to hotel properties, VBI will master lease the property to the property manager, who in turn will receive revenues from tenant room charges and pay a monthly rental fee which is approximately



equal to revenues from room charges net of operating expenses and the property manager's fees. As the monthly rent payment paid by the property manager is adjusted in accordance with net tenant room fees, the use of the master lease structure is innovative, but not without precedent.

ii. Positions subject to potential challenge. There are two tax positions adopted by the student housing investment program which may be viewed as innovative. First, the use of the master lease structure as a means of transforming hospitality fees into rents, and second, the treatment of capital gains from JV's eventual future sale of the FII quotas. Both tax positions have been reviewed by VBI's retained tax advisor, by external tax legal counsel, and by the external administrator of the FII, who bears legal responsibility vis a vis the Brazilian federal tax authority.

