Asset Management

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Responsible Investment Policy

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Annex 1: Sustainable Risk Framework

PART I: FOUNDATION

This part establishes the foundation for our responsible investment approach. It describes who we are and the scope of this Policy, sets out the principles and beliefs that guide our decisions, and explains how we align with internationally recognised standards and frameworks.

1. Introduction

1.1. About DMFCO

DMFCO operates as both an asset manager (DMF Investment Management B.V.) and a mortgage lender (MUNT Hypotheken B.V.). We invest in Dutch residential mortgages on behalf of institutional investors who seek both financial returns and positive societal impact. As a mortgage lender and asset manager, we have a direct influence on the homes that secure our investments and the people who live in them. This position enables us to integrate environmental, social and governance considerations directly into our lending and portfolio management decisions.

1.2. Our values

Five core values form the foundation of everything we do at DMFCO:

- Creating the best Dutch asset manager and mortgage provider
- More than satisfied institutional clients
- Offering consumers transparent and fair products
- Combining operational efficiency with best practices
- A pleasure to work with and for

These values shape how we invest our clients' capital and how we engage with the borrowers whose mortgages we finance. They reflect our belief that sustainable success depends on treating all stakeholders fairly: investors seeking reliable returns, borrowers seeking fair access to homeownership, and society expecting responsible corporate behaviour. This Responsible Investment Policy translates these values into concrete investment principles and practices.

1.3. Purpose and scope

This Policy sets out how DMFCO integrates environmental, social and governance considerations into its investment activities. It describes our vision for responsible investment, the beliefs that guide our approach, and the practical steps we take to deliver sustainable outcomes for our investors and borrowers.

This Policy focuses on our principles and approach. Quantitative reporting - including climate targets, portfolio metrics, engagement results and progress against objectives - is provided separately in our annual ESG report and in our monthly investor reporting. Additional information is available to investors on request.

This Policy applies to all Dutch mortgage receivables managed by DMFCO. It does not cover DMFCO's own operational activities, such as our office premises or employee-related matters — these fall under our Corporate Social Responsibility Policy.

1.4. What this Policy does not cover

ESG integration in residential mortgage lending requires a tailored approach. Many tools commonly used in traditional asset management are not applicable or do not add value to our context.

We do not invest in listed equities or corporate bonds, which means traditional approaches such as company exclusion lists, ESG ratings from external data providers, and shareholder voting are not relevant to our investment process. We do not exclude properties based on energy labels, as we believe engagement is more effective than exclusion in driving real-world improvements to the housing stock. We do not use external ESG ratings, as these are designed for corporate issuers and are not applicable to residential mortgages. We do not apply sector-based exclusions, as exclusions related to controversial weapons, tobacco or fossil fuels are not relevant to our investment universe of Dutch residential mortgages.

Instead, we have developed an approach tailored to the specific characteristics of residential mortgage investments.

1.5. Related documents

Document	Description
Corporate Social Responsibility Policy	Covers DMFCO's own operational activities, including our office premises, employee matters, diversity and inclusion, and business ethics
Sustainable Risk Framework	Sets out our methodologies for assessing climate-related risks at property and portfolio level, including flood, foundation and transition risk models
Fund documentation	Contains fund-specific information including legal classifications, precontractual disclosures and sustainability reporting templates
Fund annual reports	Contain our SFDR periodic disclosures, reporting on how environmental and social characteristics of our funds have been met during the reporting period
Principal Adverse Impact (PAI) statement	Our annual statement on how we consider the adverse impacts of our investment decisions on sustainability factors
ESG Report	Provides quantitative and qualitative reporting on our sustainability performance
UNPRI Transparency Report	The biennial assessment we receive from the UN Principles for Responsible Investment, evaluating our responsible investment practices against the PRI framework

Table 1: Policy documents related to responsible and sustainable investment.

1.6. Regulatory framework

DMFCO's Responsible Investment Policy is guided by internationally recognised principles and standards. As a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2017, we commit to incorporating ESG issues into our investment analysis and decision-making

processes. We endorse the ten principles of the UN Global Compact and align our activities with relevant UN Sustainable Development Goals.

DMFCO operates in full compliance with applicable Dutch and European laws and regulations. As a licensed financial institution, DMFCO is subject to supervision by the Dutch Authority for the Financial Markets (AFM) under the Financial Supervision Act (Wet op het financieel toezicht, Wft).

Our funds are classified under the EU Sustainable Finance Disclosure Regulation (SFDR). Our Sustainable Risk Framework, which is available in Annex 1, provides the current classification and further explanation.

DMFCO's responsible investment practices comply with the EU Taxonomy Regulation where applicable.

1.7. Policy governance

This Policy is owned by Risk & Compliance and approved by the DMFCO Management Team. The ESG Committee oversees implementation and advises on policy developments. Chapter 7 sets out our governance arrangements in detail.

1.8. How to read his document

This Policy is structured in three parts:

Part I: Foundation (chapters 1-2) sets out who we are, what this Policy covers, and the principles that guide our approach. It establishes the framework within which we operate.

Part II: Thematic approach (chapters 3-6) describes how we put our principles into practice across four themes: climate, borrower wellbeing, housing affordability, and biodiversity. Each chapter follows the same structure: first the principles that guide us, then the practices we follow.

Part III: Governance and accountability (chapters 7-9) explains how we organise ourselves to deliver on our commitments, how we report to investors, and how we collaborate with others in our sector.

2. Our principles

Responsible investment is not a separate activity at DMFCO; it is fundamental to how we manage our clients' capital. This chapter sets out our vision for sustainable mortgage investment, the beliefs that guide our decisions, and the external standards we have committed to.

2.1. Our vision

DMFCO aims to deliver attractive risk-adjusted returns while contributing to a more sustainable Dutch housing stock, supporting borrower financial wellbeing and maintaining high standards of governance. We believe these objectives reinforce each other: homes that are energy-efficient, climate-resilient and affordable represent better collateral and more stable investments over time.

As a mortgage lender, we occupy a unique position in the investment chain. We decide which mortgages to originate, how to support borrowers throughout the life of their loan, and how to manage the risks in our portfolio. This gives us direct influence over outcomes that matter, both for our investors and for society.

Our overarching climate objective is to achieve a carbon-neutral mortgage portfolio by 2050. First, we aim to generate solid, stable returns for our investors by maintaining a high-quality mortgage portfolio with prudent underwriting standards and effective risk management. Second, we aim to contribute to climate goals, housing affordability and borrower wellbeing through our lending practices, borrower engagement and portfolio management. We see these objectives as complementary. A portfolio of energy-efficient homes with financially healthy borrowers is both a better investment and a better outcome for society.

2.2. Investment beliefs

Our approach to responsible investment is grounded in six beliefs. These beliefs reflect our understanding of how sustainability factors affect mortgage investments and guide our policy choices throughout this document. Each belief connects to specific themes addressed in Part II.

1. Sustainability factors materially affect mortgage portfolio performance

Energy efficiency, climate resilience and borrower financial health are not abstract concepts. They directly influence the value of our collateral and the likelihood of repayment. Homes with poor energy labels face higher utility costs, potential regulatory restrictions and lower buyer demand. Properties in flood-prone areas or with foundation issues carry valuation risk. Borrowers under financial stress are more likely to fall into arrears. By integrating these factors into our investment process, we identify and mitigate risks earlier and build a more resilient portfolio. *This belief underpins our approach to climate (chapter 3) and borrower wellbeing (chapter 4).*

2. Climate change poses systemic risks that we must actively manage

The physical impacts of climate change - flooding, subsidence, extreme weather - threaten the Dutch housing stock and the mortgages secured against it. The transition to a carbon-neutral economy will reshape property values as energy standards tighten and buyer preferences shift. These risks will grow over the lifetime of our mortgages. We cannot eliminate them, but we can measure and monitor them through careful portfolio management and forward-looking risk assessment. *This belief is central to our climate risk management (chapter 3).*

3. Our lending decisions shape sustainability outcomes

Unlike investors in listed securities, we cannot simply select from available assets: we create them. Every mortgage we originate reflects a decision about what kind of portfolio we want to build. By setting appropriate lending criteria and offering products that support home improvements, we directly influence the sustainability profile of our investments. This is both a responsibility and an opportunity. *This belief guides our approach to housing affordability (chapter 5) and product innovation (chapter 3).*

4. Engaging with borrowers drives real-world impact

We cannot improve the energy efficiency of a home by selling the mortgage. The only way to achieve real-world change is to help borrowers make sustainable choices. Through clear communication, accessible financing for home improvements and proactive support during financial difficulties, we can encourage borrowers to invest in their homes and maintain their ability to pay. This benefits borrowers, improves our collateral and contributes to national climate goals. *This belief shapes our borrower engagement across all themes (chapters 3–6).*

The Dutch government plays a key role in promoting home sustainability by introducing and amending regulations and offering subsidies. These public incentives encourage many homeowners to make their homes more sustainable. As a mortgage lender, we benefit from a government that actively develops policies in this area, but we are at a disadvantage when the government takes no action or even reverses its policies. Regardless of the political climate, we at DMFCO continue to encourage our borrowers to make their homes more sustainable.

5. Long-term thinking aligns the interests of all stakeholders

Mortgages are long-term assets, typically spanning several decades. Short-term thinking - whether in origination, servicing or risk management - creates problems that compound over time. By taking a long-term view, we make better decisions for our investors, treat borrowers fairly and build a business that remains viable as sustainability expectations evolve. *This belief informs our governance approach (chapter 7) and our commitment to borrower wellbeing (chapter 4).*

6. Transparency builds trust and drives improvement

Our investors entrust us with significant capital and expect us to manage it responsibly. We owe them clear, honest reporting on our sustainability performance; including where we fall short of our ambitions. Transparency also disciplines our own behaviour: what gets measured gets managed. By setting explicit targets and reporting against them, we hold ourselves accountable and create pressure to improve. *This belief underpins our transparency and reporting commitments (chapter 8).*

2.3. Alignment with external standards

DMFCO's responsible investment approach is guided by internationally recognised principles and standards. These frameworks inform our activities and hold us accountable to commitments shared across the investment industry.

UN Principles for Responsible Investment

DMFCO has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2017. As a signatory, we commit to:

- Incorporating ESG issues into investment analysis and decision-making processes
- Being active owners and incorporating ESG issues into our ownership policies and practices
- Seeking appropriate disclosure on ESG issues by the entities in which we invest
- Promoting acceptance and implementation of the Principles within the investment industry
- Working together to enhance our effectiveness in implementing the Principles
- Reporting on our activities and progress towards implementing the Principles

We submit an annual transparency report to the PRI and use the assessment process to identify areas for improvement in our responsible investment practices.

UN Sustainable Development Goals

Our activities contribute to several of the UN Sustainable Development Goals. We have identified four goals as most relevant to our business:

- SDG 1 (No Poverty): supported through responsible lending practices that protect borrowers from over-indebtedness, clear product terms without hidden costs or unfavourable surprises, and support during financial difficulties.
- SDG 7 (Affordable and Clean Energy): supported through mortgage products that finance energy efficiency improvements, proactive engagement with borrowers on sustainability options, and partnerships that help borrowers reduce their energy consumption.
- SDG 11 (Sustainable Cities and Communities): supported through fair and accessible lending practices, prudent underwriting that enables sustainable homeownership, and a portfolio approach that contributes to improving the quality of the Dutch housing stock.
- SDG 13 (Climate Action): supported through our commitment to a carbon-neutral portfolio by 2050, systematic assessment of climate risks at property and portfolio level, and active contribution to financing sustainability measures for our mortgage clients.

We endorse the ten principles of the UN Global Compact, which cover human rights, labour standards, environmental responsibility and anti-corruption. These principles are reflected in our employment practices, our approach to borrowers and business partners, and our commitment to operating with integrity throughout our organisation.

IMVB Covenant and OECD Guidelines

The Dutch Internationaal Maatschappelijk Verantwoord Beleggen (IMVB) Covenant formally ended on 31 December 2022. However, many of our investors continue to apply its principles in their investment activities. We therefore maintain our commitment to the standards embedded in the Covenant, which are based on the OECD Guidelines for Multinational Enterprises. We provide information and reporting that enables our investors to continue applying these standards in their investment decisions.

PART II: THEMATIC APPROACH

This part describes how we put our principles into practice. We focus on four themes where we can make the greatest difference: climate and the energy transition, borrower wellbeing, housing affordability, and biodiversity. Each chapter follows the same structure — first principles, then practices.

3. Climate and the energy transition

Principles

3.1. Why climate matters

The Dutch housing stock accounts for a significant share of national carbon emissions. Most homes will need substantial improvements to meet the government's 2050 climate targets. As a mortgage lender, we are directly connected to these homes and the people who own them.

Climate change also poses material risks to residential property and the mortgages secured against it. The physical impacts of climate change — flooding, subsidence, extreme weather — threaten the value of our collateral. The transition to a carbon-neutral economy will reshape property values as energy standards tighten and buyer preferences shift. These risks will grow over the lifetime of our mortgages.

We see climate both as a responsibility and an opportunity. By actively managing climate-related factors, we build a more resilient portfolio while contributing to national and international climate goals.

3.2. Our commitments

DMFCO is committed to achieving a carbon-neutral mortgage portfolio by 2050 at the latest. We aim to reduce the CO2 emissions associated with our portfolio at least in line with the Dutch government's climate agreement and the Paris Agreement pathway.

Our specific targets are:

- **By 2030**: reduce portfolio carbon intensity in line with the national sectoral pathway for the built environment.
- **By 2050**: achieve net-zero carbon emissions across the mortgage portfolio.

The definition of what qualifies as a sustainable investment is set under the SFDR. Our SFDR definition, which aligns with the EU Climate Delegated Act, classifies a mortgage as sustainable when the loan finances a property that meets specific energy performance criteria. The precise criteria and further explanation are set out in our Sustainable Risk Framework (annex 1).

We recognise that achieving these targets depends on factors beyond our direct control, including government policy, technological development and the willingness of homeowners to invest in their properties. We will do what we can to influence these factors positively, while being transparent about the challenges we face.

3.3. Our approach to exclusion

We deliberately do not exclude properties with lower energy labels from our lending criteria. We believe that by financing these homes and engaging with their owners, we can contribute more to improving the housing stock than by refusing to lend. Exclusion would simply shift these mortgages to other lenders without improving the underlying properties.

This approach aligns with our belief that engagement drives real-world impact. We choose to be part of the solution by actively supporting borrowers to make sustainable improvements.

Practices

3.4. Portfolio composition

DMFCO does not own the properties that secure our mortgages. We cannot directly retrofit homes or install renewable energy systems. Our ability to reduce emissions depends on influencing the decisions of homeowners and working within the broader system of housing policy and energy infrastructure.

Through portfolio composition, new mortgage originations influence the overall energy profile of our portfolio. While we do not exclude less efficient homes, we track the impact of new lending on our portfolio's carbon footprint. We assess the energy efficiency of properties and monitor the energy label distribution across our portfolio. These environmental factors inform our risk assessment and help us understand the long-term resilience of our collateral.

To support borrowers in making their homes more sustainable, we take an active role across multiple channels. We inform borrowers about sustainability options and their benefits through our online portal and periodic communications. We partner with specialist energy advisors who can provide borrowers with a personalised sustainability profile of their property. We offer borrowers the option to finance energy-saving measures within their mortgage. Lastly, we work with installation partners to help borrowers move from advice to action.

3.5. Product innovation

We develop mortgage products that facilitate energy efficiency investments. This includes options to finance home improvements within the mortgage, enabling borrowers to spread the cost of sustainability measures over time. We continue to explore how our product offerings can better support borrowers who wish to improve the energy performance of their homes.

3.6. Climate risk management

We distinguish three categories of climate-related risk in our mortgage portfolio.

1. Physical risks - flood

Parts of the Netherlands are exposed to flood risk from rivers and heavy rainfall. We assess flood exposure at property level using data on water depth scenarios, flood defences and historical flood events. Properties in high-risk areas may face increased insurance costs, reduced marketability and potential damage that affects collateral value.

2. Physical risks – foundation

Many Dutch properties, particularly older buildings, are constructed on wooden pile foundations that can be damaged by changes in groundwater levels. Foundation problems can result in significant repair costs and material loss of property value. We monitor foundation risk using geological data and building characteristics.

For borrowers who face foundation issues but cannot obtain additional financing through regular channels, we help them navigate available options, including public schemes and subsidies for foundation repair. We do not leave borrowers to manage these complex situations alone.

3. Transition risks

The transition to a carbon-neutral economy will affect property values as energy standards tighten and buyer preferences shift. Properties with poor energy efficiency may face declining demand, higher renovation costs and potential regulatory restrictions. We monitor transition risk through energy label distribution and scenario analysis.

Risk assessment approach

We have developed in-house models to assess climate risks at property and portfolio level. Each property in our portfolio is assigned risk scores for flood and foundation risk based on location, building characteristics and energy performance. Individual property risks are aggregated to assess overall portfolio exposure and concentration in high-risk areas or building types. We model the potential impact of different climate scenarios on portfolio value, including both physical damage scenarios and transition pathways. We continuously update our risk assessments as new data becomes available and refine our models based on emerging scientific evidence and market developments.

Detailed methodologies are set out in our Sustainable Risk Framework, which accompanies this Policy.

3.7. Sector collaboration

We participate in industry initiatives aimed at accelerating the energy transition in the housing sector. We engage with other Dutch mortgage lenders on shared challenges including climate risk measurement and participate in industry working groups on climate risk and sustainable mortgage lending. We share knowledge with other market participants to contribute to the development of best practices in the sector.

3.8. Monitoring and reporting

We measure and report on our climate performance using four key metrics:

1 **Portfolio carbon footprint** captures the total CO2 emissions associated with our mortgage portfolio, calculated based on the energy labels and estimated energy consumption of financed properties.

2. **Energy label distribution** shows the breakdown of properties in our portfolio by energy efficiency label from A through G.

3. **Sustainable investment share** indicates the proportion of our portfolio that qualifies as sustainable investment under SFDR classification.

4. **Energy improvements** track the number, value and associated CO2 reduction of energy efficiency improvements financed through our mortgage products.

We report on these metrics monthly to our investors through our standard investor reporting, including portfolio data and key sustainability indicators. Our annual ESG report provides a detailed assessment of progress against our targets and an explanation of any material deviations.

4. Borrower wellbeing

Principles

4.1. Why borrower wellbeing matters

A mortgage is often the largest financial commitment a household will make. Financial difficulties can have severe consequences for borrowers and their families. We believe that treating borrowers fairly and supporting them through difficult times is both the right thing to do and sound business practice.

Our activities in this area contribute to UN Sustainable Development Goal 1 (No Poverty) by protecting borrowers from over-indebtedness and providing support during financial difficulties.

4.2. Our commitments

We want our borrowers to live in their homes without financial worry. When circumstances change and difficulties arise, we are there to help them find a way forward. We achieve this by informing, supporting and activating our borrowers:

- Informing. We provide borrowers with tools and information to understand their mortgage and anticipate future changes.
- Supporting. We take a proactive approach to identifying potential payment difficulties and offer tailored solutions when problems arise.
- Activating: we help borrowers act, whether that means adjusting their mortgage, accessing support services, of improving their home's sustainability.

We manage arrears in-house and prioritise home retention when borrowers face financial difficulties. Our responsible lending standards, which protect borrowers from over-indebtedness from the outset, are set out in chapter 5 (Housing affordability and access).

Practices

4.3. Proactive communication

We provide borrowers with tools and information to understand their mortgage and manage their finances effectively. We reach out early when we identify potential payment difficulties.

We take a proactive approach to preventing payment difficulties. We monitor objective factors that might affect mortgage affordability and proactively alert borrowers about potential future changes. We provide borrowers with an online mortgage check that enables them to assess the future affordability of their mortgage and calculate the effects of different scenarios. Where affordability concerns are identified, we contact borrowers directly, with those facing a higher likelihood of payment difficulties receiving more active outreach. Because borrowers are best served by

comprehensive advice, we actively refer them to independent advisors when payment difficulties are anticipated.

4.4. Special servicing and home retention

Borrowers may face circumstances that affect their ability to pay, like job loss, illness, divorce or the death of a partner. We manage these situations internally rather than outsourcing to third parties. This allows us to maintain a personal approach and to work directly with borrowers to find sustainable solutions.

Our in-house special servicing team has the expertise and mandate to be flexible where circumstances warrant it. When borrowers face payment difficulties, our goal is to help them retain their home wherever possible. We work with them to find payment arrangements that are realistic and sustainable, and where helpful, we offer access to budget coaching and other support services.

When a borrower passes away, we have a dedicated process for surviving partners and heirs. We give them time to understand their options and approach these cases with appropriate flexibility.

4.5. Engagement on sustainability

We see proactive engagement with borrowers as central to our responsible investment strategy. As the financier of the home, we cannot compel borrowers to make sustainability improvements. However, we can encourage them by highlighting the possibilities and their benefits.

Sustainability is most often considered during the home purchase process. We therefore ensure that mortgage advisors are well-informed about our options to finance sustainability measures, so they can incorporate this into conversations with borrowers. We communicate with advisors through regular updates, our advisor platform and our relationship managers.

For existing borrowers, we use our online portal and periodic communications to raise awareness about financing options for sustainability improvements. Where a borrower wishes to act, DMFCO can refer to specialist suppliers to facilitate the installation of measures.

Our role is to remove barriers for borrowers who wish to act. We provide concrete information on sustainability enhancements, outline their benefits and costs, and connect borrowers to knowledgeable partners who can advise and execute.

4.6. Monitoring

The results of engagement are not always directly visible. Borrowers may improve their property without updating the energy label or may finance improvements using their own funds. Our targets therefore focus primarily on the activities we undertake rather than outcomes we cannot fully measure. We periodically review the effectiveness of our engagement approach through borrower research and adjust our methods accordingly.

We track key indicators related to borrower wellbeing, including the number of borrowers in arrears, the duration of payment difficulties, and home retention rates. These metrics help us assess the effectiveness of our proactive approach and special servicing activities. We also monitor borrower satisfaction with our service during difficult circumstances. This feedback informs how we improve our processes and communication.

5. Housing affordability and access

Principles

5.1. Why housing affordability matters

Access to suitable, affordable housing is a fundamental social need. The Dutch housing market faces significant challenges: rising prices, limited supply and increasing pressure on household budgets. As a mortgage lender, we play a role in determining who can access homeownership and on what terms.

Our activities in this area contribute to UN Sustainable Development Goal 11 (Sustainable Cities and Communities) by supporting access to sustainable and affordable housing.

5.2. Our commitments

Our approach to housing affordability is built on three principles:

1. Responsible lending: we apply standards that protect borrowers from over-indebtedness while enabling access to homeownership.
2. Fair products: we offer straightforward mortgage products without hidden costs or complexity.
3. Non-discrimination: we base lending decisions solely on relevant financial factors.

Practices

5.3. Responsible lending standards

We apply prudent underwriting criteria that protect borrowers from over-indebtedness while enabling access to homeownership. Our standards are based on established frameworks including the National Mortgage Guarantee (NHG) framework, the Tijdelijke Regeling Hypothecair Krediet ('TRHK') and the Gedragscode Hypothecaire Financieringen ('GHF'). We ensure that borrowers can afford their mortgage under reasonable stress scenarios, considering potential changes in income and interest rates.

5.4. Product design

We design our mortgage products to be straightforward and easy to understand. Borrowers should be able to make informed decisions about their financial commitments without needing to navigate complex terms or hidden costs.

Every new product and every material change to an existing product goes through our Product Approval and Review Process (PARP). This process evaluates each product against four criteria: cost efficiency, usefulness, safety and comprehensibility. Products that do not meet these standards are not approved. We periodically review our existing products against these same criteria to ensure they remain appropriate for our borrowers.

5.5. Non-discrimination

We do not discriminate based on race, religion, sexuality, gender, age, disability or any other characteristic unrelated to creditworthiness. Our lending decisions are based solely on relevant

financial factors, including income, employment status, existing debt obligations and the value of the property.

This commitment extends beyond our own organisation. We expect the intermediaries and service providers in our distribution chain to uphold the same standards of fair treatment. Where we become aware of conduct that conflicts with these principles, we address it directly with the parties involved. We maintain open channels for reporting concerns and take appropriate action when issues are identified.

5.6. Monitoring

We monitor our lending practices to ensure they remain fair and accessible. This includes tracking underwriting rates across different borrower segments, monitoring complaints related to lending decisions, and periodically reviewing our underwriting criteria against market developments and regulatory changes. Our compliance function conducts regular reviews of lending decisions to verify consistent application of our policies.

In addition, we conduct an annual Product Approval and Review Process (PARP) to assess whether our existing products continue to meet our standards for cost efficiency, usefulness, safety and comprehensibility.

6. Biodiversity

Principles

6.1. Why biodiversity matters

Biodiversity is essential for healthy ecosystems and contributes to food security, soil quality, water management and the regulation of pests and diseases. A biodiverse living environment also supports climate adaptation, reduces heat stress and has a positive influence on health and wellbeing.

Biodiversity in the Netherlands is under pressure. In urban areas, paving, monoculture and intensive land use are leading to a decline in species diversity. Private gardens, with an average size of 83 square metres and numbering 5.5 million across the country, represent a significant portion of the built environment and an opportunity for improvement.

6.2. Our commitments

As a mortgage lender, our influence on biodiversity is inherently limited. Our financing relates to the property itself, not to gardens or outdoor spaces. We cannot include biodiversity requirements in our lending criteria, nor can we finance garden improvements through our mortgage products. Moreover, we are not the owners of the properties we finance — we are financiers. We cannot compel borrowers to act, and any influence we have is necessarily indirect.

From this position, we aim to make a constructive contribution to strengthening biodiversity, while being realistic about what we can achieve. Our approach follows the same principles as our broader ESG strategy: we inform, support and activate where we can. We do not exclude borrowers based on biodiversity criteria, nor do we impose requirements during the mortgage lifetime.

6.3. Informing borrowers

We provide borrowers with practical information about the importance and benefits of biodiversity, including the advantages of native plants and simple measures to support local wildlife. Our communication is accessible and positive, emphasising how achievable a greener garden can be even with small steps.

6.4. Financing options

Our mortgage products finance the property, not gardens or landscaping. This limits our ability to directly finance biodiversity measures. Where borrowers undertake broader renovations that include green roofs or other building-integrated biodiversity features, these may fall within the scope of renovation financing. We are transparent about these constraints while remaining open to exploring new possibilities as products and markets develop.

6.5. Partnerships and collaboration

We seek partnerships that can offer borrowers access to information, plants, seeds or services to green their living environment - recognising that our role is to connect rather than to provide directly. We participate in sector initiatives focused on biodiversity to exchange knowledge and stay informed about developments in this area.

6.6. Monitoring and next steps

Measuring biodiversity impact is challenging, particularly when our influence is indirect. Unlike energy efficiency, where we can track energy labels and financed improvements, there is no equivalent metric for garden biodiversity that we can systematically monitor.

We therefore focus on tracking our awareness-raising activities rather than attempting to measure outcomes we cannot reliably attribute to our efforts. We monitor developments in biodiversity measurement through our sector partnerships and will refine our approach as better methodologies become available. We remain modest about our potential contribution in this area, while staying committed to doing what we can within our limited sphere of influence.

PART III: GOVERNANCE AND ACCOUNTABILITY

This part explains how we organise ourselves to deliver on our commitments. It covers our governance arrangements and decision-making processes, our approach to transparency and reporting, and how we collaborate with industry partners and engage with our investors.

7. Climate risk management

7.1. Roles and responsibilities

Responsibility for responsible investment is distributed across our organisation, with clear accountability at each level.

The DMFCO Management Team has ultimate responsibility for this Policy and its implementation. The Management Team approves material changes to the Policy, sets our climate and sustainability targets, and oversees progress against our responsible investment objectives.

The ESG Committee is the central coordinating body for sustainability matters within DMFCO. The committee is responsible for the execution of this Policy, prepares proposals for the realisation of our sustainability objectives, and coordinates ESG-related activities across the organisation. It meets monthly to review progress, discuss emerging issues and ensure alignment between functions. The committee has a cross-functional composition, bringing together representatives from senior management, risk and compliance, portfolio management, product management, operations, investor relations, marketing, and finance and control. Several Management Team members participate directly, alongside colleagues with specific ESG expertise.

Day-to-day implementation is embedded in our business functions:

- **Risk & Compliance** owns this Policy and ensures it remains current and aligned with regulatory requirements. This function also oversees the implementation of our climate risk framework and monitors compliance with our responsible investment commitments.
- **Portfolio Management** integrates sustainability considerations into lending decisions and monitors the ESG characteristics of our mortgage portfolio.
- **Product Management** develops mortgage products that support sustainability objectives, including financing options for energy efficiency improvements.
- **Operations** implements our borrower engagement activities and ensures that our servicing practices align with our responsible investment principles.

7.2. Decision-making

Decisions relating to responsible investment are made at the appropriate level within the organisation, balancing the need for senior oversight with operational efficiency.

Material changes to this Policy require Management Team approval, following recommendation by the ESG Committee. Climate targets and sustainable investment thresholds are also set by the Management Team, on advice from the ESG Committee. This ensures that our most significant commitments have full leadership support and visibility.

Day-to-day decisions on implementation are delegated to the relevant business functions, within the framework established by this Policy. This allows our teams to act decisively while remaining aligned with our overall approach. Where issues arise that cannot be resolved within normal decision-making processes, they are escalated to the ESG Committee and, if necessary, to the Management Team.

7.3. Governance cycle

Our governance arrangements are designed to ensure that responsible investment remains embedded in our operations and subject to regular review.

The monthly ESG Committee meetings provide a regular forum for reviewing progress, identifying emerging issues and coordinating activities. This cadence ensures that sustainability considerations remain visible at senior level and that issues are addressed in a timely manner. The committee reports periodically to the Management Team on progress and any matters requiring decision.

This Policy is reviewed every two years and updated when necessary to reflect changes in regulation, market developments, or our investors' expectations. Between formal reviews, our responsible investment practices are subject to ongoing oversight by our compliance function and, where relevant, external auditors.

We report to investors on our governance arrangements and notify them of any material changes. This transparency enables our investors to understand how we manage their capital and to hold us accountable to our commitments.

8. Transparency and reporting

We are committed to transparent reporting on our responsible investment activities and outcomes. Transparency serves multiple purposes: it enables our investors to assess our performance, holds us accountable to our commitments, and contributes to the development of market standards and best practices.

8.1. Regulatory disclosure

We comply with all applicable disclosure requirements under Dutch and European law.

As required by the Sustainable Finance Disclosure Regulation (SFDR), we publish pre-contractual disclosures for our funds and provide periodic reports on how environmental and social characteristics are met. We also publish an annual Principal Adverse Impact (PAI) statement describing how we consider the adverse impacts of our investment decisions on sustainability factors, the actions we have taken to address them and our plans for improvement. These disclosures are available on our website and in our fund documentation.

We maintain up-to-date information on our website about our responsible investment policies, the sustainability characteristics of our funds and relevant contact information.

8.2. Investor reporting

Beyond regulatory requirements, we provide regular reporting to our investors on the sustainability characteristics and performance of their investments. Our reporting is designed to give investors the information they need to monitor our progress and to meet their own reporting obligations.

Monthly reporting covers portfolio composition, including energy label distribution and key risk metrics. Quarterly reporting adds detail on sustainable investment share, climate risk exposure and progress on engagement activities. Annually, we provide a comprehensive sustainability report that includes progress against our targets, climate scenario analysis results and forward-looking commentary on our priorities and challenges.

Investors can request additional information on our responsible investment activities at any time. We recognise that our investors have their own sustainability commitments and reporting obligations, and we aim to provide information that enables them to integrate our funds effectively into their broader strategies.

8.3. Key performance indicators

We track our progress against a defined set of key performance indicators. These KPIs cover the themes addressed in this Policy and provide a consistent basis for monitoring and reporting over time.

Indicator	Description
Portfolio carbon footprint	Total CO2 emissions (tonnes) associated with the mortgage portfolio
Energy label distribution	Percentage of portfolio by energy label (A through G)
Sustainable investment share	Percentage of portfolio qualifying as sustainable investment
Energy improvements financed	Number, value and CO2 reduction of improvements financed
Borrower experience	Client satisfaction (Net Promotor Score) for both performing and special servicing loans
Climate risk exposure	Portfolio exposure to flood and foundation risks
Portfolio composition	Segmentation of the portfolio by key characteristics

Table 2: Key Performance Indicators on sustainability.

Current values and historical trends for these indicators are reported in our annual ESG report and, where relevant, in our periodic investor reporting.

9. Collaboration and partnerships

We believe that collaboration with other market participants amplifies our impact and accelerates progress on shared sustainability challenges. The transition to a sustainable housing stock requires collective action, no single lender or investor can achieve it alone.

9.1. Industry initiatives

DMFCO participates actively in industry initiatives that promote responsible investment and sustainable finance.

As a signatory to the UN Principles for Responsible Investment since 2017, we participate in relevant working groups and submit annual transparency reports. This membership connects us to a global

network of investors committed to integrating sustainability into their investment practices, and provides a framework for continuous improvement.

We apply Platform Carbon Accounting Financials (PCAF) methodologies for measuring the carbon footprint of our mortgage portfolio. This standardised approach enables meaningful comparison across the sector and supports the development of consistent climate metrics for mortgage investments.

We also engage with other Dutch mortgage lenders on shared challenges. Climate risk measurement, borrower engagement approaches and the financing of home improvements are areas where collaboration can accelerate progress for all participants. We participate in sector initiatives focused on these topics to exchange knowledge and contribute to collective action.

9.2. Knowledge sharing

We actively share knowledge and experience with other market participants to contribute to the development of responsible investment practices in the mortgage sector.

This takes several forms. We participate in industry working groups on climate risk and sustainable mortgage lending, where we share our methodologies and learn from others. We contribute to the development of industry standards and best practices, recognising that common approaches benefit the sector. Where relevant, we engage with policymakers and regulators on matters affecting sustainable mortgage investment, offering our perspective as a practitioner.

We see knowledge sharing not as a competitive disadvantage but as a way to raise standards across the sector. When all market participants improve their practices, borrowers benefit and the credibility of sustainable finance grows.

9.3. Investor engagement

We maintain open dialogue with our investors on responsible investment matters. Our investors are partners in our sustainability efforts, and their feedback helps us improve our approach.

Investors can engage with us through regular investor meetings, direct communication with our investor relations team, and participation in discussions on specific topics as they arise. We welcome questions about our approach and are receptive to suggestions for improvement.

We recognise that our investors have their own responsible investment policies and commitments. Many are subject to reporting requirements and stakeholder expectations that extend beyond our direct relationship. We aim to be a constructive partner in helping them meet these obligations, providing information and transparency that enables them to integrate our funds effectively into their broader sustainability strategies.

DMFCO
Asset Management

Annex 1: Sustainable Risk Framework

1. Introduction

DMF Investment Management B.V. ("**DMFCO**") is the manager of a number of mortgage investment funds ("Funds"), as referred to under the Alternative Investment Fund Managers Directive (AIFMD). These Investment Funds invest in the mortgage receivables of mortgages provided by MUNT Hypotheken B.V. ("**MUNT**").

The following Funds are managed by DMFCO:

- Nederlands Hypotheken Fonds
- Nederlands Hypotheken Fonds 1908
- Dutch Mortgage Investment Fund 1863
- Dutch Mortgage Investment Fund 2020
- Dutch Mortgage Investment Fund 2024

DMFCO currently classifies its Funds as Article 8, indicating its promotion of ecological or social characteristics. Given the sustainable character of part of the investment portfolio, DMFCO reclassifies its mortgage investment proposition as an Article 8+ product per 1 June 2024.[1]

This framework substantiates the Article 8+ classification of the DMFCO Funds and constitutes a policy document that determines when an investment meets the corresponding requirements in accordance with the Sustainable Finance Disclosure Regulation (SFDR). DMFCO further applies its Corporate Social Responsibility and Investment (CSRI) Policy and Engagement Policy when managing the Funds.

2. Reclassification approach

To classify DMFCO's Funds as an Article 8+ product, an assessment has been made to determine whether the Funds qualify as a partly sustainable investment according to the SFDR.[2] The SFDR does not stipulate specific parameters or minimum conditions to classify as a sustainable investment. DMFCO has therefore established its own criteria to perform this assessment while taking into account relevant legislative requirements.

DMFCO aims to contribute to climate change mitigation and adaptation by providing information about and mortgage financing for initiatives aimed at conserving energy and lowering CO2 emissions. DMFCO's social objectives within mortgage investments are inherently multifaceted and do not lend themselves readily to quantifiable metrics in the sense of SFDR sustainable investments. DMFCO therefore focuses on ecological considerations in the classification of the sustainability of its investments.

By adhering to established market standards while exercising prudence in sustainability assessments, DMFCO aims to make informed and sustainable investment decisions. This approach underscores DMFCO's commitment to responsible investment practices.

3. Significant contribution

3.1. Contribution to environmental objectives

To determine whether an investment contributes to an environmental objective, and therefore can be considered as a sustainable investment, DMFCO has decided to align its classification to the Climate Delegated Act.[3] This approach ensures that investments are appraised against recognized standards.

The Climate Delegated Act establishes criteria for the classification of an investment as sustainable, depending on its alignment with i) making a significant environmental contribution, and ii) avoiding significant harm to other environmental objectives (Do No Significant Harm 'DNSH' principle[4]). For each economic activity, environmental objectives and specified Regulatory Technical Standards ('RTS') are outlined in Chapter 7 of Annex I and II of the Climate Delegated Act.

To determine if providing a mortgage loan significantly contributes to climate change mitigation or adaption, DMFCO assesses if the economy activity funded by the DMFCO mortgage aligns with the technical criteria. Three types of economic activities are distinguished:

- Construction of new buildings (7.1);
- Renovations or additional sustainable loan parts (7.2, 7.3, 7.5. and 7.6); and
- Acquisition and ownership of buildings (7.7).

To demonstrate a positive contribution to a sustainability objective, DMFCO has reviewed its investments against above listed activities. The outcome of this analysis is that activity types 7.1. and 7.2. to 7.6. do not provide a basis for a sustainable investment for DMFCO:

- *Construction of new buildings (7.1).* It is not yet possible to demonstrate that the construction of new buildings does not significantly harm other environmental objectives; hence, financing of new construction is not eligible as a sustainable investment.
- *Renovations or sustainable loan parts (7.2, 7.3, 7.5 and 7.6).* To evaluate the significant ecological contribution of these economic activities, the technical criteria specify that the prime energy demand (PED) of the property must improve by at least 30% compared to before renovation. Due to insufficient data, DMFCO cannot clearly demonstrate a 30% improvement. Additionally, compliance with the Do No Significantly Harm principle cannot be evidently confirmed. Therefore, renovations and sustainable loan parts are excluded from consideration.[5]

The economic activity of 'Acquisition and ownership of buildings' (7.7)[6] is best aligned with DMFCO's investment activities, as the screening criteria for this economic activity enforce a clear distinction between properties built before and after 31 December 2020. This enables a quantitative assessment to determine whether the DMFCO investment portfolio significantly contributes to sustainability.

Year of construction	Sustainable contribution criteria
Built on or before 31 December 2020	For buildings built on or before 31 December 2020 (or with a building permit application dated before the NZEB norm[7], applicable as of 1 January 2021): a valid Energy Performance Certificate (EPC) of at least class A should be available to be considered sustainable.
Built after 31 December 2020	For buildings built after 31 December 2020 (and with a building permit based on the NZEB norm) the Primary Energy Demand (PED) should be at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements to be considered sustainable. In the Dutch market, this threshold is met with an EPC of A++++, as this is linked to a PED of < 0 Kwh/m2 per year.

On the basis of the considerations above, DMFCO uses the following definition in the classification of a sustainable mortgage investment:

The part of the mortgage loan exclusively used to finance a building, built on or before 31 December 2020, and with an EPC of at least A at the time of granting the loan, or built after 31 December 2020 and with an EPC of at least A++++ at the time of granting the loan, can be classified as a sustainable investment. Construction deposits and consumptive loan parts are excluded.

3.2. Contribution to social objectives

The EU legislation does not enforce technical criteria for social objectives with regards to economic activities relevant to mortgage financing. Given the absence of these criteria and the limited measurability of such social contributions, DMFCO presently does not classify its Funds based on their

substantial contribution to social objectives. However, the company does take social aspects into account in its operations.[8]

DMFCO's vision for social sustainability involves making deliberate choices to support mortgage customers. As such, DMFCO recognises the importance of responsibly financing homes to secure that Dutch mortgage holders maintain a sound financial footing. This commitment extends to ensuring fair and transparent terms for the DMFCO mortgage product, thereby contributing to a more trustworthy financial sector that prioritizes the interests and well-being of customers.

Furthermore, DMFCO commits to upholding customer interests in the face of challenges or life events such as redundancy, illness, divorce of bereavement. In such cases, DMFCO has set the goal of preventing payment issues and foreclosures by offering borrowers all feasible help and assistance. For this purpose, an in-house special servicing department has been established.

4. Do No Significant Harm (DNSH)

DMFCO assesses whether an investment qualifies as sustainable by ensuring that it does not cause significant harm to other environmental and social objectives. DMFCO reviews whether an investment in residential mortgage loans aligns with the DNSH principle by determining thresholds for the Principle Adverse Impacts (PAI)[9] indicators for real estate investments[10]. Since there are no PAI indicators for social objectives related to real estate investments, thresholds have been drawn up only for ecological objectives.

Table 1: DNSH analysis PAI indicators applicable to real estate investments

PAI indicator		Threshold Conditions
Adverse sustainability indicator[11]	**Metric**	
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	Threshold is 0%. No residential real estate assets can be involved in the extraction, storage, transport or manufacture of fossil fuels. As such, this threshold is met in case of investment in residential mortgages.
Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	Threshold is 0%. Sustainable investments with at least EPC A cannot be inefficient real estate assets at the same time. This threshold is therefore met in case of investments in mortgage loans that are in line with the DMFCO definition of sustainable investment.
GHG emissions	Total GHG emissions generated by real estate assets	The GHG emission of residential real estate is an essential part of the EU EPC classification. The feasible threshold is therefore already taken into account in the DMFCO EPC definition for sustainable investments.
Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter	This indicator is not relevant to assess the DNSH principle, since actual energy consumption is heavily influenced by occupants' usage patterns. The theoretical primary fossil energy demand, represented by the BENG-2 value in the energy label, is already addressed by the indicator exposure to energy-inefficient real estate.
Waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered	This indicator is not relevant for the assessment of the DNSH principle. In the Netherlands, the municipalities bear responsibility for the waste sorting and the establishment of policies accordingly. Neither investors nor home owners have any control over this indicator.

	by a waste recovery or recycling contract	
Raw materials consumption for new construction and major renovations	Share of raw building materials (excluding recovered, recycled and bio sourced) compared to the total weight of building materials used in new construction and major renovations	This indicator is not relevant, since new construction and major renovations are excluded from the DMFCO sustainability assessment.
Land artificialisation	Share of non-vegetated surface area (surfaces that have not been vegetated in ground, as well as on roofs, terraces and walls) compared to the total surface area of the plots of all assets	This indicator is not relevant, since new construction and major renovations are excluded from the DMFCO sustainability assessment.

Based on the analysis conducted, DMFCO has determined that its definition of sustainable investment is well aligned with the DSNH (Do No Significant Harm) principle.

5. Minimum sustainable investment

DMFCO has set a specific minimum target of 15 percent for sustainable investments in its Funds. This target applies to all DMFCO Funds and demonstrates DMFCO's commitment to fostering positive environmental outcomes across its portfolio[12]. To ensure adherence to the target, the DMFCO ESG (Environmental, Social and Governance) Committee conducts an annual review.

Details of the target are documented in the precontractual SFDR disclosures and included in ESG investor reports. This comprehensive approach aims to provide transparency and accountability regarding the sustainability of DMFCO's Funds, highlighting a dedication to responsible and impactful investing practices.