PAI Statement DMF Investment Management B.V.

In this Principal Adverse Impact (**PAI**) statement, DMFCO illustrates how possible negative effects on sustainability are considered when making investment decisions.

I. Summary

DMF Investment Management B.V. (the **Manager**) (LEI:724500TVBA043H960027) takes the most important adverse effects on sustainability factors during its investment decisions into account. This Principal adverse impacts statement (PAI) relates to the period from 1 January to 31 December 2022.

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

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

- There are differences in the energy efficiency of the underlying properties of the mortgage receivables. The Manager is transparent to investors about the energy efficiency of the properties and stimulates borrowers to make improvements to the energy efficiency by offering financing opportunities for energy-saving measures;
- Energy and raw materials, amongst others, are consumed in the Manager's business activities. The Manager is aware of the negative impact of this consumption. The Manager stimulates the economical use of raw materials and energy, for example by carrying out as many processes as possible digitally. The Manager also annually compensates the estimated CO2 emissions related to its own business activities;
- When granting mortgages, there is a risk that the mortgage product does not sufficiently match the profile and needs of the consumer. MUNT has a legal obligation to actively prevent this risk and strives for the continuing affordability of the originated mortgages. For example, MUNT's acceptance criteria for mortgages fulfil MUNT's duty of care towards borrowers and are aimed at preventing over-crediting. In the set-up of MUNTs products and rates, a fair and transparent balance of the interests of investor and borrower is made. MUNT actively approaches borrowers where payment problems may arise in the future. In those situations where a borrower has difficulty meeting its payment obligations, MUNT takes extra care to take the interests of the borrower into account. MUNT continuously reviews to what extent its mortgage product meets the wishes and needs of the borrower that form the target group for MUNT mortgages;
- When granting mortgages, there is a risk that certain target groups in society will be disadvantaged and not adequately served. MUNT adheres to the prevailing market standards and behaves as society would expect from a modern and prudent mortgage lender. MUNT does not distinguish between race, religion or sexuality and prevents discrimination in the mortgage acceptance process. MUNT strives for responsible mortgage provision to groups in society that may need extra support, such as the elderly and people with a low income;
- The Manager reports periodically and transparently on the environmentally and socially responsible nature of the investments and is at all times prepared to exchange ideas about this with its stakeholders;
- Furthermore, the CSR policy is a topic during the annual evaluation meeting with outsourcing parties and the extent to which they apply the policy is examined;
- The Manager is a member of the United Nations Principles for Responsible Investment (UNPRI) and also subscribes to the principles of the UN Global Compact and the guidelines from the IMVB covenant;
- The following UN Social Development Goals (SDGs) are specifically supported by DMFCO's CSR and SRI policies:

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

II. Description of the main adverse effects on sustainability

The Corporate Social Responsibility (CSR) and Socially Responsible Investment (SRI) Policy of DMFCO, formulates sustainability criteria on the basis of which the investments of the funds under the management of the Manager are assessed in terms of (among other things) energy efficiency and social impact. The funds under management of the Manager invest in mortgage receivables originated by MUNT.

The question whether a mortgage can be provided depends on various factors, in which the creditworthiness of the borrower, the value of the collateral and the wide availability of home financing for all Dutch people play a role. The Manager takes various sustainability characteristics into account:

- The level of energy efficiency (determined by the energy label);
- CO2 emissions of the property relating to the mortgage receivables financed by the Manager and the CO2 emissions of the business activities of the Manager;
- Actively offering financing for improving the sustainability of the underlying property to existing and new borrowers;
- The activities and philosophy of MUNT in case of prevention and resolving payment issues in relation to the mortgage receivables; and

The Manager does not exclude that it invests in mortgage receivables related to properties with a lower energy label. In this sense, the investments of the Manager can have a negative impact on sustainability. However, the Manager believes that in addition to controlling the impact on climate, availability of suitable properties is also an important goal. MUNT actively approaches its borrowers with a lower energy label (<D) and stimulates all borrowers to make their property more sustainable by offering to finance the costs for energy-saving measures (**EBM**) up to 106% LtV to existing and new borrowers, thereby contributing to the overall sustainability of the Dutch housing stock.

The Manager has identified the risks for investors related to climate change. These consist of the flood risk (foundation and transition risk). The Manager has established a quantitative estimation of the flood risk and the possible negative impact of the flood risk is reported on a monthly basis.

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

The Corporate Social Responsibility (**CSR**) and Socially Responsible Investment (**SRI**) Policy of DMFCO is periodically adjusted on the basis of new insights and expectations. The Manager will also indicate how this policy has been applied in the past period and what results it has led to.

III. Description of policy to identify and prioritize these effects

DMFCO's CSR and CRI policy is leading in reducing the adverse effects of the investments on sustainability factors. This policy was approved on September 17, 2020. Compliance with this policy is primarily the responsibility of the Manager. The sustainability factors identified in this policy are measured and periodically reported to the management of the Manager.

The Manager invests mortgage receivables originated by MUNT Hypotheken in accordance with the product- and acceptance criteria and servicing standards. These criteria and standards promote affordable housing, adequate living standards and climate change mitigation and adaptation by offering finance opportunities with favourable conditions to make improvements to the energy efficiency of the mortgaged properties and by aiming to ensure the continued affordability of the originated mortgages.

The Manager reports monthly on the composition of the mortgage portfolio in the field of energy labels and associated CO2 footprint as well as on making progress with respect to care to borrowers experiencing payment problems.

Energy efficiency reporting

The Manager reports the share of mortgages that meet at least one of the following criteria:

1. Mortgage receivables with an energy-efficient properties as collateral with an energy performance certificate (EPC) of class A.
2. Mortgage receivables whereby the underlying property has achieved an energy efficiency improvement of at least 2 EPC classes and a minimum EPC of class D.

Mortgage receivables that do not meet these criteria are not energy efficient enough and run a greater risk with regard to the energy transition. This concerns potential costs to make the collateral energy efficient in the future, which must be borne by the borrower.

Energy labels are determined on the basis of the final RVO registration. If no definitive RVO registration is available, the provisional RVO label will be retained. If no definitive or provisional RVO label is available, the energy label is estimated based on the year of construction.

Energy labels based on year of construction may deviate from the actual energy efficiency of the collateral. This can potentially cause errors in the measurement of the energy efficiency of the mortgage portfolio.

Reporting CO2 footprint

The Manager reports the CO2 emissions of the mortgage portfolio to its investors on a monthly basis. Based on the energy label and the surface area of a home, an estimate can be made of the annual energy consumption and thus of the annual CO2 emissions. In doing so, the Manager uses the actual, annual energy consumption and CO2 emissions of properties with different energy labels. The data source for this is the research "Relationship between energy label, actual energy consumption and CO2 emissions of Amsterdam housing corporations" of TU Delft.

In addition to the energy label and housing surface, the actual CO2 emissions also depend on factors that are not known to the Manager. This concerns, among others, unique property characteristics and specific borrower behaviour with regard to energy consumption. This can lead to an actual higher or lower CO2 than reported by the Manager.

Social impact reporting

The social impact indicator identifies the mortgage receivables whereby the mortgages which have been more than 1 month in payment arrears, have been fully cured, and have remained so to date

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

Flood risk

The Manager has identified the risks for investors related to climate change. These risks consist of the flood risk (the risk for investors related to flood damage to the properties financed by the Manager), foundation risk (the risk of for example pole rot due to changing water levels) and the transition risk (the risk of payment problems of persons to whom a MUNT mortgage has been provided due to the transition to a sustainable home). Data from the Climate Impact Atlas, a project of Climate Adaptation Services (CAS), was used to calculate the flood risk. The Climate Impact Atlas provides insight into the effects of possible flooding, drought and heat in the Netherlands caused by climate change. The Manager has made a quantitative estimate of the flood risk based on the probability that a collateral with a certain amount compared to NAP will overflow and the reduction of the collateral value due to the flood. In the flood model, the Manager assumes that potential losses due to flooding materialize immediately. The calculation is based on a conservative climate scenario. The resulting flood risk is still limited (< 1 bps). The Manager reports the impact of this risk to its investors on a monthly basis.

IV. Description of actions to control these effects

The Manager will periodically report which actions the Manager has taken in the context of sustainability in the most recent reference period. Additional, it will report the effects this has had on the prevention and mitigation of significant negative effects on sustainability of investments made by the Manager. On behalf of the Manager, MUNT stimulates its borrowers to make their property more sustainable by offering mortgage financing for Energy Saving Measures ("EBM") to existing and new MUNT mortgage borrowers. MUNT offers its borrowers the possibility to co-finance costs for EBM up to 106% Loan-to-Value ('LtV') and to exclude these costs from the calculation of the financing burden (up to a maximum of € 9,000, € 15,000 for energy-neutral property and € 25,000 for zero-on-the-meter property).

As long as the Manager provides financing through MUNT for owner-occupied properties with a less efficient energy label, the Manager offers the option through MUNT and actively seeks to use part of the financing, to make the owner-occupied home more energy-efficient. In this way, the Manager tries to make a positive contribution to sustainability.

In 2022 MUNT has introduced an automated process via which borrowers can apply for financing for EBM. As a result by November 2022 the total number of mortgages with a loan part to finance EBM has increased to 11%.

When designing products and processes, the Manager takes the impact on the environment into account. The Manager opts as much as possible for sustainable solutions and strives to make properties more sustainable through appropriate measures. The Manager strives for environmentally friendly business operations in which paperless working is stimulated, both internally and for borrowers of MUNT. The mortgage acceptance process is already completely digital and the provision of information to borrowers increasingly so.

The Manager strives for responsible mortgage provision to ensure the continuing affordability of the originated mortgages. MUNT's mortgage acceptance criteria fulfil the duty of care towards borrowers and are aimed at preventing over-crediting. MUNT actively approaches borrowers where payment problems may arise in the future, for example in the case of interest-only mortgages. Even in those situations in which a borrower has difficulty in meeting his obligations, the Manager will take special care of the interests of the borrower through MUNT.

In 2022 MUNT has introduced an automated system allowing borrowers to assess the continuing affordability of their mortgages. 34.000 of borrowers were invited to try out this new testing option. This and other ongoing efforts by MUNT to assist and service its borrowers have resulted in 98% of mortgage loans being fully current with payments (November 2022).

<u>Engagement policy</u>
The investments of the Fund 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 the Manager monitors 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 CSR 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.

V. References to international standards

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

The following UN Social Development Goals (SDGs) are specifically supported by DMFCO's CSR and SRI policies:

SDG 1: End poverty in all its forms everywhere

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

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

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

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

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

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

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

By providing mortgages, DMFCO promotes home ownership and affordable housing by providing mortgages with fair prices and conditions. The mortgage proposition of MUNT Hypotheken creates more competition in the Dutch mortgage market and therefore fairer interest rates for Dutch consumers. As a result, all Dutch homeowners effectively pay lower housing costs and pay off their mortgage debt faster, which benefits their financial resilience and their ability to live sustainably.

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

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

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