PDN
Pensioenfonds DSM Nederland

Pre-contractual disclosure for the financial products referred to in Article 8(1), (2), and (2a) of Regulation (EU) 2019/2088 and Article 6, first paragraph of Regulation (EU) 2020/852

Environmental and/or social characteristics (E/S characteristics)

Does this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ At a minimum, this product will make the following sustainable investments with an environmental objective: ___%	☐ This product **promotes environmental/social (E/S) characteristics.** Although sustainable investments is not its objective, it will have a minimum of ___% sustainable investments
☐ in economic activities that are considered to be ecologically sustainable according to EU taxonomy	☐ with an environmental objective in economic activities that are considered to be ecologically sustainable according to EU taxonomy
☐ in economic activities that are not considered to be ecologically sustainable according to EU taxonomy	☐ with an environmental objective in economic activities that are not considered to be ecologically sustainable according to EU taxonomy
	☐ with a social objective
☐ At a minimum, this product will make the following **sustainable investments with a social objective**: ___%	X This product promotes E/S characteristics, but **will not invest sustainably**

Sustainable investment: an investment in an economic activity that contributes to achieving an environmental or social objective, provided such investment does not seriously compromise environmental or social objectives and the investee companies implement good governance practices.

The **EU taxonomy** is a classification system recorded in Regulation (EU) 2020/852, in which a list of **environmentally sustainable economic activities** is determined. The regulation has not established a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the taxonomy or not.

Which environmental and/or social characteristics does this financial product promote?

Stichting Pensioenfonds DSM Nederland (PDN) considers sustainability to be a major aspect of the investment philosophy and an integral component of its investment principles. PDN aims to use its investments for long-term social and other value creation.
To realize this, PDN is promoting the following environmental and social characteristics:

1. **Realizing a positive impact on its environment:** based on the United Nation's development goals (the United Nations Sustainable Development Goals, or SDGs). PDN focuses on four SDGs as priority areas:
    a. Good health and well-being (SDG 3)
    b. Affordable and clean energy (SDG 7)
    c. Responsible consumption and production (SDG 12)
    d. Climate action (SDG 13)

2. **Using ESG factors** when managing and evaluating investments.

3. **Mitigating climate change and carbon reduction:** by measuring the carbon intensity of the shares and corporate bonds in the investment portfolio and having a carbon reduction target of 55% compared with the 2016 benchmark and carbon data for the shares, investment grade credit, and high yield US investment categories, and a reduction of the net zero target (100% reduction) by 2050. Using ESG Integration, impact investing, engagement, voting, and exclusion as instruments, PDN is committed to making a positive contribution to the climate theme.

4. **Exclusion based on the Ten Principles of the United Nations (UN) Global Compact:** Companies that conduct themselves in a manner not compatible with the United Nations (UN) Global Compact's Ten Principles are excluded from our investment.

5. **Exclusion of socially controversial activities:** PDN does not want to be involved in financing countries or companies that develop inappropriate activities. This includes companies involved in the production of tobacco, companies that obtain 25% or more of their turnover from coal or tar sand mining, companies involved in the production of controversial weapons such as cluster bombs, land mines, chemical and biological weapons, depleted uranium ammunition, white phosphorus bombs, and nuclear weapons. PDN also does not invest in suppliers of products that are vital to the production of the aforementioned controversial weapons (key suppliers). Countries that do not adhere to international treaties or that are under UN, EU, or Dutch government sanctions are also excluded from investment. In most cases, the sanctions relate to human rights, arms proliferation, and democratic rights.

What sustainability indicators measure the achievement of each of the environmental or social characteristics promoted by this financial product?

> **Sustainability indicators** measure how the environmental or social characteristics that the financial product promotes are achieved.

PDN uses the following sustainability indicators to measure how environmental and social characteristics are met:

Realizing positive impact on its environment:

1. A target percentage of investments in impact bonds for the state and corporate bond investment categories. The KPI is an aggregate target allocation for impact bonds of 2.5% above the benchmark for the state and corporate bond investment categories.

2. The number of investments in the entire portfolio that contribute to realizing one of the 17 Sustainable Development Goals.

3. The number of milestones achieved with engagements as formulated by Columbia Threadneedle Investments (hereinafter CTI) in a year as a percentage of the total number of companies with which engagement has taken place in that year. Additionally, PDN measures the number of engagements with a focus on SDGs 3, 7, 12, and 13:
    a) At least 50% of the total number of engagements in a year have reached a milestone.
    b) At least 25% of the total number of engagements focus on SDGs 3, 7, 12, and 13.

4. PDN votes worldwide at shareholder meetings of the listed companies in which it invests in accordance with its Corporate Governance and voting policy and provides transparency in this regard. PDN has outsourced the implementation of its voting policy to voting provider, CTI. As KPI it applies: CTI has voted on behalf of PDN at 100% of shareholder meetings and proposals.

Mitigating climate change and carbon reduction:

5. Reduction objective relating to carbon intensity for the share, investment grade credit, and high yield US investment categories: 55% as of 2030 - 100% (net zero) as of 2050 compared with the 2016 benchmark and based on scope 1 and scope 2 data.

Exclusion of companies:

6. Assets invested in excluded individual companies at year-end, excluding fund investments. PDN excludes companies that:
    a) Demonstrate conduct incompatible with the United Nations (UN) Global Compact's Ten Principles;
    b) Are active in tobacco production;
    c) Derive at least 25% of their turnover from coal or tar sand mining;
    d) Are involved in the production of controversial weapons such as cluster bombs, land mines, chemical and biological weapons, depleted uranium ammunition, white phosphorus bombs, and nuclear weapons;
    e) Are suppliers of products that are vital to the production of the aforementioned controversial weapons (key suppliers);
    f) Are under UN, EU, or Dutch government sanctions.

Exclusion of countries:

7. Assets invested in excluded countries at year-end, excluding fund investments. PDN excludes countries that:
   Do not adhere to international treaties or that are under UN, EU, or Dutch government sanctions. In most cases, the sanctions relate to human rights, arms proliferation, and democratic rights.

The 'no serious impairment' principle applies only to the financial product's underlying investments that take into account the EU criteria for environmentally sustainable economic activities. The underlying investments of the remaining part of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Other sustainable investments may also not seriously compromise environmental or social objectives.

Does this financial product take into account the most important adverse impacts on sustainability factors?

	Yes
X	No

PDN currently already has policies in place regarding some of these adverse impacts.

For example, in line with the IMVB Covenant and the Paris Climate Agreement, PDN's policy takes into account the following and other adverse impacts:
- Carbon emissions from companies;
- Controversial weapons;
- Company compliance with the (UN) Global Compact.

With respect to other sustainability areas that are designated as important by the legislator, PDN is still actively formulating policy, including on biodiversity, water, and the gender pay gap.

Which investment strategy does this financial product use?

> The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

PDN has a broad investment portfolio, divided into a matching portfolio and a return portfolio. Investment is both active and passive.

PDN invests its matching portfolio in low-risk fixed-income investments with the primary objective of achieving stable returns as well as managing the interest and inflation risk. The return portfolio is invested in higher-risk corporate and fixed-income securities. PDN invests in state and corporate bonds, shares, listed real estate, and alternative investments (mortgages, unlisted real estate, infrastructure, and gold).
PDN's sustainability policy aims for long-term social and other value creation. In adopting long-term value creation as a leading principle, sustainability and sustainability risks are integrated in all investment categories via several pillars:
- ESG Integration
- Impact Investing
- Engagement
- Voting Policy and Corporate Governance
- Exclusion
- Transparency

PDN contributes to mitigating climate change by:
Aiming to achieve a carbon reduction of 55% by 2030 compared with the 2016 benchmark and carbon data for the shares, investment grade credit and high yield US investment categories, and a reduction of net zero (100% reduction) by 2050. This reduction target is based on WACI scope 1 and scope 2 data. PDN signed the Montréal Pledge that commits PDN to formulating and reporting on its carbon footprint policy.

With the PDN instruments (ESG integration (incl. carbon reduction objective), impact investing, engagement, voting, and exclusions) PDN is supporting the Paris Climate Agreement ambition to limit global warming to below 2°C compared with pre-industrial levels and is making every effort to achieve an even lower temperature rise of 1.5°C.

ESG Integration

Where possible, PDN manages and evaluates investments according to ESG factors. The way in which societal issues in the form of ESG aspects are embedded in the investment decisions differs for each investment category and mandate. PDN endorses the ESG due diligence steps in accordance with OECD guidelines. PDN expects its fiduciary managers, ESG service providers, asset managers, and companies in which PDN invests to act in accordance with the OECD guidelines for multinational companies and the UN's Guiding Principles on Business and Human Rights, and to report on this. PDN also expects its fiduciary manager and asset managers to have a sustainability risks policy.

Impact Investing

PDN utilizes impact investing in the investment portfolio to further integrate sustainability within the investing process. As part of this and where possible, PDN aligns with the focus on SDGs 3, 7, 12, and 13 to guarantee depth and focus within the sustainability policy.

PDN currently shapes its impact investing in two ways: through funds and through individual securities, such as impact bonds. Examples of funds include infrastructure, healthcare real estate, and micro-financing investment funds.

PDN's target within the infrastructure and unlisted real estate investment categories is that all new investments within these categories must make a positive contribution to at least one of the four focus SDGs (3, 7, 12, and 13).

Impact bonds are bonds issued by companies and semi-governmental or governmental bodies to finance social and sustainability projects. These bonds can focus for example on projects that reduce the negative consequences of climate change. Investment in impact bonds is a way to make a positive contribution to climate-related projects and offers an option to make a positive contribution to the climate theme. PDN aims to invest at least 2.5% above the benchmark in impact bonds. This target refers to an aggregated target set for the state and corporate bond investment categories. Setting and pursuing a concrete target for allocating investments to impact bonds ensures that, as a pension fund, PDN is making a clear statement to its stakeholders and asset managers with respect to PDN's aims and what it expects from its asset managers.

Engagement

Engagement involves dialogue with the boards of investee companies. Engagement is used to make agreements with companies on plans, goals, or ambitions including with respect to the climate theme. A climate theme example is an aim to encourage the company to commit to the Paris Climate Agreement and to draw up concrete plans to achieve that commitment.

Columbia Threadneedle Investments (hereinafter CTI) conducts engagement with companies in the share and corporate bond portfolios on behalf of PDN. PDN participates actively in a collective engagement program. Collective engagement involves conducting engagement on behalf of multiple investors. This increases the engagement influence and increases the likelihood of achieving the desired results. The engagement program in particular aims to achieve a positive effect on SDGs 3, 7, 12, and 13.

If the engagement process with a company results in a 'poor' rating from engagement provider CTI for three consecutive years and the engagement concerns one of PDN's focus SDGs: SDG 3, 7, 12, or 13, PDN expects the interests in the company to be sold and no further investment in the company is permitted (exclusion). PDN can only decide to deviate from this in special circumstances.
Investments may be made in the company again once the company receives an 'adequate' or 'good' rating.

Targets that CTI has set for companies are based on their own engagement experiences as well as on the best practice standards formulated in this context by initiatives and industry associations.

There are several steps in CTI's engagement processes with companies with respect to combating climate change and reducing carbon emissions. The first step is for companies to recognize the problem and report their scope 1 and 2 carbon emissions. The second step is to formulate emission objectives and the concrete steps to reduce carbon emissions. The third step is to integrate climate risks in the strategy and report on scope 3 emissions. The final step is aligning the carbon reduction objectives with the Paris Climate Agreement.

PDN aims for at least 50% of the total engagements in a year to have reached a milestone and at least 25% of total engagements to have a focus on SDGs 3, 7, 12, and 13.

Voting

In publicly traded companies, exercising voting rights combined with engagement is an influential way to highlight the importance of key issues such as climate action. For cost and capacity considerations, we vote remotely via proxy voting. We rely on the services of CTI in exercising our voting rights.

For instance, the instrument is used to shape the carbon reduction policy. The submission of resolutions is another option. This enables carbon reduction plans, goals, or ambitions compiled by voting members to be submitted for a vote.

Collective proxy voting involves multiple parties joining the same voting program. This reinforces the influence that shareholders can have with their voting rights. One of CTI's goals in implementing its voting policy is to reduce corporate carbon emissions by 55% by 2030 and achieve net zero emissions by 2050. This ambition is in line with PDN's carbon reduction target (55% reduction by 2030 and net zero by 2050).

CTI votes against board motions of climate laggards in the most emitting industries. Climate laggards are identified according to several minimum standards, including publishing the carbon footprint, formulating a carbon reduction target with a defined timeline, and reporting climate risks in line with the Taskforce for Climate-Related Financial Disclosures (TCFD) or the Carbon Disclosure Project (CDP).

If a company does not make sufficient progress on the theme of climate change, CTI will generally vote against individual Board Members, financial reports, and other Board motions.

Exclusion

PDN's investment policy produces an investment portfolio that reflects its standards and values. PDN excludes companies and countries based on the risk of negative impact and conflict with its own norms and values. PDN's exclusion policy applies to PDN's segregated mandates within the investment categories of shares, listed real estate, corporate bonds, and state bonds.

PDN uses the following criteria for companies:

- The product is by definition harmful to people.
- As investor, PDN cannot change anything here using its engagement and voting policy.
- There are no negative consequences if the product no longer exists.

On the basis of these criteria, PDN excludes the following companies:

- Tobacco producers.
- Companies that derive at least 25% of their turnover from coal or tar sand mining.
- Companies involved in the production of controversial weapons such as cluster bombs, land mines, chemical and biological weapons, depleted uranium ammunition, white phosphorus bombs, and nuclear weapons.

- Suppliers of products that are vital to the production of the aforementioned controversial weapons (key suppliers).

Additionally, companies that conduct themselves in a manner not compatible with the UN Global Compact's Ten Principles are excluded from our investment.

The Ten Principles of the UN Global Compact are derived from the following four international treaties and declarations:

1. The Universal Declaration of Human Rights;
2. The ILO Declaration on Fundamental Principles and Rights at Work;
3. The Rio Declaration on Environment and Development;
4. The United Nations Convention against Corruption.

The Ten Principles are sub-divided into four main themes. These main themes are human rights, labor law, environment, and fighting corruption.

Countries that do not adhere to international treaties or that are under UN, EU, or Dutch government sanctions are also excluded from investment. In most cases, the sanctions relate to human rights, arms proliferation, and democratic rights.

PDN uses the screening and research capacities of Sustainalytics. Sustainalytics engages in worldwide research into social issues and analyzes investment portfolios for their sustainability. Prior to any investment, this is checked against PDN's exclusion list. The investment portfolio is also reviewed each quarter to determine whether all the preceding quarter's investments complied with PDN's exclusion criteria.

Transparency

PDN publishes an annual sustainability report to ensure transparency about the sustainability policy and its implementation. In this report, PDN indicates how it handled sustainability in that year and which results it has achieved with respect to sustainability.

In the context of transparency about where PDN invests, PDN publishes an annual overview of the total investment portfolio on its website. It also reports on its engagement activities and the outcomes of the Vote Summary Report at shareholder meetings on its website. The PDN Magazine and the website also regularly feature items on PDN's sustainability policy. Every year, PDN cooperates in the VBDO benchmark research.

Which binding elements of the investment strategy are used in selecting the investments to achieve all environmental or social characteristics that this financial product promotes?

PDN invests in accordance with its integrated sustainability policy. The following binding elements flow from this policy:

Exclusions:

PDN excludes the following investments from its investment portfolio:

- Tobacco producers.
- Companies that derive at least 25% of their turnover from coal or tar sand mining.
- Companies involved in the production of controversial weapons such as cluster bombs, land mines, chemical and biological weapons, depleted uranium ammunition, white phosphorus bombs, and nuclear weapons.
- Suppliers of products that are vital to the production of the aforementioned controversial weapons (key suppliers).
- Companies that demonstrate behavior that is incompatible with PDN's norms and values, based on the principles of the (UN) Global Compact.

- Companies with which an engagement process is ongoing in SDG focus areas 3, 7, 12, or 13 and that receive a ‘poor’ rating from CTI for three consecutive years based on stalled or unsuccessful engagement, and there are no special circumstances that warrant continued investment in the company.
- Companies that fall under UN, EU, or Dutch sanctions.
- Countries that do not adhere to international treaties or that are under UN, EU, or Dutch government sanctions are also excluded from investment.

What is the promised minimum percentage for limiting the scope for investments to be considered prior to applying that investment strategy?

0%. PDN does not exclude a certain percentage of the investment universe in advance.

What is the assessment policy for good governance practices of investee companies?

Practices with respect to good governance relate to such things as good management structures, relations with employees, remuneration of staff, and compliance with tax legislation. In its investment choices, PDN takes into account that companies in which it invests follow good governance practices,

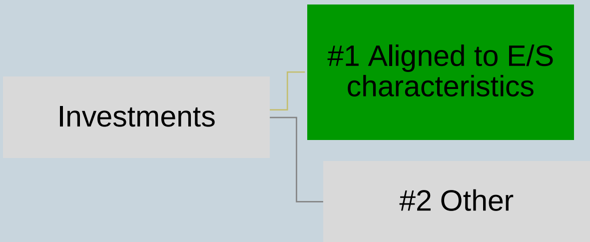
for example, by excluding companies that violate the (UN) Global Compact. These are the minimum policy guidelines for companies’ fundamental responsibilities for human rights, labor rights, the environment, and anti-corruption measures.

> Practices with respect to **good governance** comprise good management structures, relations with employees, remuneration of staff, and compliance with tax legislation.

What asset allocation is planned for this financial product?

The **asset allocation** describes the proportion of investments in specific assets.

PDN promotes environmental and social characteristics without pursuing a sustainable investment objective as defined in SFDR legislation. PDN has no minimum allocation for sustainable investments as defined by SFDR or investments in environmentally sustainable activities as defined by the Taxonomy Regulation. Most of PDN's investments are aligned with environmental and/or social characteristics. These investments relate to shares (including listed real estate), corporate bonds, state bonds, non-listed real estate, infrastructure, mortgages, and gold. Other investments are not aligned to these characteristics and relate to derivatives and liquid assets. There are no environmental or social minimum safeguards for this.



#1 Aligned to E/S characteristics includes the investments of the financial product used to meet the environmental or social characteristics promoted by the financial product.

#2 Other includes the other investments of the financial product that are not aligned with environmental or social characteristics and also do not qualify as sustainable investments.

In what way does the use of derivatives achieve the environmental or social characteristics promoted by the financial product?

0%. PDN invests in derivatives, but these derivatives are not used to promote environmental or social characteristics.

To determine whether the EU taxonomy is complied with, the criteria for **fossil gas** include limitations on emissions and switching to renewable energy or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rule
Facilitating activities directly enable other activities to make a substantial contribution to an environmental objective.
Transition activities are activities for which low-carbon alternatives are not yet available and tha have greenhouse gas emission levels corresponding to the best performance.

To what extent are sustainable investments with an environmental objective minimally aligned to the EU taxonomy?

0%. Currently, PDN does not allocate a minimum percentage of its portfolio to environmentally sustainable economic activities as set out in the EU taxonomy. If more reported EU taxonomy data become available from investments, PDN will reconsider this allocation.

Taxonomy-aligned activities are expressed as a proportion of:
- the **turnover** that reflects the share of revenues from investee companies' green activities;
- the **capital expenditure** (CapEx) that shows the green investments made by the companies in which PDN is investing, e.g. for a transition to a green economy;
- the **operational expenditure** (OpEx) that reflects green operational activities of investee companies.

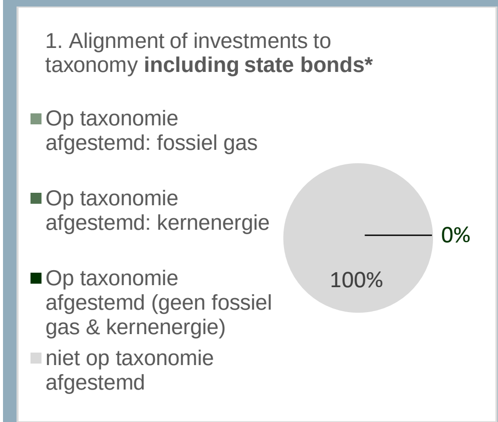
Does the financial product invest in activities in the fossil gas and/or nuclear energy sectors that comply with the EU taxonomy[1]?

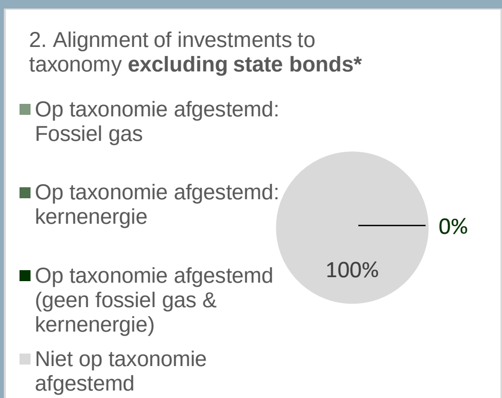
☐ Yes:

☐ In fossil gas ☐ In nuclear energy

X No

The two diagrams below show in green the minimum percentage of investments aligned with EU taxonomy. There is no suitable method for determining the extent to which state bonds* are aligned to the taxonomy. The first diagram shows the alignment with taxonomy for all the financial product's investments, including state bonds, while the second diagram shows the alignment with taxonomy only for financial product investments other than in state bonds.





This diagram represents 100% of total investments.

**** For these charts, 'state bonds' include all exposure to state debts.***

[1] Activities in the fossil gas and/or nuclear energy sectors will only comply with the EU taxonomy if they contribute to limiting climate change ('climate mitigation') and do no significant harm to any EU taxonomy objective - see explanatory note in the left-hand margin. The extensive criteria for economic activities in the fossil gas and nuclear energy sectors that comply with the EU taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

What is the minimum share of investments in transition and facilitating activities?

0%. This question does not apply as PDN has not committed to sustainable investments with an environmental objective aligned with EU taxonomy.

Which investments are included in '#2 Other'? What are they for, and are there any environmental or social minimum safeguards?

Derivatives and liquid assets. No environmental or social minimum safeguards are included for these investments.

PDN uses derivatives mainly to hedge financial risks and achieve efficient portfolio management within the limits set by the board. The main derivatives are interest rate and currency derivatives. Liquid assets have been included to meet commitments, such as margin calls and pension payments.

Where can I find more specific information about this product online?

You can find more specific information about this product on the PDN website.

Please click here for more information about PDN's Investment Policy.