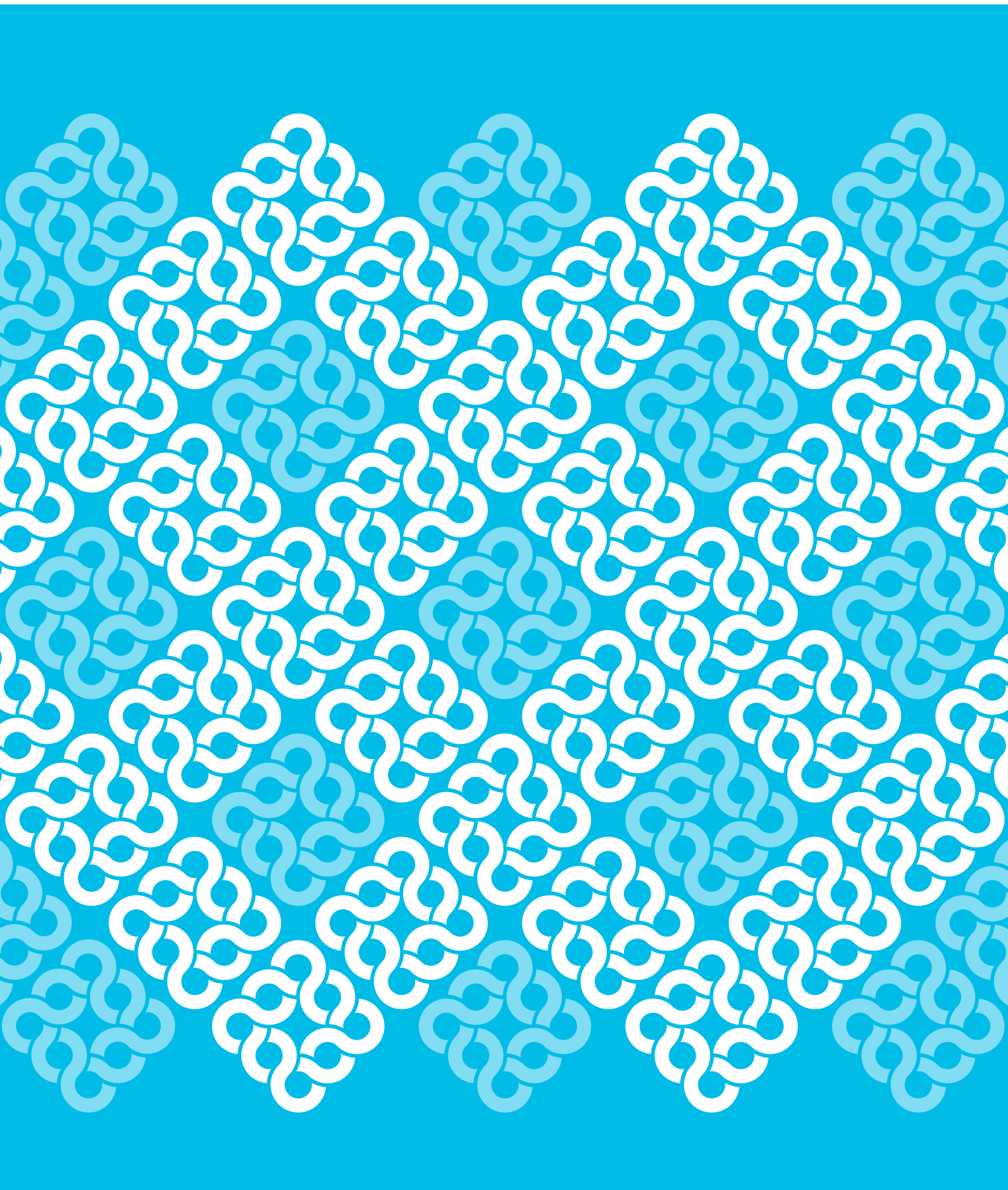


POLICY - SUSTAINABLE
INVESTING IN REAL
ESTATE & MORTGAGES



ATHORA



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1 REAL ESTATE POLICY

For Athora Netherlands, sustainable investing is an integral part of the investment philosophy and the investment process. This investment policy is described in detail in the ACTIAM Sustainable Investment Policy. Athora Netherlands is convinced that better investment decisions are made by taking sustainability opportunities and risks into account. As a sustainable asset and fund manager, making real estate more sustainable is also an important and logical step. This is done within our own organization, for properties in our own use, but we also apply sustainability criteria in real estate and mortgage investments.

The footprint of the real estate sector is significant. Energy use in the built environment and in the construction of buildings accounts for a large part of global CO₂ emissions and therefore has an important influence on climate change. The significant use of raw materials and the emission of harmful substances also contribute to the footprint. That footprint remains after the building has been put into use.

The real estate portfolio of Athora Netherlands and its clients consists of direct real estate, indirect real estate, private equity interests in real estate-related companies and mortgages. This policy focuses on plan investments in direct real estate and Dutch mortgages.

2 DIRECT REAL ESTATE

Investment Office takes care of the asset management of Athora Netherlands' direct real estate portfolio with offices, logistics, homes and lands in the Netherlands and Pan-Europe.

Athora likes to invest in making direct real estate more sustainable. By striving for energy-neutral buildings, by reducing water use and waste and by using sustainable materials as much as possible, we prepare our buildings for the future, contributing to make the real estate sector more sustainable and provide a better living environment.

Sustainable ambitions

Health also plays an important role in our sustainable ambitions. We spend more than 90% of our time in buildings. The positive effects of a healthy indoor climate are becoming increasingly visible. Scientific research indicates a positive correlation between a night's sleep and work in a place with sufficient daylight. A nice view helps to relax and refocus. And a diversity of workplaces promotes concentration, collaboration and creativity, amongst other things.

When realizing a sustainable portfolio, the building is therefore built around the person, i.e. the tenant. Factors such as health, well-being, a pleasant working and living environment and design are central to this. We invest in an environment where our users can live and work comfortably and safely. In this way, we hope to grow into a sustainable, distinctive real estate investor who puts people first in the coming years. To achieve our ambitions, we use explicit objectives with regard to energy, water, land use and health. We are convinced that our sustainability objectives will contribute in the long term to an improvement of our return objective and of a better living environment.

Energy

Energy-efficient buildings limit the effect on climate change. Our goal is ultimately to obtain energy-neutral buildings in the portfolio in 2050 with the ambition to have already achieved a reduction of 50% by 2030. How we are going to achieve this:

- As of 1 January 2023, all office buildings in the Netherlands must have at least energy label C. Athora Netherlands' Dutch office portfolio currently already has 83% offices with an A-label, the remaining 17% have a B-label.
- Our buying and selling policy is aimed at holding as large a part of the portfolio as possible for the long term. New real estate to be developed is provided with an A++ label and for new real estate to be purchased there is a minimum requirement of an A-label or the possibility to achieve this by means of renovation / capital investments;
- Since 2018 we only use sustainable electricity from Dutch soil (for example electricity from the sun and wind) and biogas from Dutch raw materials;
- New real estate to be developed meets at least the "Very Good" requirements of BREEAM-NL Nieuwbouw for Asset if it is certified;
- Renovated buildings meet at least the "Good" requirements of BREEAM for Refurbishment & Fit-Out and In-use for Asset if it is certified.
- At the beginning of 2023, a baseline will be made of our GHG footprint per building on the basis of Carbon Risk Real Estate Monitoring (CRREM). Based on this, implementation plans will be drawn up for each building to have reduced CO2 by 50% by 2030 and to be CO2 neutral in the direct real estate portfolio by 2050 based on end of 2019 emissions.

Water

Where possible, leak detection systems and water-saving toilets and water taps will be used in our buildings, significantly reducing water consumption. In addition, we actively try to reduce the use of water. The ultimate goal is to minimize water use, through reuse and water storage.

Run-off rainwater from buildings can, by leaching building materials, be contaminated with copper, zinc, lead, and other substances. To prevent such substances from ending up in the soil, we use non-leaching building materials.

Land use, biodiversity and responsible use of materials

Local materials and local parties will be used in the construction and renovation. In addition, all the wood used on the construction site and in the office is provided with an FSC quality mark or a PEFC quality mark. The glass used by us is always a HR++ insulating glass. In new construction, locations with contaminated soil are not avoided. The soil will be thoroughly cleaned. Protected plants and animals on the construction site are also taken into account and measures are taken to increase biodiversity.

Health

In our renovations, we put people first. This means that in both construction and furnishing we pay a lot of attention to the wishes and needs, as well as the health and well-being of our tenants.

Important elements linked to health are design/construction of the building, quality, attractiveness, functionality, daylighting, high-frequency lighting, air quality, temperature, acoustics and accessibility.

Developments with regard to Healthy Offices are followed and, if possible, recommendations are adopted.

Social rent policy

Athora has a housing portfolio, the majority of which is aimed at housing starters through the Young Urban Housing strategy. Within these complexes, homes are mainly offered for social rent. This means that homes are let at or below the maximum reasonable rent in accordance with the Housing Rating System (WWS) point system. Houses with a WWS point number below the liberalisation threshold are eligible for social rental. In this way, Athora offers tenants the opportunity to find affordable housing. In addition, the Rent Supplement Act allows lower-income households to apply for rent supplement for houses with a rent below the rent limit. This strategy promotes affordable housing for starters and young professionals and prevents excessive rents in the private rental sector.

The policies used in this regard include:

- Maximum reasonable rent: All social landlords must rent houses at a rent that conforms to the maximum reasonable rent according to the WWS points. This means that the rent should not exceed the amount determined based on the number of WWS points.
- Allocation of homes: In allocating homes, Athora follows the policy of its manager MVGM Wonen. Because the housing shortage has increased enormously in recent years and everyone deserves an equal chance of a home, the policy has been adjusted. Since 1 March 2023, a tenant can no longer put forward candidates when terminating a lease. For tenants, this means that if the property is given notice, the property will be published online. This gives everyone who responds an equal chance to apply for the property.
- Rent increases are made in accordance with legal guidelines. The rent is increased annually by a percentage based on inflation. Additional rent increases are possible only if there are improvements to the property.

Use and destination

New and existing buildings will be designed in such a way that they can easily be adapted from a "single-tenant" to a "multi-tenant" building. Alternative use of a building is therefore easier and promotes sustainable use.

In the event of vacancy and/or renovation, a possible alternative destination will be taken into account. Transformation is considered at the object level.

3 IMPACT ON DAILY INVESTMENT PRACTICE

Making real estate more sustainable requires a strategy. Ad hoc measures have insufficient effect. Sustainability is much more than just a technical, physical intervention. It also concerns numerous social aspects that are increasingly seen as decisive. In addition, we have to deal with the behavioral component of our tenants. If these are not considered, we only achieve technical efficiency. Only together with our partners and tenants can we make the step towards truly sustainable real estate.

In realising our sustainable ambitions in direct real estate, Athora Netherlands therefore uses the following various instruments:

1. Customer Due Diligence, Fundamental Investment Principles (FIP) and Adaptiveness Assessment
2. Renovations and maintenance
3. Measuring, monitoring and reducing energy and water use and waste (re)use
4. Dialogue with the tenant
5. Collaborate with partners

Below is an elaboration of the aforementioned instruments.

1. Customer Due Diligence, Fundamental Investment Principles (FIP) and Adaptiveness Assessment

Athora Netherlands chooses its partners carefully. If we enter into a real estate transaction or contract with service providers, tenants or buyers, we apply a customer due diligence procedure. This is a procedure that tests the integrity and reliability of the contracting parties. Athora Netherlands excludes some investments, parties and tenants in advance. Athora Netherlands Fundamental Investment Principles indicate how Athora Netherlands intends to deal with investments with companies, governments, tenants and institutions that do not deal well with the environment, social issues and corporate governance. Specifically, it concerns human rights, fundamental labour rights, corruption, the environment, weapons, customer and product integrity and animal welfare. Tenants and institutions are screened for these points.

2. Renovations and maintenance

Our current direct real estate portfolio can be labelled as a core/core+ portfolio. We add as much value as possible to this real estate portfolio by making the buildings more sustainable during large-scale renovations, annual maintenance and when agreed with our users. In this way we strive to prepare our buildings for the future. In addition, we invest in maintaining and improving the quality of our real estate. Every year we make budgets available to invest in our buildings. We look at the entire life cycle of our buildings. It involves an integrated approach and during the phases of design, renovation, maintenance and management.

3. Measuring, monitoring and reducing energy, water, gas and waste

To be able to take the step to sustainable real estate manager, just renovating our buildings is not enough. The way in which and the extent to which we use energy, water and gas also contributes to our ecological footprint.

In order to be able to measure, monitor and reduce energy, water and gas consumption, all our office buildings are equipped with a building management system. This allows the data to be structurally measured and monitored. A start was made by starting a project with our external Property Manager in which the ambition to be CO2 neutral by 2050 is shaped.

Responsible waste management plays an important role. If office waste is properly separated and collected, large quantities of pure raw materials are created for reuse. In addition, the amount of residual waste is reduced.

4. Dialogue with the tenant

Athora Netherlands wants to continue to actively involve its tenants in the goal of becoming more sustainable. By putting the tenant first and thinking and deciding together about sustainability and the future of the building, we optimize the sustainable possibilities of the building. Together with the tenant:

- We ensure that the common areas are attractively and functionally furnished;
- We look at the mobility plan and see if we can contribute to the installation of charging points for electric cars, bicycle parking facilities and shower rooms. Where possible, we also invest in the vicinity of a good public transport network;
- We discuss the possibilities and benefits of more efficient energy, water and gas use;
- We look at waste management and see if we can contribute to the separate collection of waste;
- We take design measures for the sustainable co-use of outdoor space through the presence of plants and animals, the placement of nest boxes, beehives, the planting of extra greenery and the opening up of parks, possibly in collaboration with nature organizations.

We can use tools such as Green Lease, saving tips and conducting the dialogue with tenants in the tenant consultation. As of 2016, a sustainability paragraph has been included in all new leases to be concluded.

5. Cooperation with our partners

In order to achieve our sustainable ambitions, the cooperation with our Property Manager is essential. The Property Manager is our service partner who is hired to manage our buildings on our behalf on an administrative, technical and financial level.

The traditional client-contractor relationship will increasingly give way to partnership and shared responsibility. This new form of cooperation can be laid down in performance contracts with a sustainability statement. In it, goals are agreed with each other with regard to climate, energy savings, comfort, indoor environment, maintenance and operation. We will also be looking for partners in this area, in addition to the current Property Manager, who endorse our ambitions on sustainability.

4 SUSTAINABILITY POLICY OF INVESTING IN DUTCH MORTGAGES

As in other asset classes, Athora Netherlands also implements sustainability in its mortgage portfolio. For the collateral – the homes behind the mortgages – Athora Netherlands formulates an ambition regarding sustainability and energy efficiency. Athora Netherlands considers it important that energy-efficient living is stimulated by mortgage lenders and that they take into account the suitability and future-proofing of the mortgage loan with the borrower. In addition, Athora Netherlands encourages providers to make products and services available to special and more vulnerable target groups.

Energy labels of houses

In the Netherlands, 15% of total energy consumption and greenhouse gas emissions are caused by households. This is due to the natural gas consumption for heating and cooking, and indirectly to the electricity consumption.¹ Athora Netherlands believes it is important that borrowers are aware of the impact that housing behaviour has on the climate and the environment.

An energy label gives an indication of how energy efficient a home is. The Dutch government has given all private homes in the Netherlands a provisional label based on, amongst other things, location and year of construction. When selling a home, however, the homeowner is obliged to convert this provisional label into a final label.

Objectives

Athora Netherlands does not set a minimum for the energy labels in the portfolio for working with mortgage lenders. We do this because the Dutch housing market as a whole does not become more energy efficient by only financing mortgages where the collateral has a 'green' energy label. The impact is increased by encouraging borrowers who own a building with a low energy label to make it more sustainable. This sustainability leads to a decrease in energy consumption and therefore CO₂ emissions. In addition to the energy label, it looks at the development in the emissions of the homes.

For the entire investment portfolio, and so also for mortgages, Athora Netherlands has the objectives to have no more contribution to CO₂ emissions by 2050. To achieve this long-term objective, Athora Netherlands formulates two intermediate objectives:

- In 2030, the average energy label of the portfolio will be at least two steps higher (with a maximum of A), with the percentage of A labels having doubled (as of January 2023);
- Athora Netherlands aims for a reduction in emission intensity of an average of 7% per year, in line with the requirements of the climate transition benchmarks.

Monitoring is a challenge for both intermediate objectives. For example, energy labels are usually only updated when selling a home – where the property falls out of the pool of investments. As a result, a possible improvement of the energy labels is probably not visible in the portfolio. There is also no reliable CO₂ emission meeting per home available. For both measures, estimates will be (partly) used.

Role Athora Netherlands

As a mortgage lender, you have the option to lower the threshold to carry out sustainability measures and you can stimulate sustainability. Ultimately, it remains up to the homeowner to carry out the sustainability improvements. As an investor, we can only steer to a limited extent. The above are Athora Netherlands' objectives. This is our commitment, we monitor developments in this area, we enter into discussions with the mortgage lenders about this.

¹ <https://www.cbs.nl/nl-nl/dossier/dossier-broeikasgassen/welke-sectoren-stoten-broeikasgassen-uit->

5 WHAT DOES ATHORA NETHERLANDS EXPECT FROM MORTGAGE LENDERS?

Athora Netherlands expects mortgage lenders to actively encourage the borrower to make the home more sustainable and also protect the borrower against irresponsible forms of financing.

Sustainability advice and financing

Firstly, Athora Netherlands expects mortgage lenders to enter into discussions with the borrower about possibilities to make their home more sustainable. They are expected to support borrowers in drawing up a sustainability advice for the home. This advice provides, for example, insight into the current state of energy performance of the house, what the various energy-saving measures can be and will deliver, what the costs are and what the payback period is. Athora Netherlands encourages mortgage lenders to offer this sustainability advice in a pre-distributed and easily accessible way.

Secondly, Athora Netherlands expects mortgage lenders to offer financial solutions to implement the energy-saving advice and that they offer extra mortgage space for energy-saving measures within the legal frameworks.

In addition, Athora Netherlands encourages mortgage lenders to encourage borrowers to make their homes more sustainable by lowering financial (and if possible operational) barriers. Athora Netherlands also encourages cooperation with other parties (e.g. energy suppliers) to stimulate the purchase of energy-saving measures from homeowners.

Sustainable financing

There are several reasons why people run into a payment problem and can no longer pay the mortgage. The most important are ultimately due to an income drop prompted by unemployment and/or a change in the family situation (e.g. divorce). However, Athora Netherlands considers it important that people can continue to live as much as possible in the event of changes in their lives, such as (sudden) unemployment, divorce or incapacity for work, and that the policy that a provider applies does justice to the vulnerable situation of the relevant borrower at that time, without neglecting the interests of Athora Netherlands as an investor.

We think it is important that mortgage lenders:

- Protect people from over-lending;
- Identify payment problems at an early stage and make efforts to prevent further problems;
- Support people if they do experience payment problems;
- Be reluctant to grant floating rate mortgages to ensure long-term affordability;
- Make an effort to make products and services available to relatively vulnerable target groups, such as the self-employed and the elderly.

Reports - information on portfolio sustainability indicators

We expect periodic reports from the mortgage lenders in which we invest that contain the following elements:

- Overview of energy labels of the collateral:
 - status and development
 - as a percentage of the assets under management and number of loans
- Estimated CO₂ emissions per home and across the entire portfolio, according to the PCAF methodology:
 - status and development
- Deposits provided for sustainability

- number and total size (million)
- Dealing with payment problems
 - Days behind schedule, restructuring
 - Granted payment holidays
 - Possible qualitative reports

Engagement and cooperation with mortgage lenders

As an investor, Athora Netherlands works with mortgage lenders in various ways, which also involves a different degree of sphere of influence. Based on this policy document, an ESG Score Sheet has been defined that provides an overview of how a mortgage lender deals with the sustainability of the mortgages provided and the way in which it guarantees responsible financing. As a result of this assessment, an engagement process can be started with the mortgage lender to improve its performance, or in the case of searched for additional mortgage providers, the assessment will be included in the selection process.

ESG SCORE SHEET				
			Potential score	Actual score
Green living			20	
Does the mortgage lender encourage customers to become more sustainable?				
• Encouragement through campaigns and information?	Yes, continuously		5	
	Yes, once		3	
	No		0	
• By making a home more sustainable by, for example, working with suppliers?	Yes, continuously		5	
	Yes, once		3	
	No		0	
• By means of products for sustainability (such as the possibility to finance energy-efficient measures - provided that this is financially justified and fits within the legal frameworks)?	Yes		5	
	No		0	
• Another meaningful incentive for sustainability?	Yes		5	
	No		0	
Responsible financing			10	
• Mortgage lenders are informed early that customers have or expect financial problems but do not yet have a backlog on the mortgage (preventive management)	High		5	
	Middle		3	
	Low		1	
• Mortgage lenders have an effective and consistent process around mortgage payment arrears	High		5	
	Middle		3	
	Low		1	
Total			30	