



Sustainable Investment

A Good Pension with a Bright Future

PDN wants its members to enjoy a good pension. But in a world where wars are raging, energy prices are rising sharply, and the cost of living is going up and up, this is no easy task. What is important, amongst other things, is that the raw materials and resources we have at our disposal must be used responsibly. We as a pension fund are taking ownership of our role in that respect. After all, you can only really enjoy your pension in a livable world and society. This review will tell you how we embraced our role in society in 2022. If you want to know more, you can read the full sustainability report [here](#).

In 2022, PDN took further steps to implement its refined sustainability policy. This is essential, as we want to give our members a good pension now and in the future. For that reason, every time we make an investment decision, we consider the return, the risk, the costs, and the performance of these investments in terms of sustainability. We also constantly review our policy.

Focus on Sustainable Development Goals

PDN focuses on three sustainability themes in order to increase the positive impact of its investments: a stable climate for people worldwide, producing raw materials in a responsible and circular way, and good health and well-being for everyone at every age. These themes tie in with four of the UN's Sustainable Development Goals which we want to specifically play our part in: good health and well-being (SDG 3), affordable and clean energy (SDG 7), responsible consumption and production (SDG 12), and climate action (SDG 13). To achieve this, we defined a number of policy instruments. Read on to learn about our achievements regarding five of these instruments in 2022.



ESG Integration

ESG stands for Environment, Social, and Governance. PDN firmly believes that taking ESG criteria into account when making investment decisions leads to better results and better risk management in the long term. Therefore, one of the things we use in our investment portfolio is concrete targets for reducing CO₂ emissions. To align ourselves with the Paris Climate Agreement, we set a long-term reduction target in 2021: net zero CO₂ emissions from our investment portfolio by 2050. We also set a target for the near future: PDN aims for a reduction in carbon emissions of 55% by 2030 compared with the 2016 benchmark for shares, investment grade credits and high-yield US.



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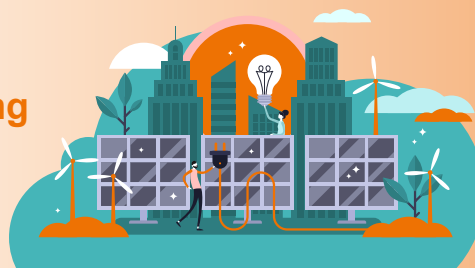
Impact Investing

Through our impact investing, in addition to achieving financial returns, we also want to contribute to solving various social and sustainability challenges. In doing so, we are aligning ourselves with the 17 SDGs for a livable, sustainable world by 2030. An example of a sustainable investment in the European share portfolio is the investment in Siemens Energy AG. This company offers energy-based products and solutions and, with Siemens Gamesa, is active globally in the sustainable wind industry.

PDN invested

€344 million
in impact investing
in 2022

compared with €246 million in 2021



set target: at least 25%
achieved result: 36%

Engagement

PDN wants investments to have as much positive impact as possible and as little negative impact on the world as possible. We believe a combination of engagement and voting is the most effective method to get companies to change their behavior. We entrust our engagement activities to Columbia Threadneedle Investments (CTI), who acts as an engagement party on behalf of a number of institutional investors.

We expanded our engagement policy in 2021 to ensure a more precise focus on the companies that have a bearing on our focus themes. In 2022, we set a target for at least 25% of the total number of engagements to be focused on SDGs 3, 7, 12, and 13. In the end, we achieved a percentage of 36% – above target. Besides this, we stipulated that we will exclude companies if, over a period of three years, they do not make progress in an engagement process in connection with our focus themes.

Climate Action 100+

PDN is affiliated with Climate Action 100+, an initiative to ensure that the world's largest emitters of greenhouse gases are taking the necessary action to address climate change. More than 700 investors worldwide, with over \$65 trillion in managed assets, engage with companies to improve their climate change policies, reduce emissions, and improve climate-related reporting.

Biodiversity

The scale of current biodiversity loss poses a major threat to our ecosystems. CTI launched an engagement project for this purpose, including on behalf of PDN, two years ago. This project has led to dialogue with 21 companies in the transport, finance, non-sustainable consumer products, and raw material extraction sectors to stop activities that are harmful to global biodiversity.



Voting Policy

Alongside engagement, PDN believes voting is the most effective way to get companies to change their behavior, increase the positive impact of our investments, and minimize the negative impact. From 2022, we will vote both for our Dutch investments and for all global, listed investments. This expansion resulted in more than 13,000 proposals being voted on in 1,095 shareholder meetings last year. On over 20% of those proposals, CTI voted against, cast blank votes, or abstained on behalf of PDN. As this was not possible at 7 meetings due to applicable liquidity constraints, we did not achieve our ambition but are nevertheless satisfied with the final result.



Exclusion

Unfortunately, we cannot always drastically reduce a negative impact with engagement and voting, which is why we exclude some companies and countries. We do so on the basis of 2 characteristics: product and behavior. This entails that PDN excludes product groups such as controversial weapons, cluster munitions, and tobacco. We exclude companies or countries based on their behavior with respect to the UN Global Compact's Ten Principles and the UN Security Council, Dutch, or European Union international sanctions lists.

In 2022, PDN excluded 168 companies and 14 countries from its investment portfolio – 37 companies and one country more than in 2021. A prominent example is Gazprom, the largest natural gas company in the world, which is largely owned by the Russian state.

Introduction of Sustainability Legislation and Covenants

Mandatory legislation and regulations with respect to sustainability have increased in recent years as a consequence of the European Action Plan 'Financing Sustainable Growth'. With this action plan, the European Commission is encouraging the financial sector to contribute to the Paris climate goals. In line with this, at the end of 2018, PDN signed the International Socially Responsible Investment covenant. This document sets out standards on dealing with issues such as supply chain responsibility, human rights, corruption, child labor, and the environment. From 2022, we will screen our investment portfolio for this wherever possible and engage with managers of the organizations concerned.

In the context of the EU Sustainability Finance Disclosure Regulation (SFDR legislation), PDN has chosen an 'article 8 classification'. This means we introduce sustainability characteristics into our investment portfolio and report on them transparently. Under the EU taxonomy for sustainable activities, we perform a yearly evaluation of the data of the companies in our investment portfolio and assess what target percentage we can set for taxonomy-classified investments for the following year.

Sustainability Activities in 2023

The fund's sustainability policy will again be prominent on the agenda of PDN's Board in 2023. Some of the sustainability activities we defined for 2023 are:

- ◆ Investigating the expansion of the exclusion policy based on a tightened country policy;
- ◆ Examining how we can integrate climate risk into the investment process;
- ◆ Providing clarity on the positive and negative impact of the share and corporate bond portfolios in relation to the focus SDGs (3, 7, 12, and 13);
- ◆ Evaluating the policy relating to impact investing and where necessary introduce refinements;
- ◆ Boosting support for sustainable and responsible investment among our members by reporting more about sustainability activities and results.

