

# ESG Report

## AeAM Dutch Mortgage Fund 2

As of 31 December 2024

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## AeAM Dutch Mortgage Fund 2

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

- How do we want to achieve the climate goals?
- How does Aegon Hypotheken's vision on ESG-related themes relate to this purpose?
- What steps has Aegon Hypotheken taken recently to fulfil its vision and what is yet to come?
- How does the ADMF2 portfolio perform on various ESG-related factors (see 'ESG Report – Facts and Figures' as attached)?

### Our approach

Climate change is one of the most pressing challenges our society faces. As one of the largest financial companies in The Netherlands, we are aware of the impact our activities can have on the global climate challenge - in both a positive and a negative sense.

That is why we want to contribute to the transition to a climate-proof economy with net zero emissions.

The latest climate science publications are very clear. If we want to avoid the most serious impacts of climate change and keep our earth liveable, we must limit global warming to approx. 1.5°C above pre-industrial levels. To achieve this, we must do everything possible to ensure that CO<sub>2</sub> emissions by our society are reduced to net zero in 2050 and that greenhouse gas emissions will be net zero by around 2060 at the latest. Because the earth has already warmed up about 1.48°C, the pressure has never there been so high.

We want to play an active role in the climate challenge. The consequences of climate change are already tangible, in our own country and beyond. That's why we want to help our clients and society to become climate-proof. Therefore we have made a climate action plan.

Our climate plan exists of 3 steps:

### Step 1: Insight in our climate impact

Measuring is knowing. That's why we've been keeping engaged for several years in measuring and reporting on greenhouse gases emissions from our own operations and our investment decisions.

### Step 2: Formulate goals

To determine if we are on the right track we have formulated goals to reduce CO<sub>2</sub> emissions. We need to reduce the amount of greenhouse gas we release each year to practically zero. We need to invest more in infrastructure and technology that help prevent or reduce emissions. We need the remaining non-structural greenhouse gases we release each year eliminated by both natural and technological solutions.

### Step 3: Take action

We have already taken a lot of actions to reach our ultimate goals but of course we keep on improving. We do this via our own activities, such as using green energy, only electrical lease cars and renovations of our buildings. In the part below we will explain more about the actions we have taken within mortgages and the next steps.

## ESG Strategy Aegon Hypotheken

Buildings are responsible for around 40% of EU energy consumption and 36% of EU greenhouse gas emissions. In 2020, the build environment was responsible for about 13% of total greenhouse gas emissions in The Netherlands. Reducing emissions of greenhouse gases through our homes and buildings is therefore one crucial climate goal. We are one of the largest lenders within the Dutch residential mortgage market and therefore provide mortgages to many clients. The homes of many of these clients are older and not yet energy efficient. This not only means a higher energy bill for the client, but also higher greenhouse gas emissions. We believe that we can be part of the solution to this problem and want to help our clients to make their homes more sustainable. We want to have an energy neutral mortgage portfolio by 2050 at the latest.

The purpose of Aegon Hypotheken is to enable our clients to live their best life. For us this means lending people money so they can buy a house. We want to do this in a sustainable and responsible manner. We believe that living your best life goes hand in hand with having a greater care for our planet. For mortgages, we believe it is important for our clients to care for the planet by investing in measures that make their property more sustainable. Due to the ongoing uncertainty in the world and on the European continent, gas- and energy prices are still volatile. This makes the urge to take sustainable measures even greater to be more in control of the gas and energy costs. By fully supporting our mortgage clients in making their home more sustainable we can align our ambition of helping our clients live their best life 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 information on how to make your home more sustainable easily accessible and understandable.

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.

### Recent actions taken by Aegon Hypotheken

In the last few years Aegon Hypotheken has taken several actions to support homeowners in making their home more sustainable and to report on the progress being made, while ensuring that our efforts are aligned with what the latest science says is necessary to meet the goals of the Paris Agreement.

Firstly, Aegon Hypotheken B.V. has determined GHG emission reduction targets. Aegon Hypotheken B.V. is committed to set new near term science-based targets for mortgages, compatible with limiting global warming to 1.5°C in line with the Paris Agreement, and to submit these to the Science Based Target Initiative (SBTi) in 2025 to have them validated.

Secondly, Aegon Hypotheken introduced a sustainability tool for clients in 2022. With this tool clients can get a personalized advice on how to make their house more sustainable and where to begin. We also offer a partner network via this tool for the installation of sustainable measures. In 2023 we introduced the sustainability tool for advisors. The advisor has a big impact on the choices the client makes, therefore this tool is specifically designed to help advisors help their clients<sup>1</sup>.

Thirdly, we have added an extra page on the mortgage offer for clients to encourage them to also finance sustainable measures when buying a new house. We have also made it easier for mortgage advisors to add an energy depot for sustainable measures to the offer. In this way we hope to take away another barrier for client and advisor.

Fourthly, we have introduced the 'Energie Bespaar Budget' – Energy Savings Budget. With this budget clients can reserve a certain amount of money for sustainable measures. The difference with the already existing option is that clients do not have to specify upfront

<sup>1</sup> <https://aegon.homeqgo.nl/adviseur>

what they are going to do. Of course the reserved amount of money can only be spent on approved sustainable measures, which will be checked. The money will be kept in energy depot for a maximum of two years.

Finally, Aegon Hypotheken has been a founding member of the Energy Efficient Mortgages Netherlands (EEM NL) hub established in September 2021 and has contributed to its efforts. The EEM NL Hub aims to develop and maintain a Dutch framework for energy efficient mortgages that facilitates the translation and application of European regulation into the Dutch residential mortgage and property market.

This common interpretation and application is aimed at facilitating standardisation and creating transparency that will benefit both consumers and investors and thus contribute to the sustainability transition of the Dutch housing stock and the financing thereof.

In 2024 the EEM NL Hub delivered the third version of the Dutch Energy Efficient Mortgage Framework (DEEMF). This document describes in detail the application of the EU Taxonomy to Dutch residential mortgages<sup>2</sup>. Aegon and a.s.r. will report their combined EU Taxonomy alignment over FY 2024.

### **Next steps**

Aegon Hypotheken is actively developing additional initiatives to boost sustainability even further.

We are constantly searching for ways to fully support and encourage our mortgage clients in taking the steps necessary towards a more sustainable home.

We will review our existing products and propositions to see if they still fit the clients need on sustainability and are actively looking at ways to reduce barriers for clients even more. Also the mortgage advisor plays a very important role, so we target them with specific tools and information to make it as easy as possible.

Only together we can achieve our ambitious goals towards an energy positive society. We are determined to facilitate our clients as much as possible to live their best life in a sustainable manner.

### **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 5 and 6. Social factors such as NHG and income distribution can be found on page 7. On page 8 the SFDR metrics and GHG emissions are included

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<sup>2</sup> <https://energyefficientmortgages.nl/framework/>

## Environmental Indicators

Energy Labels Distribution <sup>1</sup> – Q4	# Properties	% Properties	Balance (mln)	% Balance
Energy Label A(+)	14,311	24.1%	4,192	26.8%
Energy Label B	9,187	15.5%	2,362	15.1%
Energy Label C	15,809	26.7%	3,783	24.2%
Energy Label D	5,656	9.5%	1,451	9.3%
Energy Label E	3,792	6.4%	913	5.8%
Energy Label F	4,137	7.0%	1,042	6.7%
Energy Label G	4,737	8.0%	1,276	8.2%
No data	1680	2.8%	607	3.9%
Total	59,309	100%	15,626	100%

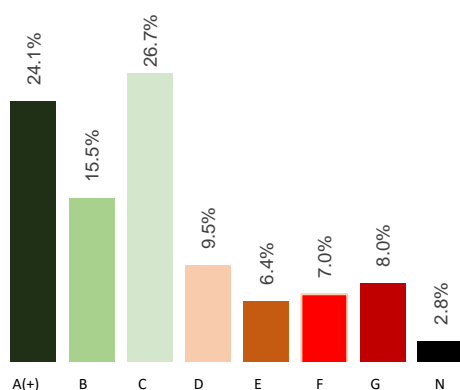
Energy Labels Development (% Properties)	Q1 - 2024	Q2 - 2024	Q3 - 2024	Q4 - 2024
Energy Label A(+)	23.0%	23.8%	24.0%	24.1%
Energy Label B	15.5%	15.4%	15.4%	15.5%
Energy Label C	26.6%	26.8%	26.7%	26.7%
Energy Label D	9.5%	9.6%	9.6%	9.5%
Energy Label E	6.4%	6.4%	6.4%	6.4%
Energy Label F	7.1%	7.0%	7.0%	7.0%
Energy Label G	8.2%	8.1%	8.0%	8.0%
No data	3.6%	2.9%	2.9%	2.8%
Total	100%	100%	100%	100%

Carbon Emission Development <sup>2</sup>	Q2 - 2024	Q3 - 2024	Q4 - 2024
Annual CO2 emission (tons) of portfolio <sup>3</sup>	145,541.80	131,007.36	130,142.85
Annual emission (tons) per property (adjusted for the financed share of the invested amount)	2.48	2.22	2.19
Annual CO2 emission (tons) per EUR mln invested (gross principal amount)	9.45	8.43	8.33
Annual CO2 emission (tons) per EUR mln invested (NAV) <sup>4</sup>	11.17	9.77	9.52

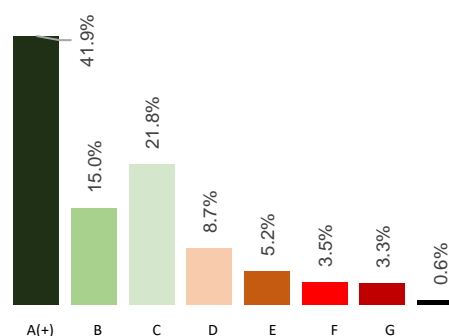
Sustainability Loan Development <sup>5</sup>	Q2 - 2024	Q3 - 2024	Q4 - 2024
Number of properties on which sustainability depot was granted since previous period	215	214	129
Total number of properties on which sustainability depot was granted	6,083	6,297	6,426
Original balance number of properties on which sustainability depot was granted since previous period (EUR mln)	3.83	3.83	2.43
Total original balance of number of properties on which sustainability depot was granted (EUR mln)	89.38	93.21	95.64

Energy saving measures in underwriting	# Properties	% Properties	Balance (mln)	% Balance
Energy efficient (EPC < 0.6) properties	5,102	8.60%	1,600	10.24%
Energy neutral (EPC = 0) properties	231	0.39%	69	0.44%
Zero emission properties	42	0.07%	14	0.09%

**Energy Label Distribution ADMF2**



**Energy Label Distribution NL Market<sup>6</sup>**



#### Key assumptions and definitions

<sup>1</sup> Energy labels are based on RVO (Rijksdienst voor Ondernemend Nederland) data. The RVO data is updated quarterly. Energy label A(+) contains A, A+, A++, A+++, A++++ and A+++++.

Source: Aegon; RVO (Rijksdienst voor Ondernemend Nederland/Government office for enterprising in The Netherlands), EP-Online

<sup>2</sup> Carbon Emissions: At Aegon Asset Management (Aegon AM), we adhere to the PCAF core 3 Reporting Standard for Dutch Mortgages to evaluate the carbon emissions and overall carbon footprint of our mortgage portfolio. The measurement of the carbon footprint is based on the energy label, the number of square meters and the type of housing, converted to CO2 emissions, using general grid emission factors. This is an official Dutch PCAF standard for measuring CO2 in mortgage portfolios. The carbon footprint is measured on a quarterly basis and the emission is calculated over the whole year. The total emissions per million euros invested are the volume of CO2 emitted annually in tonnes per million euros invested in mortgages, where all CO2 emissions per property are measured. The volume of total emissions corrected for LTV adjusts the total value according to how much of the mortgage has been repaid.

<sup>3</sup> Annual CO2 emissions of the portfolio is adjusted for the financed share of the invested amount (CLTOMV). CLTOMV is defined as Current Loan To Original Market Value, unless the property valuation is updated with a new valuation report, then new Market Value is applied. No price indexation applied to properties.

From H1 to H2 2024, the PCAF methodology was updated. H2 results use 2019 emissions data, while H1 relied on the 2013 report "Cijfers over Wonen en Bouwen," leading to lower CO2 emissions per energy label. More detailed property-level data, such as square meters per house, is now considered, resulting in higher CO2 emissions. Empty values are replaced with conservative estimates, also increasing emissions. However, the overall reported CO2 emissions at the portfolio level have decreased due to the newer 2019 data. Future updates to the PCAF methodology are expected.<sup>4</sup> NAV Calculation is based on NAV per reported quarterend.

<sup>5</sup> Borrowers can take out a sustainability loan of €10k up to €20k (no plan for sustainable measures required) or borrow up to 101% LTV (plan for sustainable measures required).

<sup>6</sup> NL Energylabels are based on EP-Online, the official national energylab database. Data cut-off point is 12/31/2024.

Source: Aegon

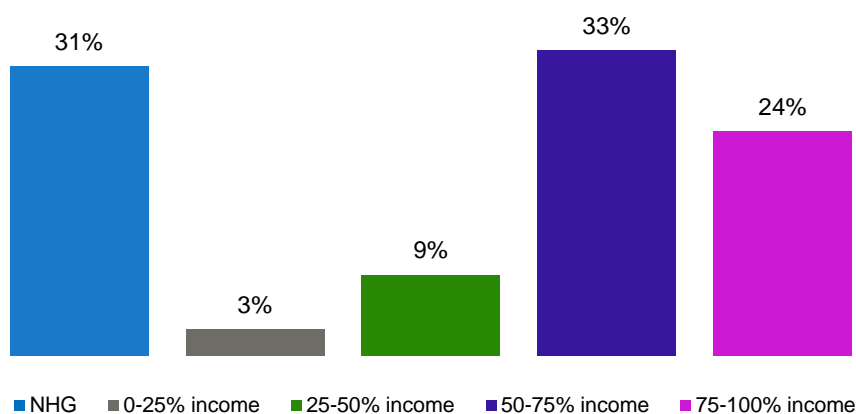
## Social Indicators

NHG & Income Distribution – Q4 2024	# Properties	% Properties	Balance (mln)	% Balance
NHG	18,526	31.2%	3,874.56	24.8%
Non-NHG				
<= 25% income group (<= €28.600)	1,693	2.9%	187.51	1.2%
25-50% income group (>€28.600 & <= €46.200)	5,172	8.7%	794.63	5.1%
50-75% income group (>€46.200 & <= €88.100)	19,550	33.0%	4,987.75	31.9%
75-100% income group (>€88.100)	14,368	24.2%	5,781.29	37.0%

NHG & Income Development (% Properties)	Q2 - 2024	Q3 - 2024	Q4 - 2024
NHG	31.3%	31.4%	31.2%
Non-NHG			
<= 25% income group (<= €28.600)	2.9%	2.9%	2.9%
25-50% income group (>€28.600 & <= €46.200)	8.8%	8.8%	8.7%
50-75% income group (>€46.200 & <= €88.100)	33.4%	33.1%	33.0%
75-100% income group (>€88.100)	23.5%	23.8%	24.2%

Restructuring development	Q2 - 2024	Q3 - 2024	Q4 - 2024
Restructuring developments since previous period	4	2	-1
Total # restructuring developments	17	19	18

NHG & Income distribution



## SFDR metrics

17. Exposure to fossil fuels through real estate assets	Q1 - 2024	Q2 - 2024	Q3 - 2024	Q4 - 2024
Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels:	0%	0%	0%	0%

18. Exposure to energy-inefficient real estate assets	Q1 - 2024	Q2 - 2024	Q3 - 2024	Q4 - 2024
Share of investments in energy inefficient real estate assets:	59%	58%	58%	58%

Properties with energy label smaller than or equal to C are considered as energy-inefficient real estate.

GHG emissions (Annualized)	Q2 - 2024	Q3 - 2024	Q4 - 2024
Scope 1: CO2 emission (tons)			
Scope 2: CO2 emission (tons)			
Scope 3	145,541.80	131,007.36	130,142.85

\*The emissions were previously reported as Scope 1 and Scope 2 emissions. It has been determined that these should be classified as Scope 3 emissions (financed by financial institutions) and will be reported accordingly going forward, in line with the PCAF definition.



## Glossary

**GHG emissions** – a.s.r. adopts 'PCAF Score 3 Reporting standard for Dutch Residential Mortgages' to determine Green House Gas (GHG) emissions.

**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 loan** – 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. The loan works 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+++, A++++ and A+++++ labels in the RVO database are also considered to be an A-label property).

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