

**Product name: Nederlands Hypotheken Fonds 1908**

**Legal entity identifier: 724500U53A4G7Z7FG128**

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this financial product have a sustainable investment objective?

**Yes**

**No**

It will make a minimum of **sustainable investments with an environmental objective: %**

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 15% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

### What environmental and/or social characteristics are promoted by this financial product?




DMF Investment Management B.V. (the 'Manager') of the Nederlands Hypotheken Fonds 1908 (the 'Fund') promotes sustainability characteristics by applying its Corporate Social Responsibility Investment Policy, Engagement Policy and Sustainable Risk Framework (the 'Sustainability Policies') when making investment decisions. The Sustainability Policies are leading in reducing the unfavourable effects of the investments on sustainability factors and promoting environmental and social characteristics.

The Fund invests in mortgage receivables via its label MUNT Hypotheken ('MUNT'), whereby these environmental and social characteristics related to climate change mitigation and adaptation, affordable housing and adequate living standards are applied in the underwriting and lending process.

A carefully crafted and data-backed definition has been used to determine which mortgage loans can be considered as environmentally sustainable investments. The full definition and its substantiation can be found in the DMFCO Sustainable Risk Framework.

DMFCO does not use a benchmark linked to sustainability characteristics to compare its sustainability performance.



***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The Manager 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 first environmental indicator identifies the mortgage receivables whereby the underlying property at the time of granting the loan has an energy efficiency label of at least A for buildings built on or before 31 December 2020 or at least energy efficiency label A++++ for buildings built on or after 31 December 2020.
- (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.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

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.

DMFCO provides accessible financing opportunities for energy-saving measures, and actively stimulates its borrowers to take advantage of these opportunities. By facilitating borrowers to undertake energy saving measures DMFCO strives to reducing CO2 emissions from its mortgage portfolio. DMFCO deliberately does not exclude mortgages on properties with a lower energy efficiency label, as DMFCO believes that the greatest impact can be achieved by improving the energy efficiency of such properties, rather than by focussing on financing properties with a high energy efficiency label

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 and whether it has positive contribution to a sustainability objective.

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.

Further substantiation of our position can be found in the DMFCO Corporate Sustainable Responsibility and Investment (CSRI) policy.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### **Does this financial product consider principal adverse impacts on sustainability factors?**

Yes, DMFCO has formulated a ‘Principal Adverse Impact Statement’ (‘PAI statement’), that is factored into the investment strategy for the Fund.

DMFCO considers the following possible negative impacts on sustainability:

- Variations exist in the energy efficiency levels of the properties underlying the mortgage receivables. DMFCO is transparent to investors about the energy efficiency of the properties and actively encourages borrowers to enhance energy efficiency through offering financing opportunities for energy-saving measures. DMFCO aims to achieve zero carbon emissions by 2050 for its mortgage portfolio;
- When investing in mortgage receivables via its label MUNT Hypotheken, mortgage receivables with a lower energy efficiency rating are not excluded, as DMFCO prioritizes the availability of suitable housing alongside climate considerations. These investments may have a negative impact on sustainability. However, DMFCO believes that by actively approaching and supporting its borrowers, a contribution can be made to the overall improvement of the sustainability profile of the Dutch housing stock. For example, by taking away as many hurdles as possible by offering easily accessible financing or free access to sustainability advisors (De Energiebespaarders);
- When granting mortgages, there is a risk that the mortgage product does not sufficiently match the profile and needs of the borrower. MUNT has a legal obligation to actively prevent the risk of over-crediting and strives for the continuing affordability of the originated mortgages. Therefore, the mortgage acceptance criteria are designed to fulfil MUNT’s duty of care towards borrowers and are aimed at preventing over-crediting. DMFCO actively engages borrowers facing payment difficulties or potential future payment challenges. In cases where a borrower struggles to meet their payment obligations, MUNT takes extra care to take the interests of the borrower into account;

- DMFCO has identified the main investor risks related to climate change with respect to its mortgage investments. These consist of the flood risk, foundation risk and transition risk. DMFCO has established a quantitative estimation of the flood risk, and the potential negative impact of the flood risk is reported on a monthly basis; and
- DMFCO's business activities involve the use of energy and raw materials. Recognizing the adverse effects associated with this, DMFCO aims to achieve zero carbon emissions by 2030. DMFCO encourages the efficient and minimal use of raw materials and energy, for example by digitalisation of as many processes as possible.

DMFCO provides periodic updates on sustainability actions undertaken during the latest reference period, along with the effects this has had on the prevention and mitigation of significant adverse effects on sustainability.

### **What investment strategy does this financial product follow?**

The Fund offers investors the opportunity to invest indirectly in mortgage receivables with Dutch residential properties as collateral.

The investment objective is to achieve a return relative to the relevant Euro swap curve that offers sufficient compensation for the risks of the underlying mortgage receivables (including credit risk, offer risk and early repayment risk) and management costs.

To achieve the investment objective, the Fund invests in mortgage receivables resulting from mortgage loans originated by MUNT in accordance with the product- and acceptance criteria.

MUNT offers its borrowers finance opportunities with favourable conditions to make improvements to the energy efficiency of their property. The Manager stimulates its borrowers to use these financing by offering it in a customer-friendly and approachable way.

The Fund invests in mortgages whereby special care is taken to ensure the continuing affordability of the originated mortgages. The acceptance criteria used in originating the mortgages are aimed at preventing over-crediting. In those situations where a borrower has difficulty meeting its payment obligations, MUNT will take special care to take the interests of the borrower into account. MUNT's inhouse special servicing department actively approaches borrowers where payment problems may arise in the future.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Fund investments in 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 i) offering finance opportunities with favourable conditions to make improvements to the energy efficiency of the mortgaged properties and ii) taking special care to ensure the continued affordability of the originated mortgages.

Investments in conflict with the sustainability objectives of the Manager will be excluded based on the DMFCO Sustainability Policies.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable to the Fund.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

The Fund invests in Dutch residential mortgage receivables. The Fund does not invest in investee companies and therefore a policy to assess good governance practices of investee companies is not applicable to the Fund.



**What is the asset allocation planned for this financial product?**

The Manager will invest at least 99 % of the portfolio in mortgage receivables that promote the environmental and/or social characteristics in a manner as described above. A minor portion of the portfolio, no more than 1%, may be invested in ancillary assets that are not aligned with environmental and/or social characteristics, for example, cash and cash like instruments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

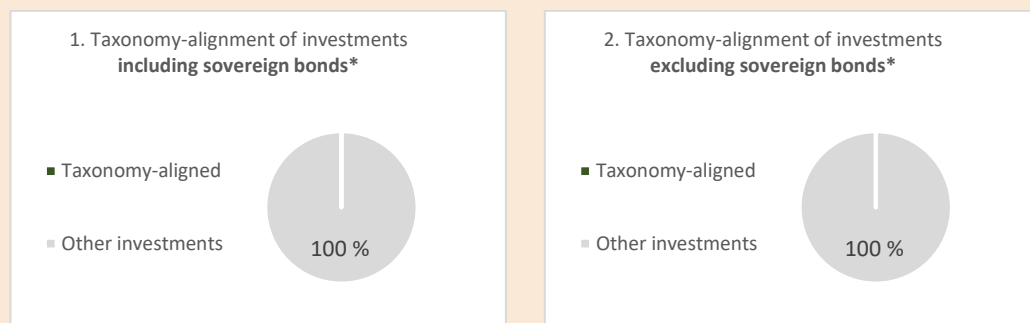
The Fund does not use derivatives.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Fund investments promote sustainability characteristics and are partly sustainable, but are not aligned to the EU Taxonomy.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable to the Fund.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

DMFCO has set a specific minimum target of 15 percent for sustainable investments in its Funds. This target demonstrates DMFCO's commitment to fostering positive environmental outcomes across its portfolio. To ensure adherence to the target, the DMFCO ESG Committee conducts an annual review.



### **What is the minimum share of socially sustainable investments?**

Not applicable to the Fund. DMFCO's social objectives within mortgage investments are inherently multifaceted and do not lend themselves readily to quantifiable metrics in the sense of sustainable investments. DMFCO therefore focuses on ecological considerations in the classification of the sustainability of its investments.



### **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Fund is allowed to invest only in mortgages receivables. The Fund may hold cash with the purpose of efficient portfolio management, according to the disclosures made in its prospectus. These other investments are not subject to any environmental or social safeguards.



### **Where can I find more product specific information online?**

On the DMFCO Investor Portal and the DMFCO website. The applicable Sustainability Policies, Remuneration Policy as well as periodic ESG reports and the Fund's annual reports are available upon request.

**More product-specific information can be found on the website: [www.dmfc.nl](http://www.dmfc.nl)**