



2019 Sustainability Report

Stichting Pensioenfonds
DSM Nederland

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1. Introduction by the Chair of the Board

You are reading the sustainability report of Stichting Pensioenfonds DSM Nederland (PDN). This report explains our sustainability policy and provides justification for the most important results concerning sustainability in 2019.

It also contains examples of the initiatives we have taken in the area of sustainability during the previous year. This is our way of informing stakeholders of what action PDN takes in the area of sustainability. In 2019, we once more invested in sustainable development via an inflation-indexed, green loan to the European Bank for Reconstruction and Development, which uses the money for development projects in Central Europe and Central Asia. PDN also invested in the first Dutch green state bond.

Additionally, we had our first experience with engagement in 2019. This means that we actively influence companies we invest in to include sustainability in their governance. In this way, we hope to persuade companies to operate in a more sustainable manner. This influence is, of course, more effective if we do so with others, based on clearly defined priorities. This sustainability report also represents the first time that we are reporting on engagement. The voting volume in 2019 was slightly higher than in 2018.

In 2018, we signed the Montreal Pledge in which institutions from around the globe commit to publish their CO₂ emissions and formulate policy on this topic. We also had one of our external parties, Sustainalytics, perform a baseline measurement to quantify the CO₂ emissions of the aspects of our investment portfolio. The fund then decided to reduce the CO₂ emissions of its investments by 20% over a period of three years by choosing other investments. In 2018 and 2019, the fund achieved cumulative reductions of 15.7% and of 17.3% in the US and European portfolios against the benchmark as of the end of 2017. PDN also uses engagement as a way to leverage its influence to reduce CO₂ emissions. Together with our partners and our administrative organization DSM Pension Services (DPS), we continue to make efforts for sustainability and develop initiatives. The core figures listed below show the results of our efforts and the general outcomes of our initiatives.

KPI	2019	2018
Total invested assets	€7,513 million	€6,836 million
Assets invested in the Netherlands	€1,372 million	€1,365 million
Impact Investments	€223 million	€226 million
Number of meetings of shareholders in which a vote was cast	17	17
Number of engagements (shares/corporate bonds)	90/70	N/A
Votes cast	184	177
Number of excluded companies	94	75
Number of excluded countries	13	14
Carbon Footprint (tCO₂e/M USD) Europe	145.2	157.3
Carbon Footprint (tCO₂e/M USD) US	164.0	189.9

The sustainability report contains a description of our strategic vision of sustainability, the core themes, and the performance indicators concerning the reporting year. The sustainability report supplements our integrated annual report in which we discuss sustainability in relation to PDN's financial performance. This offers the opportunity to provide background information and explain the concise, factual reporting in the integrated annual report. In this way, we strive to provide transparency on our contribution to society and operations.

In 2020, we also wish to further shape our vision of sustainability in which we are very conscious of our role in society as well as hope to provide a good pension to our members. It is an enormous responsibility, especially when the funding level is much lower than required. Additionally, it is important that our members can enjoy their pensions in a world that is well-livable. For this purpose, the fund signed the United Nations-supported Principles for Responsible Investment in January 2020. In doing so, PDN has committed to further anchor sustainability in its policy and the implementation thereof. In late 2019, De Nederlandsche Bank conducted a regular investment investigation at the fund. With regards to the Sustainable Investment Policy, De Nederlandsche Bank is of the opinion that the framing for the implementation of the Sustainable Investment Policy was developed to a limited degree. The fund will take this into account in the further development of the sustainability policy.

On behalf of the Board,

Edith Schippers
Chair of the Board

2. PDN's Sustainable Investment Policy

The Board of PDN considers sustainability to be a major aspect of the investment philosophy and an integral component of PDN's investment principles.

The Goal of Sustainable Investment

For PDN, the sustainability policy is a way of contributing to sustainable development in the world without putting pressure on the portfolio's risk and return profile. To that end, PDN has produced a sustainable investment policy.

Policymaking

When the Investment plan is determined, initiatives and developments concerning sustainability and socially responsible investing are discussed. These discussions assess whether and how these initiatives and developments will be worded in PDN's policy. Over the course of the year, PDN builds on the policy as set out in the investment plan, and the Board of PDN sticks to the chosen path. We regularly evaluate our direction and the initiatives, either in a broad administrative dialogue or in discussions within the Committee for Investments and Financial Risk Management (*Commissie Beleggingen en Financiële Risico's*, or CBFR). This means that signing agreements, joining up with special interest groups, and participating in specific actions is not something we do ad hoc.

Policy Areas

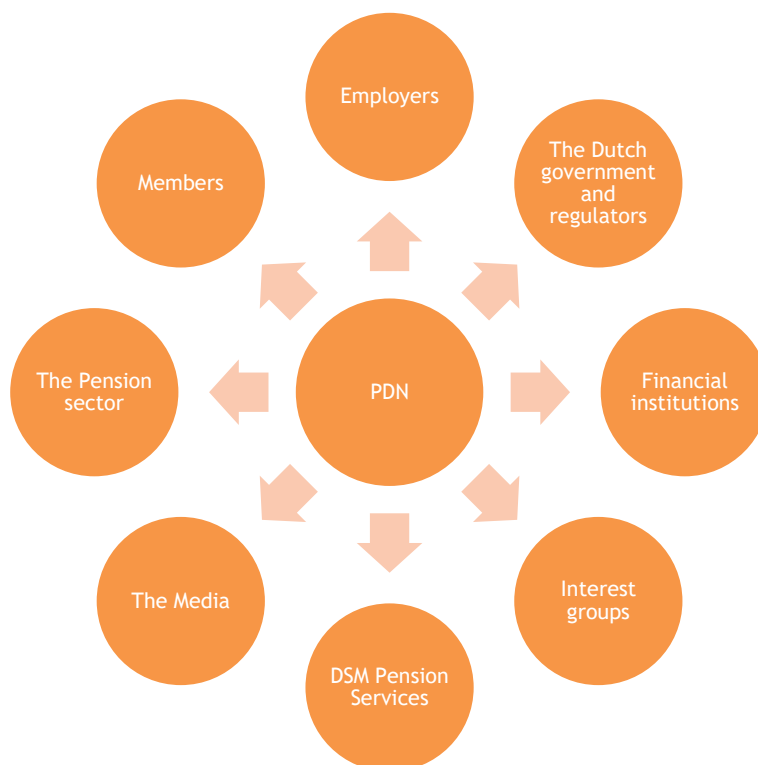
We have applied our strategic vision on sustainability to a number of policy areas and linked performance indicators to them. The policy areas form the basis of the structure of this sustainability report.

- **Exclusion:** We exclude activities in companies and countries that the United Nations, the European Union, or the Dutch government deem unacceptable. PDN does not invest directly in shares or bonds of companies that act in direct contravention of the UN Global Compact's Ten Principles. Manufacturers of controversial weapons, including nuclear weapons, are also excluded even if they do not fall under the exclusion criteria of the Global Compact. Likewise, state bonds of countries that are under sanction by the United Nations or the European Union are excluded from the investment universe. For the most part, these sanctions relate to human rights and weapons issues.
- **Impact Investments:** PDN uses Impact Investments to help guide us in achieving both attractive financial returns and social objectives. The United Nations' seventeen Sustainable Development Goals are the framework we use to classify the sustainable nature of the Impact Investments. This framework guides the fund in making direct investments in issues concerning sustainability with a connection to sustainable development, including areas like alternative energy, microfinancing, and social infrastructure. Apart from the sustainability aspect, these investments can steer us towards a better return or a lower risk on the entire portfolio by improving the diversification of the fund. Impact Investing is therefore evaluated against the regular financial parameters that apply to the fund.
- **Transparency:** PDN ensures transparency on all its investments. The names of all the companies in which PDN holds a position as of the end of the investment year can be found on the website. PDN discloses the names of all investments in all investment categories. This sustainability report is therefore also part of the transparency policy.
- **ESG Integration:** Where possible, PDN manages and evaluates investments according to ESG factors. ESG stands for Environment, Social, and Governance.
A minimum level of ESG integration is required to safeguard each investment or interest in a company.
- **Engagement & Corporate Governance:** this encourages companies to make positive contributions towards societal and sustainability issues. Wider engagement campaigns will also be launched to address entire sectors.

PDN will vote at shareholders' meetings of Dutch listed companies in accordance with its voting policy. This will be done at General and Extraordinary shareholders' meetings of the listed companies in the Netherlands.

Stakeholders

PDN considers it important that sustainability contributes to shaping a sustainable future for all internal and external stakeholders concerned. PDN plays an important role in society. The Board has therefore made this information on the Sustainability Policy and its implementation available to the stakeholders. The Board takes their interests very seriously and works to encourage sustainability. In addition to society in a broader sense, of which we are an inseparable part, we recognize the following groups of stakeholders:



PDN's stakeholders are diverse and represent a plurality of interests and priorities, but the strategic vision concerning sustainability is a common theme among all stakeholders.

Our Members

The members are PDN's foremost priority, as it exists for and because of them. The members agree with PDN's vision concerning sustainability. Within PDN's policy, the members consider an active approach to impact investing to be an important principle.

What Do Our Members Think?

In October 2019, PDN conducted a risk appetite survey amongst our members. This survey also assessed our members' opinions of sustainability. Below, we have included the most important findings.



A large majority of the members thinks that it is PDN's responsibility to consider the human and environmental impact of investments.



A majority does not want this to negatively affect PDN's returns or to increase PDN's risks.



Over a third of the members do not know that PDN invests sustainably.



How sustainable investment affects returns and risks is not clear to members.

PDN will evaluate the outcomes of this survey in 2020 and, where necessary, refine the policy and communication thereof.

Employers

PDN is the company pension fund of DSM and its affiliated companies. DSM is focusing on sustainability and has listed this as a strategic core point in its company strategy. Naturally, PDN is an entirely independent foundation. However, DSM aims to integrate sustainability in its governance and addresses its own suppliers on this point. As a company pension fund, PDN emphasizes the importance of pursuing dialogue on the topic of sustainability. Engagement and corporate governance, as PDN conducts them within its own vision on sustainability, are therefore important principles for employers.

The Dutch Government and Regulators

The Dutch government and regulators encourage financial stability and contributions to sustainable prosperity in the Netherlands. They integrate and anchor sustainability as much as possible in the performance of their tasks and governance. De Nederlandsche Bank (DNB) focuses on further integration of sustainability into its core tasks, sustainable governance, sustainable social policy, integrity and compliance, and social commitment. The regulator also applies this view to how PDN has anchored sustainability in its governance. This makes ESG Integration in PDN's governance an important aspect of DNB's supervision of PDN.

Financial Institutions, Suppliers, and DSM Pension Services

PDN invests in an investment portfolio and investment funds around the world. This represents a direct connection to financial institutions. PDN thinks it is important that these financial institutions make sustainability a high priority. Additionally, PDN has entered into a number of collaboration agreements with suppliers in which sustainability is an important criterion. Considering the size of PDN's investment portfolio, it is in the interests of the financial institutions and suppliers to do business with PDN. They can only do so if they comply with PDN's vision of sustainability. For financial institutions and suppliers, the principle of exclusions, as exercised by PDN, is therefore important. This is because non-compliance with certain criteria may have consequences for the collaboration with PDN.

The Media and Interest Groups

The media and interest groups play a prominent role when it comes to management and reporting concerning sustainability. In recent years, the media and interest groups have been highly involved concerning the nature and contents of management and reporting. For example, they emphasize the critical evaluation of how organizations anchor sustainability in policies as well as how organizations implement the sustainability frameworks. Transparency is vital for providing insights to the media and interest groups in their capacities as stakeholders.

Performance Indicators

PDN measures the progress on the aforementioned sustainability areas. To ensure this measurement is objective, a number of performance indicators have been derived for each sustainability area. We aim to continually improve our performance on sustainability. The following chapters will address PDN's numerous sustainability areas and the most recent scores for the performance indicators. This will show what we have achieved in the area of sustainability in 2019.

3. Exclusions

PDN's investment policy produces an investment portfolio that reflects our standards and values. Companies that conduct themselves in a manner not compatible with the UN Global Compact's Ten Principles are excluded from our investment. The UN Global Compact's Ten Principles are derived from the following four international treaties and declarations:

- the Universal Declaration of Human Rights
- the ILO Declaration on Fundamental Principles and Rights at Work
- the Rio Declaration on Environment and Development
- the United Nations Convention against Corruption

Human Rights

1. Companies must support and respect the protection of internationally accepted human rights, and
2. ensure that they do not become complicit in human rights violations.

Labor Law

3. Companies must recognize labor union rights and the right to collective bargaining, as well as
4. endorse the banning of all forms of forced labor,
5. effectively abolish child labor, and
6. combat discrimination in employment and occupation.

Environment

7. Companies must take steps to prevent causing an environmental impact,
8. engage in initiatives to advance environmental awareness, and
9. promote the development and dissemination of environmentally friendly technologies.

Fighting Corruption

10. Companies must combat all forms of corruption, including extortion and bribery.

Alongside the exclusions based off of conduct that is not compatible with our standards and values, PDN also excludes companies involved in the production of controversial weapons like cluster bombs, land mines, chemical and biological weapons, depleted uranium ammunition, white phosphorus bombs, and nuclear weapons. Along with the manufacturers of such weapons, the vendors supplying products that are vital to their production (key suppliers) are excluded from investment. Countries that do not adhere to international treaties or which are under sanction by the UN, EU, or the Dutch government are also excluded from investment. In most cases, the sanctions are related to human rights, arms proliferation, and democratic rights.

As investment manager, DPS uses the screening and research capacities of Sustainalytics. This consultancy engages in worldwide research into social issues and analyzes investment portfolios for their sustainability. In doing this, Sustainalytics follows a structured approach that is widely accepted within the pension sector.

Prior to any securities investment, the transaction is reviewed using the Sustainalytics research tools. Additionally, the investment portfolio is reviewed each quarter to determine whether in the preceding quarter all investments have complied with the fund's exclusion criteria. DSM Pension Services, our administrator, is free to exclude additional companies based off of considerations relating to sustainability.

The investments of the external investment managers are fully transparent and are screened quarterly by DPS for compliance with PDN's defined sustainability criteria. Investments that do not comply with the fund's exclusion criteria are sold off by the external investment managers.

Performance Indicators

Because of this exclusion policy, roughly 0.4% of the investments in European bonds portfolios were sold in 2019. At the end of 2019, PDN's list of exclusions comprised a total of 94 companies and thirteen countries in the investment universe. This represents an increase of twenty companies and roughly the same number of countries compared with the end of 2018. For European shares, exclusions of countries and companies made a negative contribution of 0.24% in relative terms. For US shares, it made a positive contribution of 0.27%.

KPI	Description	Measurement method	Source	Standard	Outcome
Number of exclusions (companies)	The fund excludes companies in accordance with its exclusions policy and laws and regulations. The screening takes place on a quarterly basis. DPS has excluded two additional companies.	The number of individual companies excluded from investment based off of the portfolio and benchmark scores as of October 2019.	Sustainalytics and DPS	Investments in companies that do not meet PDN's criteria are not included in the investment portfolio.	✓
Number of exclusions (countries)	The fund excludes countries in accordance with its exclusions policy and laws and regulations.	The number of countries excluded from investment at the end of 2019.	Sustainalytics	Investments in companies that do not meet PDN's criteria are not included in the investment portfolio.	✓

4. Impact Investment

Investment opportunities that are not only financially sound, but can help solve social and environmental problems such as poverty in developing countries or climate change, are very important to PDN. That's why part of our investment portfolio is devoted to microcredit, social and other infrastructure projects, and sustainable energy. PDN explicitly defines its Impact Investments based off of the UN's seventeen Sustainable Development Goals. These goals are:

1. End poverty in all its forms everywhere
2. End hunger, achieve food security and improved nutrition, and promote sustainable agriculture
3. Ensure healthy lives and promote well-being for all at all ages
4. Ensure inclusive and quality education for all and promote lifelong learning
5. Achieve gender equality and empower all women and girls
6. Ensure access to water and sanitation for all
7. Ensure access to affordable, reliable, sustainable, and modern energy for all
8. Promote inclusive and sustainable economic growth, employment, and decent work for all
9. Build resilient infrastructure, promote sustainable industrialization, and foster innovation
10. Reduce inequality within and among countries
11. Make cities inclusive, safe, resilient, and sustainable
12. Ensure sustainable consumption and production patterns
13. Take urgent action to combat climate change and its impacts
14. Conserve and sustainably use the oceans, seas, and marine resources
15. Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss
16. Promote just, peaceful, and inclusive societies for sustainable development, ensure access to justice for all, and build effective, accountable institutions at all levels
17. Revitalize the global partnership for sustainable development and strengthen its resources for implementation

Performance Indicators

Currently, PDN invests in its Impact Investments in two ways: through funds and through individual securities. Examples of funds include infrastructure and property investment funds like Actiam Institutional Micro-finance funds, which are intended to issue microfinancing loans to small businesses in developing countries. Another example is the funds of Glenmont, which invest in sustainable energy. This year is the first year in which the Impact Investments have been linked to the United Nation's Sustainable Development Goals that they contribute to.

Investments	Strategy	Sustainable Development Goal Contribution
Actiam I	Micro credits	1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including micro-finance.
Actiam III	Micro credits	
Glenmont I	Renewable energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Glenmont II	Renewable energy	
EQUITIX	Renewable energy	
DIF RE	Renewable energy	
Northern Horizon	Real estate for elderly care	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
Safeharbor (ESHF)	Student accommodation	N/A
Safeharbor II (ESHF II)	Student accommodation	

Certain individual securities may also be designated as Impact Investments, where there is a clear connection between the company's cash flows and the UN's seventeen Sustainable Development Goals. An example of a specific impact investment is the loan to the World Bank. PDN loaned money to the World Bank in the form of a Sustainable Development Bond. The loaned money is being used to finance projects that contribute to clean drinking water and sanitation (SDG 6), and protect aquatic life (SDG 14) in developing countries. At the end of 2019, the amount committed to "funds with an impact" was 3.0% of the total invested assets, down from 3.3% in 2018 and relative to 1.8% in 2015. This decrease is the result of phasing out a number of investments during 2019. The capital committed was €223 million as of the end of 2019, a decrease of €3 million compared with the end of 2018 (€226 million).

KPI	Description	Measurement method	Source	Standard	Outcome
Impact Investments	The fund identifies its investments with a clear social impact as "Impact Investments."	Market value or commitments (contractual obligations) to Impact Investments, in million EUR.	Financial Administration	Impact investments are held in the investment portfolio when designated as such by DPS	✓

5. Transparency

To provide transparency regarding the policy and its implementation, we publish an overview of the total investment portfolio on the website each year. Additionally, PDN on an annual basis releases a sustainability report which specifies how the fund handled sustainability during the year in question. The results of votes at shareholders' meetings can also be seen on the website. The PDN Magazine and the website regularly feature items on PDN's sustainability policy. PDN also uses this report to show how much capital is invested in the Netherlands.

Together with other pension funds, trade unions, non-governmental organizations (NGOs), and the government, PDN has signed the International Responsible Business Conduct (IRBC) sector agreement. The IRBC agreement contains pledges concerning anchoring the OECD guidelines and UN Guiding Principles into the policies of pension funds, the outsourcing of activities to external service providers, and the monitoring and reporting by pension funds on this topic. As from the 2020 financial year, PDN will report on the progress of the implementation of the agreement.

Investment in the Netherlands

PDN's total invested assets as of the end of 2019 amounted to €7,513 million. Of this amount, 18.3% - a total of over €1.3 billion - was invested in the Netherlands. Approximately 88% of this is invested in Dutch state bonds and Dutch mortgages. Currently, the Dutch economy represents approximately 1% of the global economy.

KPI	Description	Measurement method	Source	Standard	Outcome
Total invested assets	The sustainability policy applies to all the fund's investments.	Total assets invested in million EUR.	Financial Administration	Sustainability is included as a criteria of and in the implementation of management of the Investment Plan.	✓
Assets invested in the Netherlands	The fund is transparent on all its investments.	Total assets invested in the Netherlands in million EUR.	Financial Administration	All investments are reported on the website.	✓

6. ESG Integration

Sustainability as represented by the Environment, Social, and Governance (ESG) aspects is incorporated into the investment decisions across a range of mandates. The way in which social issues are embedded in the investment decisions as ESG aspects differs for each investment category.

DPS' ESG integration

In its role as administrator, DPS uses the ESG research of Bloomberg, Sustainalytics, banks, NGOs, and others. ESG factors are applied within all mandates managed by DPS.

Fixed-yield securities

At the end of 2019, 54% of PDN's assets were invested in fixed-yield securities. This includes loans to governments and companies in the form of state bonds and corporate bonds.

Approximately 34% of PDN's portfolio is invested in state bonds and supranationals, with 17% of the assets invested in credits. PDN is aware of relevant sustainability issues at work within the countries and companies in which it holds securities.

Experience has shown that the relevance of sustainability issues to the investments can differ considerably in the various categories. The same issue may have an impact on the price of a share in one case while having no effect on the creditworthiness of the company. Having said that, sustainability issues may still have specific relevance to

corporate bonds. PDN endeavors to further integrate the issues into the investment process in shares and corporate bonds and to reveal all cross-connections.

Measurement of the Carbon Footprint & The Reduction Target

PDN includes its CO₂ policy in the Environment factor. PDN has its US and European stock portfolios screened regarding their CO₂ emissions. At the end of 2019, the US stock portfolio had a CO₂ intensity of 164.0¹ (189.9 in 2018). At the end of 2019, the European stock portfolio had a CO₂ intensity of 145.2 (157.3 in 2018). The emission levels were measured based off of metric tons of CO₂ per million dollars in turnover, also known as the CO₂ intensity. The underlying CO₂ intensity data per company has been kept constant with the most recent reference date at the end of 2016, portfolios are weighted as of at the end of 2019. These emission numbers are Scope 1 and 2 emissions as defined in the Greenhouse Gas (GHG) Protocol. Scope 1 emissions represent net emissions released within the business operations. Scope 2 emissions represent net energy purchased. Scope 3 emissions represent the indirect net emissions that cannot be allocated to scope 2. As an example, this includes the end use of products or emissions from suppliers. Scope 3 emission figures are currently very unreliable and are therefore not reported.

This sustainability report uses the aforementioned scopes for reporting. Where possible, we use the data published by the companies themselves. When this is not the case, we have used a modeled estimate provided by Sustainalytics.

Since 2018, PDN has committed itself to measuring and reporting the CO₂ intensity of the portfolio on an annual basis by signing the UN Montreal Pledge. PDN does this as a sign of its ambitions and to encourage other investors to be transparent about their impact on the climate.

PDN not only publishes its CO₂ intensity, but at the end of 2018 also decided to reduce the CO₂ intensity of the European and US stock portfolios administered by DSM Pension Services by 20% as compared to the baseline measurement at the end of 2017. PDN expects to achieve this goal by no later than by the end of 2020. The target for European shares is 140 and for US shares 155.

KPI	Description	Measurement method	Source	Standard	Outcome
Measurement of carbon footprint	The fund measures and publishes the CO ₂ intensity of its European and US stock portfolios as of December 31, 2019.	The CO ₂ intensity of the portfolio. The CO ₂ intensity is the amount of emissions (in metric tons) per million turnover. Scope 1 and 2 emissions are used.	Sustainalytics and DPS	The carbon footprint of the investment portfolio at the end of 2020 is in line with the corresponding targets of 140 for European shares and 155 for US shares.	15.7% (US) and 17.3% (Europe) reduction by the end of 2019 compared with the benchmark at the end of 2017

¹ CO₂ intensity is the emission of CO₂ and equivalent gases in metric tons per million dollars of turnover of the companies in which PDN has invested.

7. Engagement and Corporate Governance

We invest in over 4,000 listed companies worldwide. That means we have to continually screen and analyze these companies in order to be aware of the opportunities and risks. Wherever there is an indication that a company is not living up to proper principles of social responsibility, PDN has several options to exert an influence. For example, PDN votes actively in the meetings of shareholders of Dutch companies. Where these voting initiatives do not have the desired effect, PDN can divest its holdings in the company or pursue a process of engagement.

Investment in listed companies comes with management risks. These are risks that result from bad decisions or incorrect policy by the Board. PDN's policy for good management is intended to protect our interests as a shareholder while at the same time living up to our responsibility in that role.

PDN invests in a great many companies, and it is not always possible to have someone attend every meeting of shareholders on our behalf. Out of considerations of cost and capacity, we use proxy voting where necessary. PDN only votes in the meetings of shareholders of Dutch companies.

We rely on the services of an industry-leading partner, Institutional Shareholders Services (ISS), in exercising our voting rights. As an institutional investor, PDN complies with the Dutch Corporate Governance Code. This code defines principles and procedures for proper corporate governance. PDN also places a high priority on engagement. We enter into a series of intensive dialogues with companies whose practices are not in line with the UN Global Compact's principles. ISS attended 17 meetings and cast a vote 184 times on behalf of PDN.

Since Q4 2018, PDN has had an active engagement program that attempts to encourage companies to positively contribute to the field of social issues and social sustainability issues. This is done in two ways: proactively and reactively. PDN has outsourced engagement to BMO GAM. BMO acts as an engagement party on behalf of a number of institutional investors. PDN's engagement program covers European and US shares and corporate bond holdings.

Proactive engagement involves a thematic effort to simultaneously encourage multiple companies (often within a given sector) to make further improvements. Examples include sector-wide initiatives concerning child labor, conflict resources, or CO₂ emissions. Such engagement programs often span multiple years.

Reactive engagement is initiated after significant misconduct by a company comes to light. Such cases of misconduct can be attributed to conduct that violates the 10 principles of the UN Global Compact. In the event of such incidents, engagement seeks to prevent a recurrence of such an incident or new malpractices, by requiring better risk management procedures or process changes within a company.

In 2019, BMO addressed 90 companies in 10 countries within the stock portfolio, resulting in 48 positive changes. Within the corporate bond portfolios, dialogue was conducted with 70 companies in 13 countries, leading to positive change in 52 cases. In addition to company-specific engagements, BMO has made the following thematic engagements: diversity of Executive Boards, balanced remuneration policy, auditor accountability, environmental and social factors of climate risk, and Accountability of Executive Boards.

KPI	Description	Measurement method	Source	Standard	Outcome
Number of shareholders' meetings in which a vote was cast	The fund votes in accordance with its Corporate Governance and voting policies and offers transparency in this respect.	Number of shareholders' meetings in which a vote was cast	ISS	The voting policy is posted on the website each year.	✓
Votes cast	The fund votes in accordance with its Corporate Governance and voting policies and offers transparency in this respect. Votes are only cast in the Netherlands.	The total number of proposals that the fund voted on.	ISS	Votes are cast at all meetings of Dutch companies	✓
Number of engagements	The fund conducts active and reactive engagement on the European and US stock portfolios and European corporate bonds.	Number of engagements	BMO	Number of engagements	✓

8. Reporting Principles

We have followed the relevant best practice standards and guidelines to summarize the responsible investment performance covered in this report. The CO₂ emission data are presented according to the GHG Protocol (World Business Council for sustainable development / WRI), which has defined three levels for GHG accounting and reporting purposes.

9. Looking ahead to 2020

In 2019, PDN gained its first experiences with engagement and spent a great deal of time formulating policy on Sustainable Development Goals and implementing the Carbon Footprint reduction.

For 2020, PDN will also investigate whether the current voting policy should be extended to include international equity participation and whether sustainability issues should explicitly be included.

In 2020, PDN will also focus on the implementation of the IRBC agreement and EU sustainability initiatives such as the EU Taxonomy and EU Green Bond Standard.

Work to identify and manage sustainable investment in liquid and unlisted investments will continue. PDN also commits to working with several parties to promote sustainability wherever there is common ground.

10. Scope and Key Figures

The sustainability report's core goal is to communicate the outcomes of PDN's implemented sustainability policy in a transparent manner. PDN's sustainability policy applies to the total invested assets. The sustainability policy applies to all investments.

PDN tasked Ernst & Young Accountants LLP with assessing the outcomes of the KPIs regarding sustainability. The assurance report supplied by them has been included with this report.

The table below summarizes the main points of the policy and shows the corresponding key figures as well as the source of these key figures and key performance indicators (KPIs).

KPI	Description	Measurement method	Source	Result	Page
Total invested assets	The sustainability policy applies to all the fund's investments.	Total assets invested in millions of euros.	Financial Administration	€7,513 million	5
Assets invested in the Netherlands	The fund is transparent on all its investments.	Total assets invested in the Netherlands in million EUR.	Financial Administration	€1,372 million	13
Impact Investments	The fund identifies its investments with a clear social impact as "Impact Investments."	Market value or commitments (contractual obligations) to Impact Investments, in million EUR.	Financial Administration	€223 million	10-11
Number of shareholders' meetings in which a vote was cast	The fund votes in accordance with its Corporate Governance and voting policies and offers transparency in this respect.	Number of shareholders' meetings in which a vote was cast	ISS	17	14-15
Votes cast	The fund votes in accordance with its Corporate Governance and voting policies and offers transparency in this respect. Votes are only cast in the Netherlands.	The total number of proposals that the fund voted on.	ISS	184	14-15
Number of exclusions (companies)	The fund excludes companies in accordance with its exclusions policy and laws and regulations. The screening takes place on a quarterly basis. DPS has excluded two additional companies.	The number of individual companies excluded from investment based off of the portfolio and benchmark scores as of October 2019.	Sustainalytics and DPS	94	9-10
Number of exclusions (countries)	The fund excludes countries in accordance with its exclusions policy and laws and regulations.	The number of countries excluded from investment at the end of 2019.	Sustainalytics	13	9-10
Measurement of carbon footprint	The fund measures and publishes the CO ₂ intensity of its European and US stock portfolios and benchmarks as of December 31, 2019.	The CO ₂ intensity of the portfolio. The CO ₂ intensity is the amount of emissions (in metric tons) per million turnover. Scope 1 and 2 emissions are used.	Sustainalytics and DPS	145.2 (Europe)/ 164.0 (US)	13
Number of engagements	The fund conducts active and reactive engagement on the European and US stock portfolios and European corporate bonds.	The number of conducted engagements.	BMO GAM	90 (shares)/ 70 (corporate bonds)	14-15

11. Assurance Report of the Independent Accountant

To: the Board and Supervisory Board of Stichting Pensioenfonds DSM Nederland

Our conclusion

We have performed an assurance engagement with a limited degree of certainty on selected indicators for 2019 in the 2019 Sustainability Report of Stichting Pensioenfonds DSM Nederland in Heerlen.

Based on the procedures performed and the assurance information obtained and taking into account the limitations set out in the section entitled “Limitations on the scope of our assurance engagement”, nothing has come to our attention that causes us to believe that the selected indicators have not been prepared, in all material respects, in accordance with the reporting criteria set out in the section entitled “Scope and Key Figures” of the 2019 Sustainability Report.

The selected indicators in the section entitled “Scope and Key Figures” are:

- Total invested assets
- Assets invested in the Netherlands
- Impact investments
- Number of meetings of shareholders in which a vote was cast
- Number of engagements (shares/corporate bonds)
- Votes cast
- Number of excluded companies
- Number of excluded countries
- Carbon Footprint (tCO₂e/M USD) Europe
- Carbon Footprint (tCO₂e/M USD) US

Basis for our conclusion

We performed our assurance engagement with a limited degree of certainty under Dutch law, including the Dutch 3000A Standard “Assurance engagements other than engagements to audit or review historical financial information (attestation engagements)”. Our responsibilities in this respect are described in the section “Our responsibilities for the assurance engagement of the selected indicators”.

We are independent of Stichting Pensioenfonds DSM Nederland as required by the “Regulation regarding the Independence of Accountants in the case of Assurance Engagements” (ViO) and other relevant independence rules in the Netherlands. Among other things, this means that we do not undertake any activities that conflict with our independent assurance engagement. We have also complied with the Code of Conduct and Professional Practice for Accountants Regulation (VGBA).

We are of the opinion that the assurance information we have obtained is sufficient and is suitable as a basis for our conclusion.

Reporting criteria

The selected indicators should be read and understood together with the reporting criteria. Stichting Pensioenfonds DSM Nederland is responsible for selecting and applying these reporting criteria, while taking into account the applicable laws and regulations with regard to reporting.

The reporting criteria used to draw up the selected indicators are explained in the chapter “Scope and key figures” of the 2019 Sustainability Report.

The lack of established practices for the assessment and measurement of sustainability information allows the use of several acceptable measurement techniques. This may affect comparability between entities and over time.

Limitations on the Scope of Our Assurance Engagement

Our assurance engagement is limited to the selected indicators. We have not performed assurance work for other information in the 2019 Sustainability Report in connection with this engagement.

Responsibilities of the Board and the Supervisory Board for the Selected Indicators

The Board is responsible for drawing up the selected indicators in accordance with the reporting criteria, including the identification of stakeholders and the applicability of the criteria used to achieve the stakeholders' objectives. The choices made by the Board regarding the scope of the selected indicators and the reporting policy are set out in the chapter entitled "Scope and key figures" in the 2019 Sustainability Report.

The Board is also responsible for the internal control it deems necessary to enable the preparation of the selected indicators free from material misstatement, whether due to fraud or error.

Our Responsibilities for the Assurance Engagement of the Selected Indicators

Our responsibility is to plan and perform an assurance engagement with a limited degree of certainty that provides sufficient and appropriate assurance for the conclusion to be drawn.

The work performed in obtaining a limited degree of certainty focuses on determining the plausibility of information and varies in nature and timing from, and is less extensive than, work performed in an assurance engagement aimed at obtaining a reasonable degree of certainty. The degree of certainty obtained through pursuit of a limited degree of certainty is therefore significantly lower than the degree of certainty obtained in pursuit of a reasonable degree of certainty.

We apply the *Nadere voorschriften kwaliteitssystemen* (NVKS, Further Regulations on Quality Systems). As a result, we have a coherent system of quality control including established guidelines and procedures for compliance with ethical requirements, professional standards, and other relevant laws and regulations.

We conducted this assurance engagement in a professionally critical manner and, where relevant, have exercised professional judgement in accordance with ethical requirements, independence requirements, and the Dutch 3000A Standard.

The work of our assurance engagement with a limited degree of certainty consisted of but was not exclusive to:

- carrying out an environmental analysis and gaining insight into the relevant societal themes and issues as well as the characteristics of the entity where relevant to the selected indicators.
- evaluating the appropriateness of the reporting criteria used, their consistent application, and the explanations thereof in the 2019 Sustainability Report.
- gaining insight into the reporting processes underlying the selected indicators, including gaining a broad understanding of the internal control measures, where relevant for our assurance engagement.
- identifying areas in the selected indicators with a higher risk of misleading or unbalanced information or material misstatements due to errors or fraud. Determining and carrying out further work aimed at determining the plausibility of the selected indicators, on the basis of this risk assessment. This further work included the following:
 - conducting interviews with relevant staff responsible for providing the information, carrying out internal controls, and consolidating the information for the selected indicators;
 - obtaining assurance that the selected indicators are consistent with the entity's underlying administrative records;
 - assessing relevant internal and external documentation on the basis of limited partial observations; and
 - the analytical evaluation of data and trends
- the evaluation of the consistency of the selected indicators with the information in the 2019 Sustainability Report outside the scope of our assurance engagement.

Amsterdam, May 20, 2020

Ernst & Young Accountants LLP

Sgd. J. Niewold registered accountant