



# ESG Report

## AeAM Dutch Mortgage Fund 2

As of 31 December 2021

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In this report we aim to provide investors with insight into how their mortgage loan portfolio investment impacts wider society and the planet. This report provides clarity on the following ESG-related questions:

- What is the purpose of Aegon NL?
- What is the vision of Aegon Hypotheken on ESG-related themes?
- How does the ADMF2 portfolio perform on various ESG-related factors? (see *Facts and Figures* chapter).

### Aegon Netherlands as a Responsible Business

Our company exists to enable customers to make informed decisions to secure a healthy financial future. That is our purpose. And it is more important now than ever. Today, the Dutch government and employers – like their counterparts all over the world – can no longer provide the same financial support provided to previous generations. Individuals must now take responsibility and think ahead to build financial reserves and choose the most appropriate solutions for their individual needs.

Life can go in a whole host of directions. It is full of unexpected events, and there are sure to be a few bumps in the road. That is why we believe it is so important to prepare as well as possible and start taking future financial opportunities and setbacks into account today. We call it ‘thinking ahead’, as the opportunities for tomorrow start with making smart choices today.

Whether it concerns an individual’s mortgage, insurance, or pension, we are happy to help pointing out bumps in the road and highlighting opportunities in a timely manner, providing alternatives, and offering the right products, services, and smart tools to make informed decisions. That is how we help our millions of customers to think ahead.

Taking responsibility for our actions is at the core of our approach to good corporate governance. For us, responsible business also includes assessing the impact our actions have on the world.

Our approach to responsible business can be captured in the following five statements:

**1. We invest responsibly:** We invest for a better world. We do this by investing responsibly, and by using our influence as a large investor to encourage the companies in which we invest to make positive changes to their business for the benefit of society and the planet.

**2. We improve society:** We believe everyone deserves a long and happy life. Unfortunately, many people are denied this due to ill-health or inadequate finances. We aim to make a difference by supporting initiatives that improve people’s health and well-being and helping to raise awareness and knowledge on financial matters in society at large.

**3. We transform lives:** We help our customers secure a healthy financial future. We do this by helping them understand the consequences of their financial decisions and supporting them every step of the way by providing the products and services they need.

**4. We care about our people:** We believe happy and healthy employees are better able to help our customers. We aim to make our company an inclusive workplace where people are valued for the diverse knowledge, insights, and experience that they contribute.

**5. We care for the environment:** We believe it is important to live in a clean and healthy environment. The main ways we contribute to achieving this is by helping to reduce CO2 emissions, and by facilitating the transition towards a low-carbon economy.

### ESG Vision Aegon Hypotheken

The purpose of Aegon Hypotheken, as a subsidiary of Aegon Netherlands, is to enable customers to make informed decisions to secure a healthy financial future. We do this by enabling our customers to own a residential property with a mortgage they can afford and is suitable for their specific (financial) situation. In addition, we help our customers to mitigate the potential risks of owning a property through a careful review upon origination, providing relevant information and possibilities throughout the lifecycle of the mortgage and to offer help during (pending) financial difficulties.

If we want to achieve a lifetime of financial security for our mortgage clients, we believe it is important to invest in measures to make the property more sustainable. Since the costs for energy and gas usage are expected to increase further over time<sup>1</sup> and the Dutch government urges homeowners to make their home more sustainable, investments in energy saving measures can be financially interesting for many homeowners (especially the so-called 'no regret measures' like isolation). By fully supporting our mortgage clients in making their home more sustainable we can align our ambition in helping our customers secure a healthy financial future and make a meaningful contribution to a better world by reducing the carbon footprint of our mortgage portfolio.

Since most homes we will be living in in 2050 are already here, we focus on fully supporting our mortgage clients in making their existing home more sustainable. We do this by offering knowledge, tools, and smart financing solutions. This includes a sustainable customer journey for our clients that makes the required information on how to make your home more sustainable easily accessible. In addition, we integrate sustainability aspects into our product offering to clients, making it easy to obtain the funding required to make their home more sustainable. Moreover, we also help our mortgage advisors with tools<sup>2</sup> and resources to

discuss sustainability aspects with their clients during mortgage advice talks.

Finally, we measure and report on ESG-aspects of our mortgage portfolio through our ESG Report. In the next section we go into more detail about what we have done in the last year on these aspects and what is yet to come.



### Facts and Figures

In this chapter we provide on a regular basis insight in ESG-related factors of your mortgage portfolio. Environmental factors such as energy label distribution and estimated carbon emission developments are shown on page 4 and 5. Social factors such as NHG and income distribution can be found on page 6.

<sup>1</sup> Planbureau voor de Leefomgeving, *Ontwikkelingen in de energierekening tot en met 2030*

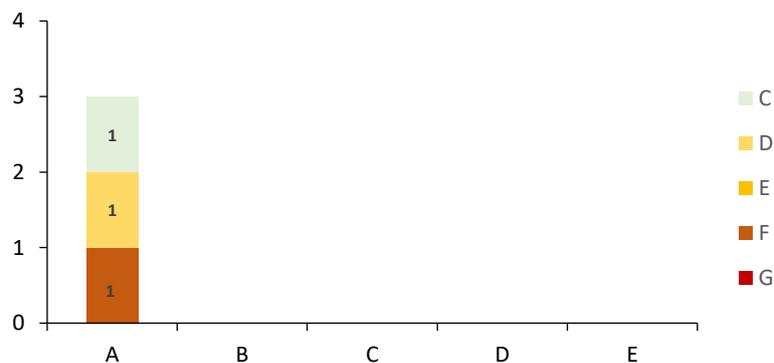
<sup>2</sup> See for example our sustainability tool via <https://persoonlijkduurzaamheidsoverzicht.nl>

Environmental Indicators

Energy Labels Distribution - Q4	# of Loans	% of Loans	Balance (mln)	% Balance
Energy Label A(+)	8,511	17.7%	2,363	19.5%
Energy Label B	7,348	15.3%	1,800	14.8%
Energy Label C	12,680	26.4%	2,870	23.6%
Energy Label D	4,611	9.6%	1,118	9.2%
Energy Label E	3,102	6.5%	708	5.8%
Energy Label F	3,694	7.7%	919	7.6%
Energy Label G	3,998	8.3%	1,036	8.5%
No data	4,058	8.5%	1328	10.9%
<b>Total</b>	<b>48,002</b>	<b>100%</b>	<b>12,142</b>	<b>100%</b>
2 notch increase since previous period*	3	0.01%	1	0.01%

Energy Labels Development (%Loans)	Q3 - 2020	Q4 - 2020	Q2 - 2021	Q4 - 2021
Energy Label A(+)	15.4%	16.5%	17.9%	17.7%
Energy Label B	15.2%	15.1%	15.3%	15.3%
Energy Label C	25.9%	26.0%	26.3%	26.4%
Energy Label D	8.8%	9.6%	9.7%	9.6%
Energy Label E	6.4%	6.3%	6.5%	6.5%
Energy Label F	8.2%	7.7%	7.3%	7.7%
Energy Label G	9.6%	8.4%	8.0%	8.3%
No data	10.5%	10.4%	8.9%	8.5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
2 notch increase since previous period*	0.16%	2.19%	1.44%	0.01%

Movement analysis 2 notch increase loans\*\*



Carbon Emission Development***	Q3 - 2020	Q4 - 2020	Q2 - 2021	Q4 - 2021
Monthly CO2 emission (tons) of portfolio (disregarding financed share)	8,506	9,978	N/A	N/A
Monthly CO2 emission (tons) of portfolio****	7,222	8,277	10,960	13,191
Monthly CO2 emission (tons) per property (disregarding financed share)	0.35	0.34	0.34	0.34
Monthly CO2 emission (tons) per EUR mln invested	1.14	1.11	1.09	1.09
NL market monthly CO2 emission (tons) per property	0.35	0.35	0.35	0.35

\* The energylabel distribution in FY 2021 report is not updated, due to unavailability of data with the Dutch RVO.

\*\* Colour shows the label in the previous period, horizontal axis shows the label in this period.

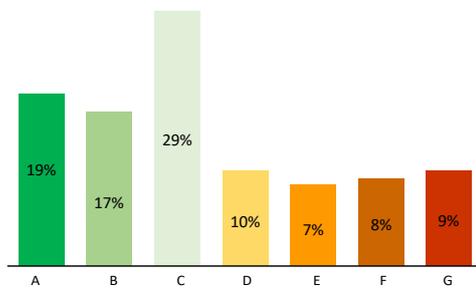
\*\*\* Calculation based on PCAF agreed measures and historical data recalculated taking into account the original MV.

\*\*\*\* Monthly CO2 emissions of the portfolio is adjusted for the financed share of the invested amount (LTV).

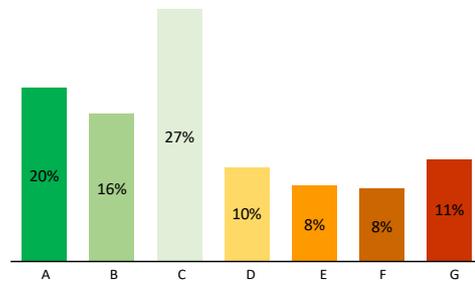
Sustainability Depot Development	Q3 - 2020	Q4 - 2020	Q2 - 2021	Q4 - 2021
Sustainability depots originated since previous period	76	147	691	1049
Total number of sustainability depots originated	729	876	1,567	2,616
Original balance sustainability depots originated since previous period (EUR mln)	1.00	1.88	8.74	14.40
Total original balance of sustainability depots originated (EUR mln)	8.76	10.64	19.39	33.79

Energy saving measures in underwriting	# of Loans	% of Loans	Balance (mln)	% Balance
Energy efficient (EPC < 0.6) properties	4,358	9.08%	1,454	11.98%
Energy neutral (EPC = 0) properties	209	0.44%	67	0.55%
Zero emission properties	32	0.07%	11	0.09%

Energy Label Distribution ADMF2\*



Energy Label Distribution NL Market



\*"No data" category is not shown to allow for comparisons with energy label distribution NL Market.  
Source: Aegon Hypotheken B.V. ; Rijkdienst voor Ondernemend Nederland

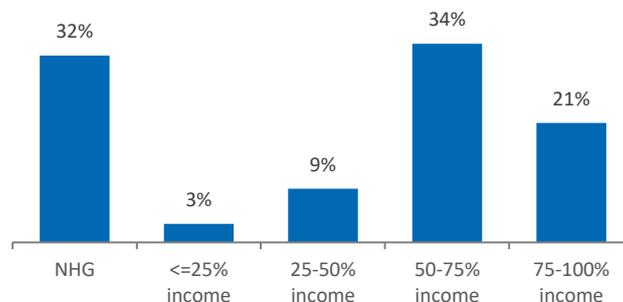
## Social Indicators

NHG & Income Distribution – Q4	# of loans	% of loans	Balance (mln)	% Balance
NHG	15,521	32.3%	3,112	25.6%
Non-NHG				
<= 25% income group (<= €28.600)	1,552	3.2%	177	1.5%
25-50% income group (>€28.600 & <= €46.200)	4,473	9.3%	695	5.7%
50-75% income group (>€46.200 & <= €88.100)	16,519	34.4%	4,281	35.3%
75-100% income group (>€88.100)	9,937	20.7%	3,877	31.9%

NHG & Income Development (% Loans)	Q3 - 2020	Q4 - 2020	Q2 - 2021	Q4 - 2021
NHG	36.9%	36.0%	35.4%	32.3%
Non-NHG				
<= 25% income group (<= €28.600)	3.3%	3.3%	3.3%	3.2%
25-50% income group (>€28.600 & <= €46.200)	8.7%	9.1%	9.2%	9.3%
50-75% income group (>€46.200 & <= €88.100)	31.9%	32.3%	32.5%	34.4%
75-100% income group (>€88.100)	19.2%	19.3%	19.6%	20.7%

Restructuring development	Q3 - 2020	Q4 - 2020	Q2 - 2021	Q4 - 2021
Loans restructured since previous period	0	0	0	1
Total loans restructured	0	0	0	1

NHG & Income distribution



COVID-19 payment holidays development	Q3 - 2020	Q4 - 2020	Q2 - 2021	Q4 - 2021
Number of payment holidays granted since previous period	2	1	4	11
Total number of payment holidays granted	11	12	16	27
Current outstanding balance of loans with payment holidays granted since previous period (EUR mln)	0.62	0.21	1.21	2.77
Percentage of balance with payment holidays granted of total portfolio this period (%)	0.01%	0.00%	0.01%	0.02%

Source: Aegon Hypotheken B.V.

## Glossary

**2 notch increase** – A 2 notch increase means that the energy label the property had in the previous period is at least 2 levels lower than the energy label provided for this period. An example could be that in previous period the property had an energy label D and for this period the energy label is A. These increases in energy labels come from clients registering their new (and improved) energy label with the Dutch authorities.

**CO2 footprint** – Aegon Hypotheken estimates the CO2 footprint associated with the mortgage loans based on energy labels from Rijksdienst voor Ondernemend Nederland (RVO) and average residential energy consumption. The methodology outlined by the Platform Carbon Accounting Financials (PCAF) is used along with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) for the calculation of the weighted average carbon intensity. Currently two sets of CO2 footprints are being reported, one including the financed share and one without, the latter being phased out going forward.

**EPC** – Energy Performance Coefficient - this figure was introduced in the Dutch Building Code since 1995 and provides information on the energy usage of a residential property. As of 2006 a requirement was introduced for newly build properties to have at least an EPC <0.8. From 2011 onwards this was reduced to <0.6 and as of 2015 it is reduced to <0.4. As of 2021 the EPC-norm in the Dutch Building Code is replaced by the new BENG norm. The coefficient shows the energy usage of the residential property compared to an average newly build property in 1990. Therefore, an EPC of 0.6 means that that property only has 60% of the energy usage compared to an average newly build property in 1990.

**Sustainability depot** – Aegon Hypotheken provides its mortgage clients the possibility to take out an additional mortgage loan (either at origination or as a further advance) to specifically pay for the investments required to make their property more sustainable. These energy depots work in similar ways as a regular construction deposit but can only be used for investments in energy saving measures for the property.

**Energy Label** – If available this is the definitive energy label as registered with the Dutch authorities (Rijksdienst voor ondernemend Nederland, RVO). If the definitive energy label is not available the temporary energy label as estimated by the RVO based on publicly available characteristics (like build year, property type, size etc.) of the property is used. The energy labels used range from A to G (where A+, A++, A+++ and A++++ labels in the RVO database are also considered to be an A-label property).

**Payment holiday** – In response to the COVID-19 pandemic, Aegon Hypotheken provides their mortgage clients with the possibility to apply for a payment holiday, in which the client does not need to pay (part of) their monthly mortgage instalments. This payment holiday can be granted for a limited period (based on the client's needs) and is specifically designed for customers who have a temporary loss of income due to COVID-19 and the resulting lockdown measures. Even though a payment holiday is granted, Aegon Hypotheken still reports any missed instalments as arrears.

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