



## ASR Mortgage Fund NHG and non-NHG

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# 1. Summary

This section provides a summary of the environmental or social characteristics that will be described in detail in the next sections.

This product promotes Environmental/Social (E/S) characteristics, but does not have a minimum commitment to sustainable investments. This Fund promotes E/S characteristics, which are further explained in question 3 and 5. Although the commitment for a minimum of sustainable investments is 0, this financial product does contain sustainable investments (sustainability funding and first-time buyers mortgages), which are reported in the periodic reporting.

The sustainability funding that is provided to borrowers contribute to the objective of increasing the energy-efficiency and sustainability of the housing market, and therefore contributes to the mitigation of climate change. With the first-time buyers mortgage loan, a.s.r. focuses on a specific market segment of 'first-time buyers', in order to facilitate better access for this target group to the Dutch housing and mortgage market.

These mortgages in the fund originate with ASR Levensverzekering N.V. The Fund invests in a cross-section of new a.s.r. WelThuis mortgages that were concluded. Borrowers are not obliged to take out sustainability lending and/or a first-time buyer mortgage if they wish to take out a mortgage loan with ASR Levensverzekering N.V. However, ASR Levensverzekering N.V. does focus on encouraging the use of sustainability lending and first-time buyer mortgage by borrowers.

The Fund promotes the following ecological and social characteristics:

Ecological characteristics: The Fund promotes energy efficiency and sustainability of the housing market, in particular the houses for which mortgages were provided and by collaborating with other financial service providers.

1. **Sustainability mortgage for new and existing mortgages**
2. **Implicit improvement energy efficiency houses**
3. **Working together on accelerating energy efficiency and a sustainable housing market**  
Social characteristic: The Fund promotes one social characteristic which aims to make the housing market accessible to first-time buyers.
4. **WelThuis first-time buyers mortgages**  
The Fund does not use benchmarks for comparing its sustainability characteristics.

# 2. No sustainable investment objective

**Does this financial product have the objective of a sustainable investment? If no, does the financial product promote environmental or social characteristics?**

This product promotes Environmental/Social (E/S) characteristics, but does not have a minimum commitment to sustainable investments. This Fund promotes E/S characteristics, which are further explained in question 3 and 5. Although the commitment for a minimum of sustainable investments is 0, this financial product does contain sustainable investments (sustainability funding and first-time buyers mortgages), which are reported in the periodic reporting.

The **sustainability funding** that is provided to borrowers contribute to the objective of increasing the energy-efficiency and sustainability of the housing market, and therefore contributes to the mitigation of climate change. Borrowers can use the sustainability funding account for up to two years to introduce sustainability improvements, like solar panels, HR++ glass, roof insulation, heat pumps or heat recovery systems. This list of measures is prescribed by the Dutch government to directly contribute to the energy-efficiency of the house and therefore lowers the required gas and electricity usage. A lower energy use leads to less greenhouse gas emissions and therefore contributes to climate change mitigation. The sustainability funding account can be as high as 106% of the total market value of the home, however the amount of the sustainability funding is capped at EUR 25,000. ASR Levensverzekering N.V. focuses on encouraging the use of sustainability funding, but it is not (and cannot be) mandatory for borrowers to make use of this option.

There are two options for borrowers for sustainability funding:

1. **EBV (energy-saving facilities)** are loans which provide borrowers with sustainability funding. A renovation plan is required to obtain the loan, which must also be visible in the valuation report.
2. **EBB (energy-saving budget)** are loans which provide borrowers with sustainability funding that does not require a renovation plan in advance. a.s.r.'s sustainability funding is a separate loan with an attractive interest rate that also allows customers to use an EBV or an EBB. This mortgage offers the option of a EUR 9,000 sustainability funding account by default.

With the **first-time buyers mortgage loan**, a.s.r. focuses on a specific market segment of 'first-time buyers', in order to facilitate better access for this target group to the Dutch housing and mortgage market.

First-time buyers are having a relatively difficult time on the Dutch mortgage market. Due to their on average lower income compared to other buyer groups in the Dutch housing market, the costs of interest and repayments weigh relatively heavily on their monthly discretionary income. This has been a problem for already a number of years due to the sharp rise in house values, which has only been exacerbated in the past year by rising mortgage interest rates. Not all starters dare to finance themselves to the maximum for the purchase of a home, given the high percentage of monthly mortgage payments in relation to income. With the first-time buyer mortgage, the monthly costs are reduced per month, without any relaxation of credit standards. Due to the reduction in the percentage of monthly costs with the first-time buyers mortgage, the first-time buyers retains more financial buffer on a monthly basis to be able to absorb setbacks. In this way, starters who are entitled to take out a regular mortgage but are concerned about the high percentage of monthly costs are offered an alternative. First-time buyers mortgage loans therefore contribute to the access of first-time buyers to the Dutch housing market and qualify as a social sustainability investment.

The target group of first-time buyers is defined as borrowers who take out a mortgage loan for the first time in order to buy a home. This definition can be guaranteed because the product is only open to borrowers who can use the fiscal interest deduction for the full 30 years. The first-time buyers mortgage loan makes use of all regular annuity WelThuis acceptance criteria, on the understanding that the amortization is spread over 40 years instead of 30 years on an annuity basis. The income test however is performed upon acceptance for a 30-year term. The first-time buyers mortgage has the flexibility that during the term, at the request of the borrower, the repayment schedule can be adjusted to a regular 30-year annuity schedule (think of situations where the borrower has acquired a different income position after a number of years of work).

The Fund invests in a cross-section of new a.s.r. WelThuis mortgages that were concluded. Borrowers are not obliged to take out sustainability lending and/or a first-time buyer mortgage if they wish to take out a mortgage loan with ASR Levensverzekering N.V. However, ASR Levensverzekering N.V. does focus on encouraging the use of sustainability lending and first-time buyer mortgage by borrowers.

**How do the sustainable investments that the financial product aims to do, not significantly harm any of the sustainable investment objectives? How are the indicators for adverse impacts taken into account?**

The product is an investment fund that invests in claims based on mortgage loans. The underlying loans concern inter alia partial sustainable loans. Implementation of those sustainable measures is bound by the preconditions imposed by the lender. Those preconditions are intended in part to prevent other ecological or social sustainable investment objectives from being compromised to a serious degree.

This fund takes two PAI indicators into account, and also applies these indicators to the energy-efficient mortgages. PAI for property assets Table I #18 Exposure to energy-inefficient property assets shows which percentage of mortgages in this Fund are considered as energy-inefficient by the European Commission. PAI for property assets Table II #18 Greenhouse Gas Emissions measures scope 1, scope 2 and the total greenhouse gas emissions for the mortgages in this Fund. Both PAI indicators therefore monitor the energy-efficiency of the houses, to which the energy-efficient mortgages also contribute.

How is the sustainable investment aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

The European Commission clarified in May that since the OECD guidelines and guiding principles of the UN regarding the business and human rights focus on enterprises, this question therefore does not apply to investment in mortgages.

### 3. Environmental or social characteristics of the financial product

What are the environmental or social characteristics that the financial product promotes?

The Fund promotes the following ecological and social characteristics:

Ecological characteristics: The Fund promotes energy efficiency and sustainability of the housing market, in particular the houses for which mortgages were provided and by collaborating with other financial service providers.

1. **Sustainability mortgage for new and existing mortgages:** With sustainability funding, a.s.r. facilitates borrowers with accessible and attractive financing for making their home more energy-efficient by taking sustainability measures, for example by isolating the roof. The sustainability funding is part of the sustainable investments. More information in the section "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?"
2. **Implicit improvement energy efficiency houses:** as a result of taking sustainability measures with the sustainability funding, the energy efficiency of houses for which mortgages are provided improves. In order to measure this improvement, a.s.r. developed a method to measure the implicit or expected improvement after the deployment of the sustainability funding. The improvement of the energy efficiency of houses is considered environmentally sustainable under the EU Taxonomy, more specific under activity 7.2 Renovation of existing houses if the 'renovation leads to a reduction of the demand for primary energy by at least 30%'. a.s.r. is looking to use the implicit improvement measurement for this purpose but is still considering how to apply the criteria to prevent other objectives from being affected to a serious degree (the 'do no significant harm' principle). a.s.r. therefore does not yet report these as EU Taxonomy aligned investments.
3. **Working together on accelerating energy efficiency and a sustainable housing market:** a.s.r. works with over 20 financial service providers in the EEM-NL Hub. The EEM-NL Hub (Energy Efficient Mortgages Hub Netherlands) is an initiative of players in the Dutch mortgages market for sharing ideas and market developments with respect to sustainability funding. The sharing collaboration has the objective to make houses in mortgage portfolios more energy efficient and sustainable. In particular, a.s.r. contributes to discussions on how the EU taxonomy criteria can be applied to the Dutch housing market, so when these mortgages can be called EU Taxonomy aligned. While the first step of EU Taxonomy alignment criteria is interpreted by the EEM-NL Hub ('significant contribution'), there is an ongoing discussion on the second step, the criteria on how mortgages do not significantly harm other environmental objectives. More information is available on the website of the EEM-NL Hub.

**Social characteristic:** The Fund promotes one social characteristic which aims to make the housing market accessible to first-time buyers.

4. **WelThuis first-time buyers mortgages:** The Fund investments in WelThuis first-time buyers mortgages made the Dutch housing market more accessible to first-time buyers for whom it is relatively difficult to acquire their own home in the current housing market. The first-time buyers mortgages are comparable to the regular 30 years repaying WelThuis mortgages, but have a repayment period of 40 years, which means that the borrowers have lower monthly mortgage payments. This makes home ownership more accessible to this target group. At the same time, the repayment period can be adjusted to the regular repayment period of 30 years after a few years if the borrower wishes to do so. The first-time buyers mortgages are part of the sustainable investments.

**Explanation to the ecological and social characteristics:** The a.s.r. WelThuis mortgages in the fund originate with ASR Levensverzekering N.V. The Fund invests in a cross-section of new a.s.r. WelThuis mortgages that were concluded. Borrowers are not obliged to take out an energy-efficient mortgage and/or a starter mortgage if they wish to take out a mortgage loan with ASR Levensverzekering N.V. However, ASR Levensverzekering N.V. does focus on encouraging the use of energy-efficient mortgages and starter mortgages by borrowers. "

## 4. Investment strategy

Which investment strategy is used to meet the environmental or social characteristics promoted by the financial product?

The a.s.r. WelThuis mortgages in the fund originate with ASR Levensverzekering N.V. The Fund invests in a cross-section of new a.s.r. WelThuis mortgages that were concluded. The Fund does not use benchmarks for comparing its sustainability characteristics.

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

The Fund does not invest in enterprises, but only in a.s.r. WelThuis mortgage claims held by ASR Levensverzekering N.V. This subject therefore does not apply to this financial product.

## 5. Proportion of investments

In addition to investments, this Fund also includes a small percentage in cash. The investments (excluding cash) consist for 100% of mortgage claims purchased from ASR Levensverzekering N.V. These investments are invested for 100% is aligned with E/S characteristics. Although the commitment for a minimum of sustainable investments is 0%, this Fund does contain sustainable investments (sustainability funding and first-time buyers mortgages), which are reported in the periodic reporting. In addition to the investments, it is not excluded that a limited percentage of cash is held in the bank account. If and insofar as this is the case, cash can be classified as category "Other" in the asset allocation of this Fund, from a prudential point of view below.

## 6. Monitoring of environmental or social characteristics

How are the environmental or social characteristics promoted by the financial product, and the sustainability indicators used, monitored throughout the lifecycle of the financial product?

The attainment of the characteristics is monitored by the investment team and reported in the quarterly report to the participants in the Fund. For the measurement of the E/S characteristics, the following indicators are used:

1. **Sustainability funding and WelThuis first-time buyer mortgages:** see more explanation on the monitoring of these in the answer to question 2.
2. **Implicit improvement energy efficiency houses:** together with Calcasa, a.s.r. developed a methodology to calculate the implied improvement after home improvement financed by the sustainability funding.
3. **Carbon emissions:** The carbon emissions in the mortgage portfolio. Since the third quarter of 2019, a.s.r. measures the carbon footprint of the a.s.r. mortgage portfolio. It does so in accordance with official PCAF methodology, which was refined at the end of 2020. This measurement is based on energy label, building year, and type of housing, converted to CO<sub>2</sub> emissions using general grid emission factors, which is an official PCAF standard for measuring CO<sub>2</sub> in mortgage portfolios.
4. **Energy label distribution:** Division by energy label of the underlying houses in the investment portfolio.

## 7. Methodologies for environmental or social characteristics

Which methodologies are used to measure how the social or environmental characteristics promoted by the financial product will be met?

The methodology for measuring the E/S characteristics and associated indicators is as follows:

1. **Sustainability funding and WelThuis first-time buyer mortgages:** see more explanation on the methodology of these in the answer to question 2. The percentage Sustainability funding and WelThuis first-time buyer mortgages in the portfolio is based on the current outstanding to these mortgages compared to the total investment portfolio.
2. **Implicit improvement energy efficiency houses:** together with Calcasa, a.s.r. developed a methodology to calculate the implied improvement after home improvement financed by the sustainability funding. Calcasa is an independent technological company focused in automated valuation models and statistical analyses of real estate for mortgage and real estate organisations. For this calculation the basis is the measures that are taken by the mortgage lenders, for example insulation of the roof or floor, then a calculation is done on the expected improvement of energy efficiency of the home and therefore, the improvement of the EPC energylabel.
3. **Carbon emissions:** Since the third quarter of 2019, a.s.r. measures the carbon footprint of the a.s.r. mortgage portfolio. It does so in accordance with official PCAF methodology, which was refined at the end of 2020. This measurement is based on energy label, building year, and type of housing, converted to CO<sub>2</sub> emissions using general grid emission factors, which is an official PCAF standard for measuring CO<sub>2</sub> in mortgage portfolios.
4. **Energy label distribution:** The methodology is that the energy label of the underlying houses in the investment portfolio as provided by Calcasa are summed and reported.

## 8. Data sources and processing

- How are the data sources used to attain each of the environmental or social characteristics promoted by the financial product?
- Which measures are taken to ensure data quality?
- How is the data processed?
- Which proportion of the data is estimated?

For the E/S characteristics and sustainable investments the financial administration systems are used, as well as data provided by Calcasa. Calcasa provides information based on the data from the administration system. This data is integral part of the systems of ASR Levensverzekering N.V. and from this system, based on the outstandings to the Mortgage Fund, is directly reported. The emissions and implicit improvement of energy label is calculated with support of Calcasa. These calculations are done based on the latest available insights on emission calculations (the PCAF methodology) and on what improvement can be expected in energy efficiency in homes when energy measures are taken. Unfortunately, there is no possibility to make use of actual data for the calculation of improvement after taking renovation measures, because mortgage lenders generally only obtain an energy label again at the sale of their home, often years later.

## 9. Limitations to methodologies and data

What are the possible limitations of the previously mentioned methodologies and data? How do these limitations affect the way how the environmental or social characteristics promoted by the financial product are met?

As explained in question 8, for the calculation of the energy efficiency improvement no direct information is available, but estimations need to be used. ASR and Calcasa make use of the latest available insights as to what energy efficiency improvement is associated with the energy measures taken. In fact, the implicit improvement is a way to show the estimated impact of the sustainability funding. The sustainability funding can be directly measured from the administrative systems, like the other indicators, so there are not data or methodological limitations in this regard.

## 10. Due diligence

What due diligence is carried out on the underlying assets of the financial product (including the internal and external controls on that due diligence)?

When a mortgage is initiated, the mortgage lender is screened, for example on whether mortgage lender has the right on a first-time buyer mortgage. If a sustainability funding is granted to a mortgage lender, claims on this mortgage are checked if they are in line with the sustainability funding criteria.

When a mortgage is selected at ASR Levensverzekering N.V. for the Fund, this mortgage is screened to ensure it is compliant with the general criteria of the Fund and reviewed by the portfolio management and risk management. Additionally, every quarter the external accountant checks whether the mortgages in the Fund are in line with the criteria of the Fund. The investment processes at the Fund manager are subject to an ISAE 402 assessment, and the results of this annual assessment are communicated to the participants.

## 11. Engagement policies

What are the implemented engagement policies?

For this Fund engagement policy is not applicable, as ASR Levensverzekering N.V. is in direct contact with the mortgage lenders, see for more explanation question 2-5.

## 12. Designated reference benchmark

Has an index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product?

The Fund does not use benchmarks for comparing its sustainability characteristics.

