



ESG Report: AeAM Dutch Mortgage Fund 2

Q4 2020

AeAM Dutch Mortgage Fund 2

Environmental, social and governance (ESG) factors can be used to provide investors with insight into how their mortgage portfolio investment impacts wider society and the planet.

This report provides clarity on the following ESG-related questions:

- What is the environmental impact of the houses that mortgage financing has been provided for and also the mortgage origination company itself?
- How does the mortgage originator treat investors, employees, customers, and the surrounding community?
- How does the ADMF 2 portfolio perform on various ESG-related factors? (see 'ESG Report–Facts and Figures' as attached)?

Aegon as a Responsible Business

Aegon believes that everyone deserves a healthy and financially secure future. Aegon's commitment to helping its customers achieve this requires a sustainable business that is guided with a long-term view in mind. Aegon is committed to conducting its business in a responsible manner that creates value for multiple stakeholders, including customers, employees, business partners, investors, and wider society. We believe that doing business in a responsible way will create sustainable positive financial, social, and environmental results for all stakeholders.

Aegon's Responsible Investment (RI) Policy sets out minimum ESG standards for both its proprietary assets and those that it manages on behalf of its clients. This includes excluding investments in companies that engage in undesirable behaviours or offer products and services that are detrimental to the health and well-being of our customers.

In 2019, Aegon Netherlands created a Responsible Investing Committee to serve as the delegated advisory and decision-making body for its RI Policy. This includes monitoring that its RI Policy is properly executed and that it remains appropriate and in line with Aegon's responsible business ambitions. In the same year, Aegon also set up a Responsible Business and Investment Committee (RBIC) to discuss ESG issues that impact its business and investments. The RBIC provides advice directly to Aegon's Management Board and consists of selected Management Board members, Chief Investment

Officers, and other senior managers. This ensures that ESG issues are given due consideration.

Aegon and Climate Change

Climate change represents one of the greatest challenges for our society, the economy and financial institutions. Aegon believes that governments, companies, and investors have a responsibility to facilitate a transition to a climate-resilient economy.

Aegon has already taken several steps to demonstrate its commitment and support for tackling climate change:

- Aegon measures and annually publishes its operational carbon footprint. Aegon's main operations (US, Netherlands, UK and Asset Management) have been carbon neutral since 2016 by reducing their facility-level emissions and supporting carbon offsetting projects in cooperation with the NGO ClimateCare.
- Aegon Netherlands and Aegon Asset Management have committed to help finance the transition to more sustainable and less polluting future by signing the Financial Sector Commitment to the Dutch Climate ('Klimaataakkoord'). The agreement sees us committing to aligning our activities with the Netherlands' goal of achieving a 49% reduction in its greenhouse gas emissions by 2030.

Environmental

The Dutch Climate Agreement aims to reduce CO2 emissions in the Netherlands by 49% in 2030 compared to 1990. This sends a clear message that more needs to be done to tackle climate change. There are many ways in which we can all contribute to this goal. For example, by taking public transport instead of traveling by car or by eating less meat. However, what about turning off the heating during a cold winter's night? Our very homes take a significant toll on the health of the planet because of the materials used in their construction and the energy consumed to heat them and keep the lights on in that cold winter's night.

By investing in mortgages, we not only provide a cosy home for our customers but also indirectly finance the

CO2 emission associated with that house. For that reason, it is essential that we understand the CO2 footprint of the homes that we provide mortgage financing for.

Energy rating labels tell us how much energy a home consumes. The most energy-efficient homes have a rating of A whereas the least energy-efficient get a rating of G. Some mortgages are associated with properties that do not have a label and we, therefore, assume the average rating of the portfolio when carrying out our analysis. The mortgages without an energy label mostly consist of newly built properties where the energy rating has not yet been registered (these are typically A-rated given current construction regulations).

At the end of Q4 2020, the houses that ADMF 2 has financed have, on average, a C energy rating. During Q4 2020, a total of 647 loans had an increase in their energy rating by at least 2 notches (where labels that were not known in the previous quarter are excluded for this movement analysis).

Aegon Hypotheken B.V.'s sustainable deposit

Aegon Hypotheken B.V. launched its sustainable deposit for customers in the beginning of 2019. Through this product, Aegon Hypotheken B.V.'s clients are given the possibility of taking out an additional mortgage loan for up to €9.000 to fund the investments needed to improve the energy efficiency of their home. This sustainable deposit is a more efficient and less costly option for clients to obtain funding for energy saving measures as less documentation is required and no additional deed at the notary is needed. In addition to the sustainable deposit, Aegon Hypotheken B.V. has been offering an energy deposit for some time now. This energy deposit is a regular deposit for energy saving measures which does not have the limit of €9.000 but also does not have the benefits of the sustainable deposit.

Aegon Hypotheken B.V.'s sustainability tool

Aegon Hypotheken started a pilot for a new sustainability tool in 2019. The first version of this tool can be found via: <https://persoonlijkduurzaamheidsoverzicht.nl/>.

This tool provides clients with recommendations for different measures that can be taken to improve the energy efficiency of their home. These recommendations are tailor-made to an individual's specific circumstances and include insights into the potential cost savings that could be. The tool also shows the expected increase in the property's value by following the recommendations and includes an estimate of the financing costs associated with each option. The tool is currently being tested with a

relevant client group and will be further developed over the course of 2020.

Social

Aegon Hypotheken B.V. helps homeowners that are struggling to meet their monthly repayments and finding themselves in arrears. Aegon Netherlands has a dedicated budget coaching team that works together with homeowners who find themselves in financial difficulty. The team offers help and opportunities for Aegon Hypotheken B.V.'s clients to solve the problem.

Aegon Hypotheken B.V. believes that everyone should have access to the housing market. This includes ensuring the lower income segment have access to mortgage financing. One way that Aegon Hypotheken B.V. does this is by offering NHG mortgages to its customers. NHG mortgages are partially guaranteed under the 'Nationale Hypotheek Garantie' scheme in the Netherlands, which provides some protection to the mortgage originator in the case of the borrower being unable to repay their mortgage. This allows Aegon Hypotheken B.V. to provide mortgage financing to customers at a more attractive mortgage rate. Aegon Hypotheken B.V. has set minimum standards for the number of NHG mortgages in its ongoing production targets. During Q4 2020, the percentage of mortgages provided to lower income segment clients in the portfolio for ADMF 2 without an NHG guarantee was 3.3% and the total percentage provided with an NHG guarantee was 36.0%.

Governance

The Fund invests in Dutch mortgages originated by Aegon Hypotheken B.V. and which are secured by Dutch residential properties. The Fund acquires mortgages by subscribing to Aegon Hypotheken B.V.'s new mortgage production. Aegon Netherlands is committed to conducting business in a responsible and sustainable manner. This mindset is integrated throughout Aegon Netherlands' mortgage value stream, as evidenced by:

- In 2020 Aegon Hypotheken B.V. published the ISAE 3402 Type II report over 2019. This report evidences an external auditor has ascertained the design and existence of the organization's controls and checked their operation.
- All mortgage related processes are periodically reviewed and regularly audited (including SOX compliance)
- Aegon Hypotheken B.V.'s use of a vertical slice model to guarantee investors an equal split of mortgage

production, ultimately ensuring alignment of interest between internal and external investors.

Highlight: Best mortgage provider in 2019

Aegon Hypotheken B.V. was recognized as the best mortgage provider in the Netherlands in 2019 by winning the Gouden Spreekbuis. This recognition is awarded to the mortgage provider that has demonstrated the greatest improvement in client service, reputation, communication, and image. Aegon Hypotheken B.V. was particularly distinguished for its significant progress in digitalization while keeping a human touch.



Facts and figures

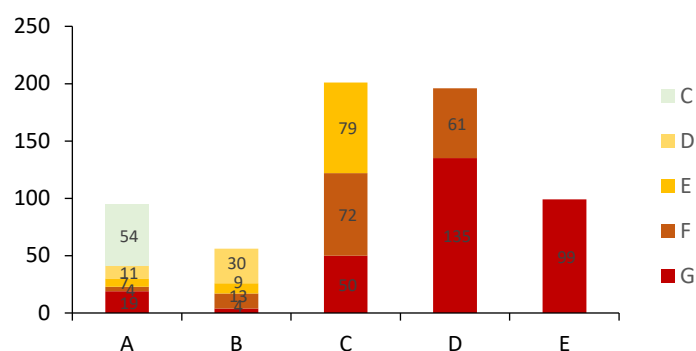
In this regular quarterly basis update, we provide insights in ESG-related factors of your mortgage portfolio. Environmental factors such as energy label distribution and estimated carbon emission developments are shown on page 4 and 5. Social factors such as NHG and income distribution can be found on page 6 and a case study is being reported on page 7.

Environmental Indicators

Energy Labels Distribution – Q4	# of Loans	% of Loans	Balance (mln)	% Balance
Energy Label A(+)	4,890	16.5%	1,358	18.3%
Energy Label B	4,462	15.1%	1,081	14.5%
Energy Label C	7,696	26.0%	1,694	22.8%
Energy Label D	2,827	9.6%	667	9.0%
Energy Label E	1,863	6.3%	417	5.6%
Energy Label F	2,271	7.7%	546	7.3%
Energy Label G	2,478	8.4%	635	8.5%
No data	3,070	10.4%	1039	14.0%
Total	29,557	100%	7,437	100%
2 notch increase since previous quarter	647	2.19%	182	2.44%

Energy Labels Development (%Loans)	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Energy Label A(+)	18.5%	15.9%	15.4%	16.5%
Energy Label B	16.4%	14.9%	15.2%	15.1%
Energy Label C	27.6%	26.1%	25.9%	26.0%
Energy Label D	9.7%	9.6%	8.8%	9.6%
Energy Label E	6.1%	6.2%	6.4%	6.3%
Energy Label F	6.9%	7.7%	8.2%	7.7%
Energy Label G	7.3%	8.4%	9.6%	8.4%
No data	7.6%	11.1%	10.5%	10.4%
Total	100%	100%	100%	100%
2 notch increase since previous quarter	3.57%	0.23%	0.16%	2.19%

Movement analysis 2 notch increase loans*



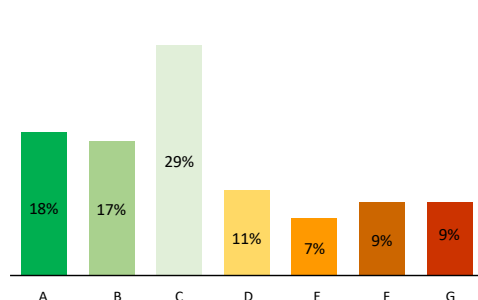
* Colour shows the label in the previous quarter, horizontal axis shows the label in this quarter

Carbon Emission Development**	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Monthly CO2 emission (tons) of portfolio	6,026	7,236	8,226	9,648
Monthly CO2 emission (tons) per property	0.33	0.33	0.33	0.33
Annual CO2 emission (tons) per property	3.98	4.00	4.01	4.00
NL market annual CO2 emission (tons) per property	4.01	4.01	4.01	4.01

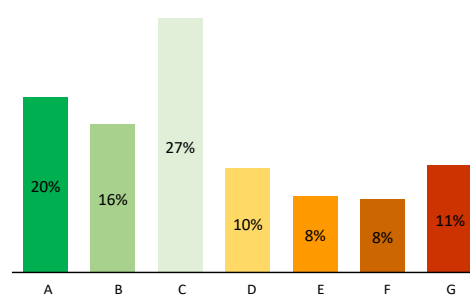
** Calculation based on PCAF agreed measures and government input parameters

Sustainability Depot Development	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Sustainability depots originated since previous quarter	83	73	76	147
Total number of sustainability depots originated	580	653	729	876
Original balance sustainability depots originated since prev. quarter (EUR mln)	1.07	0.77	1.00	1.88
Total original balance of sustainability depots originated (EUR mln)	6.99	7.76	8.76	10.64

Energy Label Distribution ADMF 2***



Energy Label Distribution NL Market



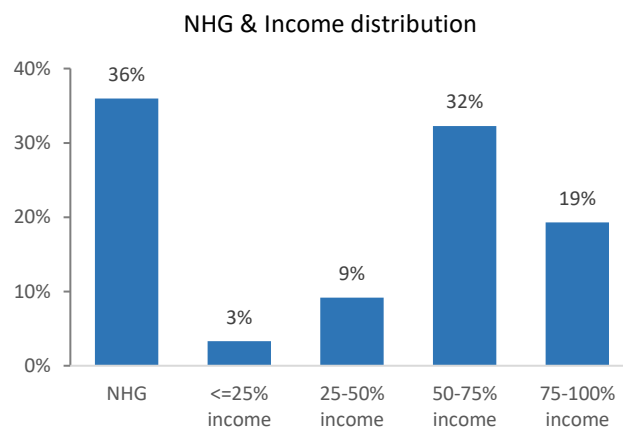
*** "No data" category is not shown to allow for comparisons with energy label distribution NL Market.

Social Indicators

NHG & Income Distribution - Q4	# of loans	% of loans	Balance (mln)	% Balance
NHG	10,630	36.0%	2,127	28.6%
Non-NHG				
<= 25% income group (<= €28.600)	976	3.3%	110	1.5%
25-50% income group (>€28.600 & <= €46.200)	2,704	9.1%	414	5.6%
50-75% income group (>€46.200 & <= €88.100)	9,539	32.3%	2,501	33.6%
75-100% income group (>€88.100)	5,708	19.3%	2,285	30.7%

NHG & Income Development (% Loans)	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
NHG	38.4%	36.8%	36.9%	36.0%
Non-NHG				
<= 25% income group (<= €28.600)	3.1%	3.3%	3.3%	3.3%
25-50% income group (>€28.600 & <= €46.200)	8.6%	8.7%	8.7%	9.1%
50-75% income group (>€46.200 & <= €88.100)	31.4%	32.3%	31.9%	32.3%
75-100% income group (>€88.100)	18.5%	18.9%	19.2%	19.3%

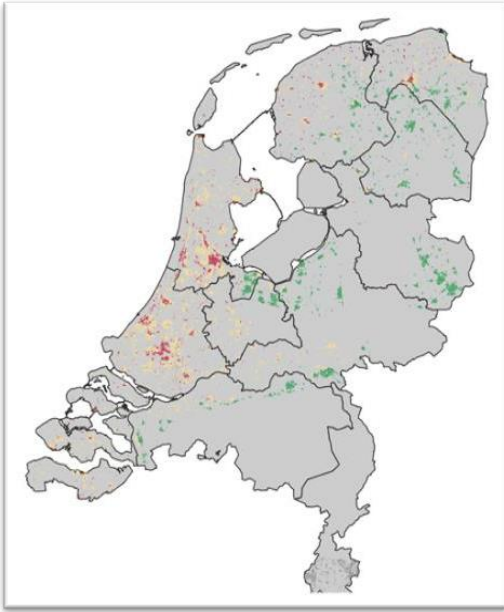
Restructuring development	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Loans restructured since previous quarter	0	0	0	0
Total loans restructured	0	0	0	0



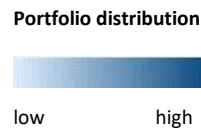
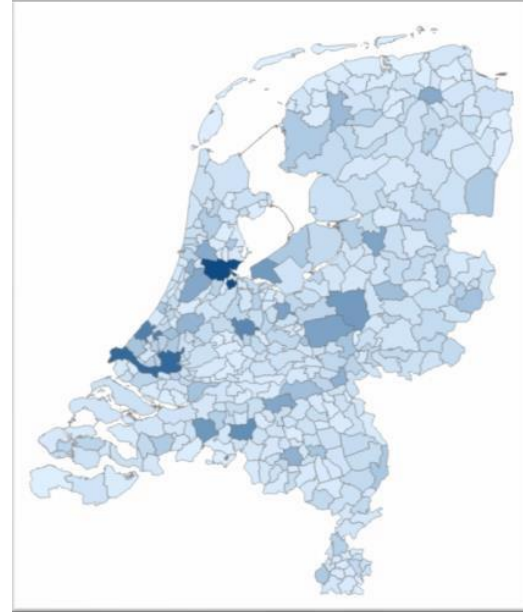
COVID-19 payment holidays development	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020
Number of payment holidays granted in quarter	-	9	2	1
Total number of payment holidays granted	-	9	11	12
Current outstanding balance of loans with payment holidays granted this quarter (EUR mln)	-	3.54	0.62	0.21
Current balance of loans with payment holidays (EUR mln)	-	3.54	4.16	4.37
Percentage of balance with payment holidays granted of total portfolio this quarter (%)	-	0.06%	0.01%	0.00%
Total percentage of balance with payment holidays (%)	-	0.06%	0.07%	0.07%

Case study: Property foundation risk chances

Property foundation risk chances



Portfolio distribution in EUR



Aegon Hypotheken B.V. has looked at the property foundation risk in the DMF 2 portfolio in Q3 2020 and compared this to the average property foundation risk chances in the Netherlands. The property foundation risk chances per region are obtained from data retrieved from the Dutch 'Klimaat-effectatlas', which bases their analyses on research conducted by Deltares and the Dutch 'KCAF' institute.

These property foundation risk chances are only looking at foundation risks coming from the rotting of wooden poles on which some buildings in the Netherlands are built (mainly buildings pre-1970) and buildings that are built on clay - or turfground. Drought can have an impact on the foundation of the properties due to rotting of the wooden poles and sagging of the clay - or turfground.

For the DMF 2 portfolio the number of properties and outstanding balance per property foundation risk area is shown in the table below.

Property foundation risk chances	% Properties	% Balance
No risk / No buildings with risk	73.4%	73.4%
Small risk	20.8%	20.3%
Medium risk	0.3%	0.3%
High risk	5.5%	6.0%
Grand total	100.0%	100.0%

Deltares (2012) has conducted a similar research and has found that there are around 750.000 properties in the Netherlands with a high property foundation risk (on a total of 8.5 mln properties), which comes down to 8.9% of all properties. As can be seen in the table above this is only 5.5% for the DMF 2 portfolio.

Glossary

2 notch increase – A 2 notch increase means that the energy label the property had in the previous quarter is at least 2 levels lower than the energy label provided for this quarter. An example could be that in previous quarter the property had an energy label D and for this quarter 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.

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. Moreover, these energy depots have some benefits for mortgage clients compared to construction deposits concerning Loan to Income and Loan to Value criteria.

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+ or 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.

Disclaimer

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