DMFCO PAI Statement

July 2023

1. Summary

DMF Investment Management B.V. (LEI:724500TVBA043H960027) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated principal adverse sustainability impacts statement of DMF Investment Management B.V..

DMF Investment Management B.V. (the Manager) takes the most important adverse effects on sustainability factors into account in its investment decisions. This Principal adverse impacts statement (PAI) relates to the period from 1 January to 31 December 2022.

The Manager is supervised by the Dutch Authority for Financial Markets (AFM) and has a license to manage investment institutions on the basis of art. 2:65, first paragraph sub a, of the Financial Supervision Act (Wft).

The Manager manages investments in mortgage receivables originated by MUNT Hypotheken B.V. (MUNT) for various investment institutions. Both the Manager and MUNT are part of the DMFCO group and, in that context, are subject to DMFCO's prudent lending policy, which resulted in the establishment of a portfolio of Dutch residential mortgages. In doing so, the Manager takes into account the following possible negative impacts on sustainability:

- There are differences in the energy efficiency of the properties underlying the mortgage receivables. The Manager is transparent to investors about the energy efficiency of the properties and encourages borrowers to make improvements to the energy efficiency by offering financing opportunities for energy-saving measures;
- The Manager has identified the risks for its investors related to climate change. These consist of flood risk, foundation risk and transition risk. The Manager has established a quantitative estimation of flood risk. The potential negative impact of flood risk is reported on a monthly basis;
- When granting mortgages there is a risk that the mortgage product does not sufficiently match the profile and needs of the consumer. MUNT has a legal, but also feels a moral obligation to actively prevent this risk. For example; MUNT's acceptance criteria for mortgages fulfil MUNT's duty of care towards borrowers and aim to prevent over-crediting. MUNT actively approaches borrowers who may have payment problems in the future. In those situations where a borrower has difficulty meeting his payment obligations, MUNT takes special care to consider the interests of the borrower. MUNT continuously reviews to what extent its mortgage product meets the wishes and needs of the borrowers that form the target group for the MUNT mortgage product;
- When granting mortgages there is a risk that certain target groups in society will be disadvantaged and not adequately served. MUNT adheres to the prevailing market standards and behaves as society would expect from a modern and prudent mortgage lender. MUNT does not discriminate on the basis of race, religion or sexuality and does not discriminate in the mortgage underwriting process.

Manager's business activities consume, among other things, energy and raw materials. The Manager is aware of the negative impact of this consumption and strives for a zero-carbon emission operation by 2030. The Manager stimulates the efficient and minimal use of raw materials and energy, for example by carrying out as many processes as possible digitally.

The following UN Social Development Goals (SDGs) are specifically supported by DMFCO's CSRI policy:

- SDG 1: End poverty in all its forms everywhere;
- SDG 7: Ensure access to affordable, reliable, sustainable and modern energy;
- SDG 11: Make cities inclusive, safe, resilient and sustainable;
- SDG 13: Take urgent action to combat climate change and its impacts.

2. Statement on principal adverse impacts of investment decisions on sustainability factors

DESCRIPTION OF PRINCIPAL ADVERSE IMPACTS OF SUSTAINABILITY FACTORS

Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	N/A	N/A		
		Scope 2 GHG emissions	N/A	N/A		
		Scope 3 GHG emissions (from 1 Jan 2023)	N/A	N/A		
		Total GHG emissions	N/A	N/A		
	2. Carbon footprint	Carbon footprint	N/A	N/A		
	3. GHG intensity of investee companies	GHG intensity	N/A	N/A		
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	N/A	N/A		
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	N/A	N/A		
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	N/A	N/A		
Biodiversity	7. Activities negatively affecting bio-diversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	N/A	N/A		

Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A		
	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A		
SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A	N/A		
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A	N/A		
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	N/A	N/A		
	13. Board gender diversity	Average ratio of female to male board members in investee companies	N/A	N/A		
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	N/A	N/A		

INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS						
Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken
Environmental	15. GHG intensity	GHG intensity of investee countries	N/A	N/A		
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations	N/A	N/A		
INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS						
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0%	0%	The Manager only invests in Dutch residential mortgage receivables.	N/A
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	59,8%	59,3%	Percentage of loans with an energy label of C or lower	The Manager does not exclude mortgage loans that have underlying properties with a lower energy label. In this sense, the investments of the Manager may have a negative impact on sustainability. However, the Manager believes that, in addition to controlling the impact on climate, the availability of suitable mortgage financing is also an important social objective. MUNT actively approaches its borrowers and has available on their website a tool for mortgage clients to evaluate the possibilities to improve the sustainability profile of their home. MUNT also encourages all borrowers to make their property more sustainable by offering to finance Energy Saving Measures (ESM) up to 106% LtV for existing and new borrowers, thereby contributing to the overall sustainability of the Dutch housing stock. In 2022, MUNT has introduced an automated process via which borrowers can apply for financing for ESM. As a result, by November 2022, the total number of mortgages with a loan part to finance ESM has increased to 11%. In 2023 the Manager will continue its efforts to promote ESM financing to MUNT mortgage borrowers.

ADDITIONAL INDICATORS (TABLE 2, ANNEX I)						
Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken
Environmental	18. GHG emissions	Scope 1 and 2 GHG emissions generated by real estate assets	304.884	270.648	Tons CO2 emission directly attributable to gas usage in the household	On behalf of the Manager, MUNT stimulates its borrowers to make their property more sustainable by offering mortgage financing for Energy Saving Measures ("ESM") to existing and new MUNT mortgage borrowers. MUNT offers its borrowers the possibility to finance costs for ESM up to 106% Loan-to-Value ('LtV') and to exclude these costs from the calculation from the affordability tests (up to a maximum of € 9,000, € 15,000 for energy-neutral property and € 25,000 for zero-energy use properties). In 2022, MUNT has introduced an automated process via which borrowers can apply for financing for ESM. As a result, by November 2022, the total number of mortgages with a loan part to finance ESM has increased to 11%. In 2023 the Manager will continue its efforts to promote ESM financing to MUNT mortgage borrowers.

NOTE: The Manager only invests in Dutch residential mortgage receivables. A number of key points with respect to sustainable investing do not apply to investing in Dutch residential mortgages receivables, such as investing in polluting industries, child labour or dictatorially ruled countries. Investing in Dutch residential mortgages receivables does not affect any of the usual exclusion criteria mentioned in the field to the environment

3. Description policies to identify and prioritise principal adverse sustainability impacts

DMFCO's CSRI policy is leading in reducing the adverse effects of the investments on sustainability factors. This policy was approved in January 2023. Compliance with this policy is primarily the responsibility of the management of the Manager. The sustainability factors identified in this policy are measured and periodically reported to the Manager's Board.

DMFCO's Corporate Social Responsibility and Socially Responsible Investment (CSRI) Policy is periodically adjusted to reflect new knowledge and expectations. The Manager will also indicate how this policy has been applied in the past period and the results it has achieved. The Manager invests mortgage receivables originated by MUNT Hypotheken in accordance with the product- and acceptance criteria and servicing standards. These criteria and standards promote affordable housing, adequate living standards and climate change mitigation and adaptation by offering favourable financing opportunities to improve the energy efficiency of the mortgaged properties and by aiming to ensure the continued affordability of the mortgages originated.

Investments that conflict with the Manager's sustainability objectives are excluded based on the CSRI Policy. In addition, the Manager takes an active approach to monitor, guide and assist ESG factors relevant to the Investment Fund's portfolio. This concerns both the social sustainability indicator (which looks at ensuring affordability of the mortgages provided) and the environmental sustainability indicator (which looks at monitoring and improving the average energy label of the portfolio of underlying mortgage receivables).

In the design of products and processes, the Manager considers the impact on the environment. The Manager opts for sustainable solutions wherever possible and aims to make homes more sustainable through measures tailored to that end. The Manager aims to conduct its business in an environmentally friendly manner. The Manager reports monthly on the composition of the mortgage portfolio in terms of energy labels and associated carbon emissions, as well as on making progress in dealing with borrowers experiencing payment problems.

Reporting carbon emissions

The Manager reports the carbon emissions of the mortgage portfolio on a monthly basis. Based on the energy label and the surface area of a home, it is possible to estimate the annual energy consumption and thus of the annual carbon emissions. As a starting point the Manager uses the actual annual energy consumption of households in the Netherlands. The data source for this are the scope 1 and 2 emissions as reported by the Dutch government: https://klimaatmonitor.databank.nl/ dashboard/dashboard/co2-uitstoot-per-sector.

In addition to the energy label and housing surface area, the actual carbon emissions also depend on factors that are not known to the Manager. This includes, among others, unique property characteristics and specific borrower behaviour with regard to energy consumption. This may result in higher or lower actual carbon emissions than reported by the Manager.

Social impact reporting

The social impact indicator identifies the mortgage receivables that have been more than 1 month in payment arrears, but are now current again, and have remained so to date. This indicator intends to reflect how successful the Manager is in term of managing arrears recovery in the long term. For example, by using budget coaches.

Climate risk

The Manager has identified the risks for investors related to climate change. These risks consist of flood risk (the risk for investors related to flood damage to the properties financed by the Manager), foundation risk (the risk of for example pole rot due to changing water levels) and transition risk (the risk of a significant reduction in property value of unsustainable houses). The Manager has made a quantitative estimate of flood risk based on data from the Climate Impact Atlas, a project of Climate Adaptation Services (CAS). The calculation is based on a conservative climate scenario. The Manager reports on flood risk to its investors on a monthly basis.

In this way, the Manager provides insight into its impact in terms of sustainability and social impact. This information is used to review DMFCO's sustainability policy if necessary. This information is also made available to investors of the Manager.

The manager considers the combined effects of social and environmental factors by explicitly supporting the possibilities to improve the sustainability profile of a property of a mortgage client with payment problems, thereby reducing the impact of energy poverty. Sustainability measures are currently mainly taken by higher income households; therefore, it is important to continue to see both factors in conjunction for future ESG policies.

4. Engagement policies

The investments of the Fund consist of mortgage financing for private residential individuals. Due to the nature of these investments, it is not possible to pursue an engagement policy as referred to in Article 3g of Directive (EU) 2007/36/EC of 11 July 2007, which is more based focused on investments in companies.

This does not detract us from the fact that the Manager monitors that MUNT maintains a dialogue with the individuals to whom mortgage financing has been provided with the aim of encouraging them to use their financing to make their owner-occupied home more sustainable.

In addition, DMFCO also engages with its outsourcing partners to stimulate the reduction of CO2 emissions in their processes.

5. Adherence to international standards

The Manager is a member of the United Nations Principles for Responsible Investment (UNPRI) and also endorses the principles of the UN Global Compact and the guidelines from the IMVB covenant.

DMFCO’s target is to achieve carbon neutral business activities as soon as possible but latest by 2030.

Regarding the mortgage portfolio, DMFCO’s objective is to reduce carbon emissions in line with at least the climate agreement of the Dutch government and the Paris agreement, reaching zero carbon emissions by 2050 at the latest. DMFCO strives to outpace this path, but meanwhile is aware of the large financial costs, required technological progress and societal impact that are involved with this change.

6. Social Development Goals

The following UN Social Development Goals (SDGs) are specifically supported by DMFCO's CSRI policy:

SDG 1: End poverty in all its forms everywhere

Goal *1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.*

DMFCO supports poverty reduction by enabling affordable housing through the provision of mortgages via MUNT Hypotheken with fair prices and terms and conditions. For example, the risk premium is automatically reduced if consumers pay off the mortgage. DMFCO also provides mortgages to starters and people with a low income, often under a NHG guarantee. In this way they save on housing costs and can build up capital. MUNT pays attention to over-crediting and puts the customer first, especially when assessing mortgage applications and resolving payment arrears.

SDG 7: Ensure access to affordable, reliable, sustainable and modern energy

Goal 7.3: *By 2030, double the global rate of improvement in energy efficiency*

MUNT Hypotheken offers financing of Energy Saving Measures (ESM) as allowed by Dutch regulations. For example, up to an LtV of 106% can be borrowed if the amount above 100% is spent on predefined ESM. This offer applies to new as well as to existing MUNT borrowers.

SDG 11: Make cities inclusive, safe, resilient and sustainable

Goal 11.1 By 2030, ensure access to all to adequate, safe and affordable housing, basic services, and upgrade of slums.

By providing mortgages, DMFCO promotes home ownership and affordable housing by providing mortgages with fair prices and conditions. The mortgage proposition of MUNT Hypotheken creates more competition in the Dutch mortgage market and therefore fairer interest rates for Dutch consumers. As a result, all Dutch homeowners effectively pay lower housing costs and pay off their mortgage debt faster, which benefits their financial resilience and their ability to live sustainably. MUNT finances properties constructed using wood or bio based materials. This reduces the CO2 emission during the construction of the properties, which improves the sustainability profiles of cities.

SDG 13: Take urgent action to combat climate change and its impacts

Goal 13.3: *Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.*

DMFCO is transparent about the impact of the mortgage portfolio on the environment and social development in the Netherlands by monthly reporting on environmental and social impact indicators that are in line with the relevant recognized market standards and the sustainability goals of the Dutch government. DMFCO also provides its investors with climate stress tests in order to estimate the climate risk of their mortgage portfolio.

7. Historical comparison

The PAI statement of DMFCO is reported in this format for the 1st time. Hence a historical comparison with previous years is not yet available.