



Asset Management



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Corporate Social Responsibility and Investment (CSRI) policy

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1. INTRODUCTION

DMFCO operates as both an asset manager and mortgage lender. We link the long-term demand for mortgage financing and the supply of investment. The demand comes from consumers to finance their home with a mortgage. The investment supply comes from institutional investors, such as pension funds and insurers.

DMFCO has adopted a policy for corporate social responsibility and socially responsible investment (CSRI Policy) which is outlined in this document.

2. CORPORATE SOCIAL RESPONSIBILITY

DMFCO has a Code of Conduct with the following guiding principles which are the starting point for all DMFCO's activities. As such they also shape DMFCO's corporate social responsibility ambitions.

1. One of the core principles outlined in DMFCO's Code of Conduct is our commitment to achieving a good and responsible return on our investments, while considering the social and environmental impact of our actions;
2. DMFCO prevents (both direct and indirect) involvement in bribery, corruption, exploitation, cartels and other forms of market abuse;
3. DMFCO strives to design corporate governance in such a way that the rights of (minority) shareholders are respected, that the management has sufficient influence to implement the company's strategy and policy, that sufficient "checks and balances" exist inside and outside the company, that there is independent supervision and that the remuneration system is in line with the long-term objectives of the company;
4. In case of doubt and / or dilemmas, DMFCO makes ethical choices, is transparent about its policies and implementation and is prepared to account for its policies to clients, participants and others;
5. DMFCO strives to realise solutions that promote a sustainable and fair society;
6. DMFCO wants to create a pleasant, professional working culture in which employees are intrinsically motivated by subscribing to DMFCO's ambitions, are given sufficient space to contribute in their own way, and are encouraged to contribute to the maximum of their abilities;
7. DMFCO relies on established parties with verified technologies to outsource our activities. Our goal is to establish a partnership model, in which outsourced processes and their associated systems are enhanced through close collaboration between DMFCO and our business partners, resulting in mutually beneficial outcomes;
8. We maintain transparency and openness to our investors about the policies implemented and new developments within the organisation, while allowing investors to exercise significant control over their own investments; and
9. DMFCO has the opinion that it benefits all stakeholders if it acts as a fun party to work for and with.

3. SOCIAL RESPONSIBLE INVESTMENT

As asset manager and mortgage lender, DMFCO applies prudent asset management and lending practices in the origination of its portfolio of Dutch residential mortgages, taking into account the following CSRI concerns.

3.1 ENVIRONMENTAL CONCERNS

DMFCO is deeply concerned about climate change and potential negative environmental effects of its business activities and mortgage investments. Therefore we commit ourselves to working towards carbon neutrality of our business and the mortgage portfolio by reducing carbon emissions related to our business.

DMFCO's target is to achieve carbon neutral business activities as soon as possible but latest by 2030. DMFCO strives to offset the remaining emissions of its business activities by contributing to carbon emission reduction projects.

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 being aware of the large financial costs, required technological progress and societal changes that are involved with this change.

There are differences in the energy efficiency of the underlying properties of the mortgage receivables. DMFCO is transparent to investors about the energy efficiency of the properties and stimulates borrowers to make improvements to the energy efficiency by proactively informing, activating and offering accessible financing opportunities for energy-saving measures ('**EBM**').

3.2 SOCIAL CONCERNS

DMFCO is particularly aware of the social role of the financial sector. Because of the often vulnerable position of the borrower, DMFCO behaves as is expected of a modern mortgage lender, treating our stakeholders as we would like to be treated ourselves. We have a legal, but also moral obligation to offer suitable mortgage products tailored to the borrower's profile and needs, caring service and to actively prevent over-crediting.

DMFCO's underwriting criteria are aimed at preventing over-crediting and mitigating credit risk. DMFCO's policies are based on the standards of the Homeownership Guarantee Fund (*Stichting Waarborgfonds Eigen Woningen*), the legal conditions of the Temporary Mortgage Loan Scheme (*Tijdelijke Regeling Hypothecair Krediet*), as well as on the Code of Conduct for Mortgage Loans (*Gedragscode Hypothecaire Financieringen*).

DMFCO has implemented procedures to proactively assist its borrowers with any mortgage related issues they may face during the lifetime of the mortgage. In those situations where a borrower has difficulty meeting its payment obligations, DMFCO will take the interests of the borrower as priority. DMFCO continuously analyses to what extent its mortgage product meets the needs of the borrowers that form our target group.

DMFCO adheres to the prevailing market standards and does not distinguish between race, religion or sexuality and prevents discrimination in the mortgage acceptance process and its service offering.

3.3 CORPORATE GOVERNANCE CONCERNS

From the beginning, our investors have been involved in the way we operate. The governance model has been set up in conjunction and is based on (i) providing investors a high level of control over their own investment, while (ii) being transparent and open about the investment policy pursued and new developments in the organisation.

DMFCO invests with funds from institutional investors who manage the assets of private or non-private customers. DMFCO is aware of the interests of the investor and strives for as much control as possible for the investor, while taking full responsibility for the tasks entrusted to DMFCO. A key element is prompt and transparent investor reporting including comprehensive reporting on sustainability.

The interests of DMFCO's stakeholders can diverge. DMFCO is fully aware of this and has adopted policies and procedures to ensure conflicts of interest are identified, prevented and resolved. DMFCO carefully balances the interests of all stakeholders and specifically those of investors and borrowers. DMFCO is aware that adequate governance arrangements and a transparent and fair remuneration policy are key elements in achieving this balance.

3.4 ENVIRONMENTAL AND SOCIAL CHARACTERISTICS PROMOTED BY DMFCO INVESTMENTS

DMFCO has classified its mortgage funds as Article 8 according to the SFDR. This means that the funds promote environmental or social characteristics, but do not have sustainable investments as their core objective.

DMFCO promotes sustainability characteristics by applying its CSRI Policy when making investment decisions. DMFCO's CSRI Policy is leading in reducing the unfavorable effects of the investments on sustainability factors. The following sustainability characteristics related to the investment in mortgage receivables are identified in this policy and taken into account by DMFCO in managing its investments:

1. The level of energy efficiency of the mortgage portfolio (determined by the energy label);
2. The carbon footprint of the collateral related to residential mortgages financed by the funds;
3. MUNT's approach to actively offer financing for EBM to consumers; and
4. MUNT's customer-oriented focus on borrowers struggling to meet their payment obligations.

The abovementioned characteristics together with the carbon emissions from DMFCO's business activities are monitored on an ongoing basis by DMFCO's ESG team and periodically discussed with the management team and supervisory boards.

Note: a number of points of a general CSRI policy do not apply to investing in Dutch residential mortgages; such as exclusion of investing in polluting industries, using child labor or investing in dictatorial countries.

4. IMPLEMENTATION

Corporate Social Responsible Investing is an integral part of DMFCO's investment proposition and is implemented according to the following initiatives.

4.1 ENVIRONMENT

As more than 70% of the existing Dutch housing stock has an energy label B or worse, DMFCO's strategy is focused on stimulating and facilitating home owners to take EBM with the objective to reduce emissions. DMFCO does not exclude mortgages on properties with a low energy label, because the highest impact can be made by improving the energy efficiency in such properties. In addition DMFCO considers it socially and morally important to include different borrower groups and to ensure the maximum availability of mortgage financing in the Dutch mortgage market.

DMFCO uses the following 3 step strategy to stimulate home owners to make their residential property more sustainable:

Inform

DMFCO sees proactively engaging with its customers as one of the key points of the CSRI strategy. As the financier of the house we cannot force customers to make their homes more sustainable. However we can influence them to take EBM measures by pointing out the possibilities for EBM and associated benefits.

In practice, we see that sustainability is most often considered when buying a house. It is therefore important that sustainability is always discussed by mortgage advisors and in particular, the simple option to finance EBM through a mortgage. As this allows home owners to take more action compared to situations whereby only own funds are used to make improvements.

For us, it is important that mortgage advisors are aware of MUNT's possibilities to finance EBM in order for them to include this topic in conversations with customers. MUNT informs mortgage advisors of the various EBM financing options via the weekly 'MUNT mail', our platform 'KOP-MUNT', via the MUNT website, and through discussions with MUNT's relationship managers.

Next to new customers, we aim to activate our existing customers. To make MUNT customers even more aware of the options to finance EBM, we inform all mortgage customers via periodic mailings in the customer portal 'Mijn Hypotheek Online' and the MUNT website about the available financing options.

Activate

All MUNT customers have the opportunity to download a free sustainability profile of their residential property on the MUNT website. The sustainability profile includes an overview of how sustainable the residential property is, which EBM have likely been implemented, and also which opportunities are available to further enhance the energy-efficiency of the residential property. This overview also shows the expected costs and savings of the EBM. In this way, MUNT strives to trigger the customer by providing concrete information on sustainability improvements, their benefits and costs.

We periodically inform our customers via newsletters, including a link to MHO. Within MHO, we provide ample information on EBM and customers can apply for financing directly within a few clicks.

Finance

After stimulating customers to take action, DMFCO facilitates home owners by providing accessible, simple and cost efficient EBM financing. By making the initial costs and thresholds for financing EBM as low as possible, MUNT facilitates and stimulates both new and existing customers:

- New customers can borrow up to €9,000 (and 106% LTV) for EBM without additional income requirements. In case a new customer can achieve an 'energy neutral house' they can borrow up

to €15,000 without additional income requirements, increasing to €25,000 in case of a *'nul-op-de-meter-woning'*; and

- Existing customers can use a similar arrangement by increasing their mortgage. A mortgage increase can be costly given required advisory, valuation and/or notary fees. Therefore, we have introduced the 'Energiebespaarbudget' (EBB) where existing MUNT customers can take advantage of a simplified process to borrow €9,000 for EBM. Customers can apply for EBB via the customer portal. The required documentation is limited; mainly a check whether their income has not materially deteriorated since their initial mortgage application. And most importantly, no advisory, valuation or notary fees are due. These costs can amount to € 3,000 or more, which would make a mortgage increase for EBM financially unattractive.

Regarding the emissions from our business activities, DMFCO has taken the following actions:

- DMFCO strives for an environmentally friendly business operation where paperless working is stimulated, both internally and for the customers of MUNT Hypotheken. The acceptance process for mortgages and the communication with customers is completely digitalised;
- DMFCO has stipulated in its contract to only receive electricity from Dutch wind farms (via Eneco's energy label 'Hollandse Wind'). The wind energy is certified through the Milieukeur certificate from SMK (Stichting Milieukeur);
- The annual carbon emissions resulting from DMFCO's gas consumption are compensated. This is performed by the gas supplier, which invests the surcharge DMFCO pays for its gas in carbon reduction projects certified according to the WWF Gold Standard;
- DMFCO stimulates employees to travel by public transport by offering a first class train ticket for all employees as well as a bicycle plan; and
- DMFCO has frequent discussions with its outsourcing partners regarding carbon reduction and call upon them for further actions to reach a carbon neutral business operation.

4.2 PEOPLE AND SOCIETY

DMFCO's social approach is more than just provide financing for a home. An important component within our social approach is being there for our customers, especially when they are in (financial) difficulties and hence in a vulnerable position. To prevent payment problems in the first instance, MUNT provides its mortgages based on conservative conditions where the (future) affordability of the mortgage is taken into account at an early stage.

To prevent payment problems, MUNT has developed a proactive policy to avoid arrears as much as possible by engaging with the customer at an early stage. If arrears cannot be prevented, an employee of MUNT's Special Servicing team will be contacted. Employees of the Special Servicing team have a wide range of options within set frameworks to offer the customer personal support in order to maximize long-term home retention, like offering job and budget coaches.

With fair products and prices, DMFCO contributes to responsibly meet the basic need of housing. DMFCO does not discriminate in mortgage lending and strives to serve groups of potential borrowers within the applicable standards who were not or less well served in the past, such as self-employed. We make our products accessible and understandable, by clearly describing conditions and communication as clear as possible. In this way we ensure that everyone knows where they stand.

DMFCO adheres to a customer-friendly policy and is at the forefront of introducing clear and transparent product conditions. For example, the automatic reduction of the interest rate when the loan to value has fallen into a new risk category as offered by MUNT Hypotheken has become a market standard.

4.3 ADHERENCE TO PRINCIPLES AND STANDARDS

DMFCO is a member of the United Nations Principles for Responsible Investment (UNPRI) and endorses the principles of the UN Global Compact. The UN Social Developments Goals which are supported by the policies of DMFCO and MUNT Hypotheken are outlined in Appendix 1.

In order to assist investors that are committed to the Internationaal Maatschappelijk Verantwoord Beleggen (IMVB) Covenant, DMFCO takes the principles of the IMVB Covenant into account.

Corporate governance

DMFCO's corporate governance was set up in accordance with the wishes of Dutch pension funds. DMFCO offers exceptional governance arrangements to investors by providing real control, both in setting up the investment mandate and in the way the fund is managed. In addition, investors are able to change the investment preferences on a monthly basis providing additional flexibility to the way the investment is managed. It is in line with our goal to strive for "more than satisfied" investors through open and proactive communication. Moreover, DMFCO's policy is focused on:

Compliance with standards

- The basic principle is that we always comply with all laws and regulations;
- Compliance with the following relevant regulations, standards and guidelines: UN PRI, SFDR, EU Taxonomy and endorsing the principles of the UN Global Compact and the IMVB Covenant; and
- The products of DMFCO are classified as Article 8 according to the SFDR regulation.

Corporate responsibility

- We are aware of our societal role as an asset manager in consumer financing. We have a legal obligation, but more importantly feel a moral obligation to offer suitable mortgage products, caring service and to actively prevent excessive lending;
- DMFCO strives for effective communication in line with our goal to aspire for "more than satisfied" investors through open and proactive communication; and
- DMFCO's remuneration policy complies with all relevant standards and includes contemporary terms of employment without individual variable rewards (bonuses).

4.4 ENGAGEMENT

The investments of the funds consist of mortgage financing for private 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 on investments in companies. This does not detract us from the fact that MUNT maintains a dialogue with the individuals to whom financing has been provided with the aim of encouraging them to use their financing to make their owner-occupied home more sustainable. Furthermore, the CSRI policy is a topic during the annual evaluation meetings with our outsourcing parties and the extent to which they apply such a policy is examined.

4.5 ASSET ALLOCATION

DMFCO will invest 99% of the portfolio in mortgage receivables that promote the environmental and/or social characteristics. A minor portion of the portfolio, 1%, may be invested in ancillary assets that are not aligned with environmental and/or social characteristics, for example, cash and cash like instruments.

4.6 TAXONOMY ALIGNMENT

DMFCO promotes sustainability characteristics through its investments, but it does not assess whether these investments align with the EU Taxonomy.

4.7 TRANSPARENCY

The DMFCO ESG indicators are reported on a monthly basis by DMFCO. In this way DMFCO provides insight into the sustainable and social impact of its investments.

DMFCO uses the following indicators to monitor whether the required environmental and social characteristics relating to climate change mitigation and adaptation, affordable housing and adequate living standards are applied to its investments in mortgage receivables:

- (i) The environmental indicators identify the carbon footprint, the energy-efficiency (determined by energy labels) and percentage of EBM construction deposits of the mortgage receivables;
- (ii) The social impact indicator identifies the mortgage receivables whereby mortgages which have been more than 1 month in payment arrears, have been fully cured, and have remained so to date; and
- (iii) DMFCO has identified the risks for investors related to climate change. The main risk in relation to Dutch mortgages is flood risk and DMFCO has established a quantitative estimation of this risk and its possible negative impact on DMFCO investments.

In addition DMFCO periodically reports on the specific actions that are taken to improve the environmental and social impact of the portfolio such as:

- new lending criteria with an impact on sustainability;
- actions taken to motivate and inform borrowers on ESG related home improvement;
- the number of borrowers in arrears; and
- the number of borrowers that have been approached in the context of the prevention of future payment problems.

APPENDIX I: UN SOCIAL DEVELOPMENT GOALS SUPPORTED BY DMFCO/MUNT POLICY

DMFCO's CSRI policy supports the UN Sustainable Development Goals. Our focus is on the following UN Social Development Goals (SDGs):

SDG 1: End poverty in all its forms everywhere

Goal 1.5: *By 2030 build the resilience of the poor and those in vulnerable situations, and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters*



MUNT contributes to this SDG through their special servicing process, for example by appointing budget coaches at no charge to those households struggling with their finances. DMFCO pays attention to over-crediting and puts the customer first, especially when assessing mortgage applications and resolving payment arrears. DMFCO contributes to reducing exposure to climate related financial shocks by providing EBM financing at favourable conditions.

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 EBM 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 EBM. This offer applies to new as well as to existing DMFCO customers.

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. For example, the risk premium is automatically reduced if borrowers pay off the mortgage. 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.

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.*



By educating borrowers about the benefits of making their house more sustainable through mailings and the MUNT website, and by informing investors on the opportunities of climate impact via mortgage financing, DMFCO actively contributes to the information provision on climate change mitigation and adaptation.