

pensioenfonds



ANNUAL REPORT ON SUSTAINABLE INVESTMENTS

2023



PREFACE

The consequences of climate change are increasingly prevalent, both in the Netherlands and worldwide. According to the KNMI (Royal Netherlands Meteorological Institute), 2023 was the warmest year since records began. Last year was also the wettest year ever recorded in the Netherlands.

But it wasn't just the climate that was stirring in 2023. Newspapers and newsreels were again filled with the war in Ukraine. And at the end of the year, the escalating conflict in the Middle East was added, not to mention many other crises in the world.

What can we, as a pension fund, do about all this? It doesn't seem like much, perhaps. And yet. Yet we want to use our influence as an investor to make a positive contribution to the world. Because that is what sustainable investments are about: doing the right things, and doing them well.

We cannot stop global warming on our own. But we can ensure that we achieve our target: halving CO₂ emissions from our investments in 2030. As things stand, we're going to achieve that.

We cannot stop wars, but we can ensure that we do not invest money in (loans and state-owned companies of) governments that provoke wars. Or that do not take human or labour rights very seriously.

We can make a difference, especially if we work together with other pension funds and other investors. As our new board member Anne Kock puts it in this annual report: 'Together we can achieve more than the sum of the parts. Together we can really have a sustainable impact. And get results.'

For us, sustainability is no longer an afterthought, but an inseparable part of all our investments. With every investment, we make an integrated assessment between return on investment, risks, costs and sustainability. And that's how we achieve our goal and that's what our participants want: a good pension, but also the ability to enjoy it in a liveable society.

How do we know that that's what our participants want? We regularly conduct surveys into this, also in 2023. This showed that no less than 70 percent of the participants think it is important that we invest sustainably. Their support is very important to us. After all, it is their money: their pension. That is why we continue to involve them closely in the choices we make.

And those choices are not always easy, let's be honest about it. If you finance a wind farm, you may be hindering birds. And while you may no longer want to encourage fossil fuels, we do need that sector for the transition to more sustainable energy sources. As a board, we do not avoid these dilemmas. And we like to be clear about this to all our stakeholders and other parties involved.

Because the important thing is that you know what we as a pension fund do in terms of sustainable investments and why. This annual report is about what we did in 2023, why, and the dilemmas involved. As usual, we also look to the future. A future in which we can hopefully make the world a little better together. And in which we would like to continue to ensure a good pension.

Jochem Dijkmeester
Chairman of the Board of Pensioenfond's PGB



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A number of sections in this report are marked with an asterisk (). These sections fall under the scope of the assurance report of Mazars, our external auditor, to confirm that the content of this is correct, with a limited degree of certainty.*



The English version of the Annual Report on Sustainable Investment 2023 of Stichting Pensioenfonds PGB is a translation of the original Dutch version. In case of doubt or differences of interpretation, the Dutch version shall prevail over the English language version.

1 Reflection on 2023: laying the foundation for a sustainable future

'2023 was a busy year for Pensioenfond's PGB. In addition to the preparations for the new pension system, we have also made the necessary decisions and efforts to lay a solid foundation for sustainable investments.

This includes our participant survey on sustainable investing, the introduction and refinement of our climate plan, the principal adverse impact statement (SFDR) and the establishment of a robust reporting and analysis platform.

To start with the first: we conducted an extensive participant survey in 2023. A large majority of our participants (approximately 70 percent) consider it important that the fund invests sustainably and responsibly. For only a small proportion (5 percent), results take precedence over sustainability. The rest (25 percent) is neutral. Personally, I think that is a good result, although it also indicates that those 30 percent require an even better explanation of why sustainable investing is important.

In addition, participants in the survey also provided input on themes that they consider important. The board took this information into account when focusing on the possible sustainability themes. Our focus themes for sustainable investing are climate, biodiversity and nutrition. These goals may not come as a surprise, but they are crucial for the fair transition to a sustainable economy and society.

As for the climate, the consequences of climate change are becoming increasingly apparent. That is why we have again examined and tightened our climate plan. Two examples. The requirements we impose on green bonds have become stricter. We now demand an independent audit of the promised impact (e.g. energy savings, replacing fossil fuels with sustainable energy). We have also tightened the exclusion criteria for thermal coal, shale gas and tar sands oil.

We also note that the CO₂¹ footprint of our listed investments has fallen further compared to last year. This puts us on track for our goal: halving the CO₂ footprint by the end of 2030.

Furthermore, last year, our board decided to provide insight into the negative impact of the investments of Pensioenfond's PGB. We do this in accordance with the EU rules, on the basis of a principal adverse impact statement, in accordance with the SFDR. The first report for 2024 will be published in mid-2025.

Lastly, over the past year, we have worked hard to collect our ESG data in a central location and to be able to monitor its quality. This enables us to make better use of this data for specific choices and the formulation of new policy, but also communicate more transparently about this to participants, regulators and the media, for instance.

So a lot has happened. And thanks to our improved data management, this year, we can report with even more confidence about how Pensioenfond's PGB invests sustainably and its results. If you want to know more about this, please visit our website. But you can also contact us directly, of course. We are happy to tell you more about it.'



Peter Kalthof, Chief Investment Officer PGB Pensioendiensten

¹ In this document, the term CO₂ refers to all greenhouse gases and is a synonym for the technical term CO₂ equivalent. It is a measure of the warming potential of various greenhouse gases (<https://ghgprotocol.org/>).



2 OUR SUSTAINABLE INVESTMENT POLICY

The framework of our sustainable investment policy

The sustainable investment policy is an integral part of the investment policy. As with other policy topics, we follow a formal process. That process consists of four steps: policy-making, implementation, monitoring and accountability and, lastly, evaluation and review.



Every step poses risks that we can accept, limit or avoid. Identifying, assessing and managing risks falls under risk management.

In addition, there is the influence of legislation and the covenants to which we have committed ourselves. These include UNPRI, IMVB and VBDO.

This influence falls under external compliance.

We also take our stakeholders into account during the various steps. For instance, in determining the sustainable investment policy, it is important to us to know the preferences and risk appetite of our participants. This enables us to take them into account in decision-making. We want to make choices that suit our stakeholders.

There are a couple of elements that are specific to sustainable investing:

- our sustainable investment objectives, investment philosophy and risk appetite;
- the focus themes we want to concentrate on;
- the interpretation we provide through the three pillars;
- the integrated approach we follow.

Below, we explain these elements in more detail.

Sustainability objective

Our main duty is to ensure a good pension in a liveable world. That is why sustainability is fully integrated into our investment process. This means that in all our investment decisions, we weigh up return, risk, costs and sustainability.

Investment philosophy and risk appetite

As stated above, our stakeholders' preferences are very important to us. That is why we have talks and organised surveys with participants, employers, the Supervisory Board and the accountability body, to gather input for our investment philosophy and risk appetite for sustainable investing. Both were adopted in 2023 and they are reproduced in full below.

Investment targets, investment philosophy & risk appetite

Focus themes

Sustainable investment pillars

1. Limit

2. Strengthen

3. Utilise

Integrated approach

Investment philosophy for sustainable investing

“We believe that sustainability is necessary to ensure that our participants can enjoy a good pension in a liveable world. In order to achieve our long-term investment objective based on our pension ambition, we assess all our investments on the elements of return, risk, costs, and sustainability.”

- It is important to us that our investments deliver good returns and contribute to the transition to a sustainable society and economy.
- We are convinced that the transition to a sustainable society offers investment opportunities. And we want to seize those opportunities. In this respect, we prefer investments that contribute to a sustainable society and economy, also close to home.
- We are committed to pursuing a policy of active involvement. We firmly believe that our social impact will be the greatest if we use our influence as an investor to, together with other investors, push companies and countries to join the sustainable transition.
- We are of the opinion that non-sustainable business models come with major risk and should, therefore, be avoided as much as possible. With this in mind, we do not invest in companies and countries that are unable or unwilling to make the transition to a sustainable society and economy.
- Being transparent on and involving our participants in the sustainable investing choices we make is a given for us.

Risk appetite for sustainable investing

‘Pensioenfonds PGB does not want to make investment decisions without understanding the sustainability aspects of the decision, and neither to run the risk of acting in violation of sustainability legislation.’

- Pensioenfonds PGB is not prepared to run risks with regard to compliance with relevant laws and regulations and the requirements imposed in response to national and international principles and agreements on sustainable investing to which Pensioenfonds PGB has voluntarily committed itself.
- Pensioenfonds PGB is only willing to approve new investment propositions if the sustainability aspects have been weighed explicitly and in a well-substantiated manner, are deemed acceptable, and are in line with Pensioenfonds PGB’s policy.
- Pensioenfonds PGB strives for full transparency on sustainability risks and sustainability goals, as well as on the impact of sustainability factors on the investment portfolio and the impact of investments on the community and the environment.

Focus themes

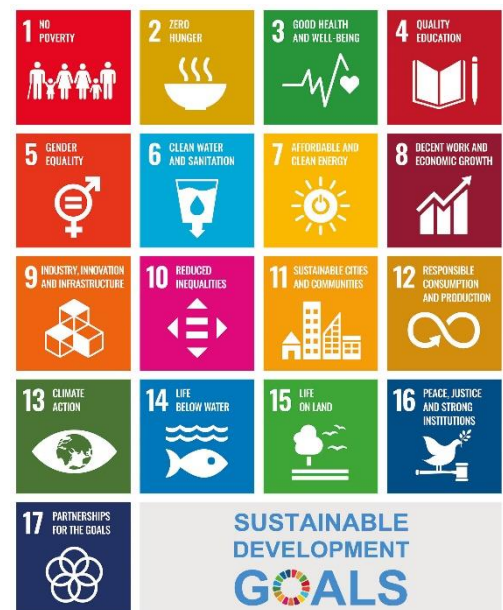
If you want to invest sustainably, you can pursue different goals. At the same time, the pension fund realises that its resources and influence are limited. Focus is therefore needed to contribute to sustainability goals in a targeted and effective manner. That is why in 2023, we conducted a survey among participants to get a better idea of what they really find important.

Based on that survey, various knowledge sessions and extensive discussions, the board established three focus themes. These three focus themes represent risks for society and the economy. But they also contain opportunities for the future.

They are:

1. climate change, including energy transition (including SDG 13, 7, 8 and 9);
2. loss of biodiversity (including SDG 12, 14 and 15);
3. sustainable and affordable food systems (including SDG 2 and 3).

Note: SDG stands for Sustainable Development Goals: seventeen sustainability goals set by the United Nations (see the picture opposite).



These focus themes are not entirely new to the pension fund. The pension fund has had a policy on climate change, human rights, labour rights and anti-corruption for several years now. These items are also discussed in the context of active shareholdership. But from 2024, these focus themes will receive more attention and provide direction to our sustainable investment policy and its implementation.

The survey also revealed two themes - housing and healthcare - that we would like to explore further.

Three pillars of sustainable investing

Our sustainable investment policy rests on three pillars: limit, strengthen and utilise. Each pillar answers a specific question.

1. Limit: what do we not invest in?
2. Strengthen: how do we motivate the companies and sectors in which we do invest to contribute to the fair transition to a sustainable economy and society?
3. Utilise: what specific, measurable impact do we also want to realise?

Chapters 4, 5 and 6 provide more information about the three pillars.

Integrated approach

The sustainable investment policy is, as discussed in the introduction, part of the investment policy of the pension fund. In concrete terms, this means we always fully assess all investment proposals in terms of return on investment, risks, costs and sustainability.

Sometimes, we have to deviate from this. This is, for instance, the case with investments that are excluded but for which selling is not possible. Or because it concerns investments in external investment funds.



Climate plan

The consequences of climate change are becoming increasingly clear. That is why we have again examined and tightened our climate plan. The requirements we impose on green bonds have become stricter. We now demand an independent audit of the promised impact (e.g. energy savings, replacing fossil fuels with sustainable energy). We have also tightened the exclusion criteria for thermal coal, shale gas and tar sands oil.

We also note that the CO₂ footprint of our listed investments has fallen further compared to last year. This puts us on track for our goal: halving the CO₂ footprint by the end of 2030.

SFDR

Last year, the fund decided to provide insight into the negative impact of the investments of Pensioenfonds PGB. We do this in accordance with the EU rules, on the basis of a principal adverse impact statement, in accordance with the SFDR. The first report for 2024 will be published in mid-2025.

3

SUSTAINABLE INVESTMENT RESULTS IN 2023 AT A GLANCE

TOTAL MANAGED ASSETS

€ 32.0 billion



STAKEHOLDER ENGAGEMENT

In 2023, we discussed our sustainable investment policy with participants, employers, the supervisory board and the accountability body*

Pillar 1

LIMIT

What do we not invest in?

INSTRUMENTS:

Climate



Percentage of CO₂ reduction compared to base year 2020: Equities: -56%*, Corporate bonds: -70%*, Total: -62%*

Exclusions



There are 752 companies and 173 countries we do not invest in based on our exclusion list. 91% of the investment portfolio complies with our exclusion policy*

Pillar 2

STRENGTHEN

How do we motivate the companies and sectors in which we do invest to contribute to the fair transition to a sustainable economy and society?

INSTRUMENTS:

Engagement



A total of 1,138 engagements conducted with 622 companies. Almost 48%* related to focus themes.

Voting



Total votes: 3,420 (at 2,402 companies on 36,005 topics). In 98%*, voting took place in accordance with our investment policy.

Collaborations



IMVB covenant, VBDO membership, TCFD, UNPRI, Climate Commitment, Climate Action 100+, CISL and Eumedion.

Pillar 3

UTILISE

What specific, measurable impact do we also want to realise?

INSTRUMENTS:

Investments with impact



€ 5.0 billion - 15.6%*



4 LIMIT (pillar 1)

This pillar is about investments that we do not want or are not allowed to make. This is an answer to the specific question: *what do we not invest in?*

We want the highest possible return on our investments at the lowest possible risk. That is why we exclude companies that run too many sustainability risks. We also do not make investments that are prohibited by law, such as companies that are on international sanctions lists. Lastly, we can make exclusions based on our own beliefs. This includes tobacco or failure to respect the UN Global Compact principles.

Exclusion policy

Pensioenfonds PGB excludes investments in companies and government loans if they do not meet our criteria for sustainable investments.

We exclude companies if they do not respect the Ten Principles of the United Nations (UN Global Compact), are on international sanctions lists or are involved in undesirable products or activities. This includes cluster munitions, tobacco or controversial weapons. Furthermore, since 2023 we have also excluded investments in public undertakings and government bonds if the government in question scores very poorly on one of the three sustainability factors: environment, society and governance. In addition, in 2023 we will not invest in companies that generate more than 25 percent of their turnover from thermal coal, shale gas and/or tar sands oil. This limit will be adjusted to 10 percent with effect from 2024.

Each quarter, independent research agencies provide us with substantiated overviews of companies and governments that do not meet the additional requirements of Pensioenfonds PGB. If we own equities or bonds of these companies or governments, they are sold as quickly as possible.

In the interest of the fund, the board of the pension fund may decide to first enter into discussions with a company before permanently deciding to sell the investments. In exceptional cases, Pensioenfonds PGB can also decide to anticipate an expected exclusion.

Exclusions in 2023

Pensioenfonds PGB has excluded government bonds and state-owned companies in 173 countries* (2022: 17) and 752 companies* (2022: 495) from investing because they do not meet the minimum requirements for sustainable investment. A total of 91 percent* (2022: 86 percent) of the market value of the entire investment portfolio complies with our exclusion policy. Not quite 100 percent, because we also invest in investment funds in which other parties also invest. In that case, we cannot enforce our policies.

Note: *The sustainable investment policy and the complete list of exclusions can be found at <https://www.pensioenfondspgb.nl/duurzaambeleggen>.*

Exclusions Companies



Note: There are companies that are excluded for more than one reason. As a result, the total number of excluded companies (752)* is not equal to the number you get when you add up the various exclusion criteria (815). The figures do not take the EU and UN sanctions lists into account.

Country policy



Note: 173 countries² are excluded for 269 exclusion reasons. The three exclusion categories mentioned above give rise to 149 exclusion reasons. In addition, 98 exclusion reasons relate to missing data and 22 are due to UN principles.

² Pensioenfonds PGB uses the ISO country list as a basis for its country policy (ISO-3166-1). This list includes both sovereign states and sub-territories (for instance, the Netherlands, Aruba, Curaçao and Bonaire). Country policy stipulates that Pensioenfonds PGB does not invest in state-owned companies and government bonds of a country who do not receive an E, S or G score from the EIU (Economist Intelligence Unit) or who receive a score that is too low. In addition, NL, EU, UN and US sanctions lists also apply.

Climate policy

CO₂ footprint

In our Climate Plan, we have expressed the ambition to be climate neutral by 2050 at the latest and to reduce the CO₂ footprint of listed equities and corporate bonds by 50 percent between 2020 and 2030³. The table below shows the development of our CO₂ footprint, for which we use the Weighted Average Carbon Intensity (WACI) or CO₂ intensity as a benchmark.

From 2023 onwards, we will also report the Financed Emissions and the Implied Temperature Rise (ITR) at the end of the year, to the extent that data was available from the data supplier. Financed Emissions amounted to 52 tons* per million euros invested for listed corporate bonds and 46 tons* per million euros invested for listed equities. That produces an average of 48 tons* of greenhouse gases per million euros invested. The ITR of these investments was 2.9°C*. ITR score indicates there is still work to be done to keep expected global warming within the limits of the Paris Agreement (i.e., a maximum of 2°C, ideally 1.5°C).

	CO ₂ footprint (WACI)			Data quality ⁴	
	In base year 2020	In 2023*	Change compared to base year*	In base year 2020	In 2023
Corporate bonds	306	91	-70%	86%	70%
Equities	207	92	-56%	97%	97%
Total ⁵	241	91	-62%	94%	90%



Relative CO₂ reduction target

The pension fund uses the WACI or CO₂ intensity of the listed companies in which investments are made as a benchmark for the target. The basis of this benchmark is the CO₂ emissions per million euro company turnover. The underlying idea is that focusing on CO₂ intensity leads to a reduction in absolute CO₂ emissions. By investing relatively more in companies that are at the forefront of climate change within their sectors, climate-friendly production processes, products and services within the sector are encouraged and the CO₂ intensity of the sector decreases⁶.

³ In determining the first climate plan, Pensioenfonds PGB decided to use the end of 2020 as the base year for the CO₂ reduction targets. The main reasons for this choice are improvement of data quality and the implementation of the HY portfolio in the course of 2020. In 2018, Pensioenfonds PGB had already set a CO₂ reduction target for 2022.

⁴ The percentage is calculated as follows: (number of reported values + number of estimated values) / (number of reported values + number of estimated values + number of unavailable values). Within the percentage of data quality, the percentage for 'reported' has increased significantly compared to 'estimated'. For corporate bonds and equities together, the reported percentage increased from 45 percentage points in the base year to 94 percentage points in 2023. We receive data at parent company level. As a result, we miss data at the level of the subsidiaries in which investments are made. This explains the decline in data quality 2023 compared to base year 2020. A solution will be sought in collaboration with our data supplier.

⁵ Total WACI is calculated excluding the portfolios for which no data has been received.

⁶ Pensioenfonds PGB currently sets CO₂ reduction targets for listed equities and corporate bonds (see climate plan). These form the lion's share of the investments. The climate plan will be further refined in the coming years, including examining the options to set CO₂ reduction targets for other investment categories too.



IN PRACTICE

Theme: **Tightening of country policy**
Interviewed: Erwin Houbrechts, Sustainable Investments Team

Background:

Pensioenfonds PGB tightened its country policy in December 2022. The country policy includes investments in government bonds and state-owned companies and is part of our exclusion policy. Through country policy, we take into account how governments perform in the areas of people, the environment and good governance. The influence of the country policy will be visible from 2023.



What is an exclusion policy and why is it necessary?

“Pensioenfonds PGB invests worldwide, in different countries and sectors. This allows us to spread our investments and limit the investment risk. We can manage that investment risk even better if we also look at the impact of investments on society and the environment. This can be done by investing, together with other investors, mainly in companies and governments that can and want to make the transition to a sustainable society and economy. This also means we sometimes exclude parties.”

What does it mean specifically?

“Each quarter, we draw up an exclusion list based on the exclusion policy. This is a list of parties that do not meet our minimum criteria for sustainable investments. We also communicate this list to our managers so they include it in their investment decisions. For instance, we exclude companies and countries if they appear on international sanctions lists, violate human rights or are involved in the production of controversial weapons. But we also do not invest in tobacco or in companies that generate part of their turnover or electricity from coal, shale gas or tar sands oil. In 2023, that limit was 25 percent. This limit will be adjusted to 10 percent with effect from 2024.”

And what does tightening country policy entail?

“Governments play an important role in the transition to a sustainable society and economy. You will encounter the same governments in an investment portfolio. They include state-owned companies and government bonds. The question then is how you assess whether the government of a particular country can and wants to make that transition. Initially, we only looked at sanctions lists and treated state-owned companies like other companies. But a country only appears on the sanctions list if it performs really poorly in terms of sustainability. You therefore need more information to assess in a timely and sound manner how a country, or rather the government of a country, is performing in that area. We now use specific score lists for this.”

How do these score lists work?

“We exclude an investment if the score on E (environment and climate), S (social) or G (governance) is insufficient. We receive the E, S and G scores from an external party (the Economist Intelligence Unit) who looks at around 90 underlying indicators. The input for these indicators largely comes from renowned parties such as the United Nations, IMF, Yale, International Labour Organisation, Freedom House, etc. The government bond portfolio currently consists mainly of Dutch and German loans. But that can change and we want to be prepared for that. To be clear: if a country scores insufficiently, we do not automatically exclude all companies in that country. It only concerns government loans and state-owned companies. For instance, investments in state-owned companies and government loans from Syria, China and Russia are currently excluded.”



5 STRENGTHEN (pillar 2)

This pillar stands for strengthening the sustainability performance of companies in which we invest. This is an answer to the question: *how do we motivate the companies and sectors in which we do invest to contribute to the fair transition to a sustainable economy and society?*

We cannot achieve our target with exclusions alone. They have no impact on consumer behaviour and companies can also finance themselves through other means. Exclusion alone does not change much in the real world. At the same time, we are convinced that as investors, we can exert a limited but positive influence on the behaviour of companies and thereby contribute to the transition to a sustainable economy and society. We exercise this influence through 'capital allocation' and active shareholding.

Capital allocation

Within a sector, some companies score better than others on sustainability characteristics. For instance, because they emit relatively fewer greenhouse gases. We can reward those companies by investing relatively more in them compared to the benchmark. At the same time, this means we invest less in companies that operate less sustainably. Research shows that this approach does not necessarily come at the expense of expected returns on investment as long as the country and sector distribution of the benchmark is maintained. We follow this approach, for instance, in our listed equity investments in developed markets.

Active shareholding

We also enter into dialogue with companies if we want to see improvements in certain areas in the future. If a company contributes significantly to greenhouse gas emissions, we can, for instance, ask it to draw up a climate plan and demonstrably implement it. That plan must be in line with the Climate Agreement. We also cast our votes at the shareholders' meetings. We call this combination of voting and dialogue (engagement) active shareholding.

To increase our influence, we seek collaboration with other like-minded investors. We do this by supporting initiatives such as CA100+ and by using specialist service providers. For instance, we have engaged Columbia Threadneedle Investments (CTI) to engage in dialogue and vote on our behalf. CTI is following an active shareholding programme that will be structured around seven engagement topics by 2023:

1. climate change
2. environmental stewardship
3. business conduct
4. human rights
5. labour standards
6. public health
7. corporate governance

In addition to topic-driven actions, the pension fund can also initiate dialogue in response to serious incidents. If the dialogue or the votes cast do not lead to sufficient results, we can exclude the company in question.



Voting in 2023

On behalf of Pensioenfonds PGB, votes were cast at 3,420 shareholders' meetings (2022: 3,862) of 2,402 different companies (2022: 2,593) in 2023. In 98 percent* of the shareholder resolutions, voting took place in accordance with our investment policy.

We approved 29,146 of the 36,005 (81 percent) of the proposals voted for.

In 19 percent of the cases, we voted against or abstained from voting. In more than 47 percent of the cases, this concerned a proposal about the composition of the board. In almost 12 percent of the cases, it was about remuneration.

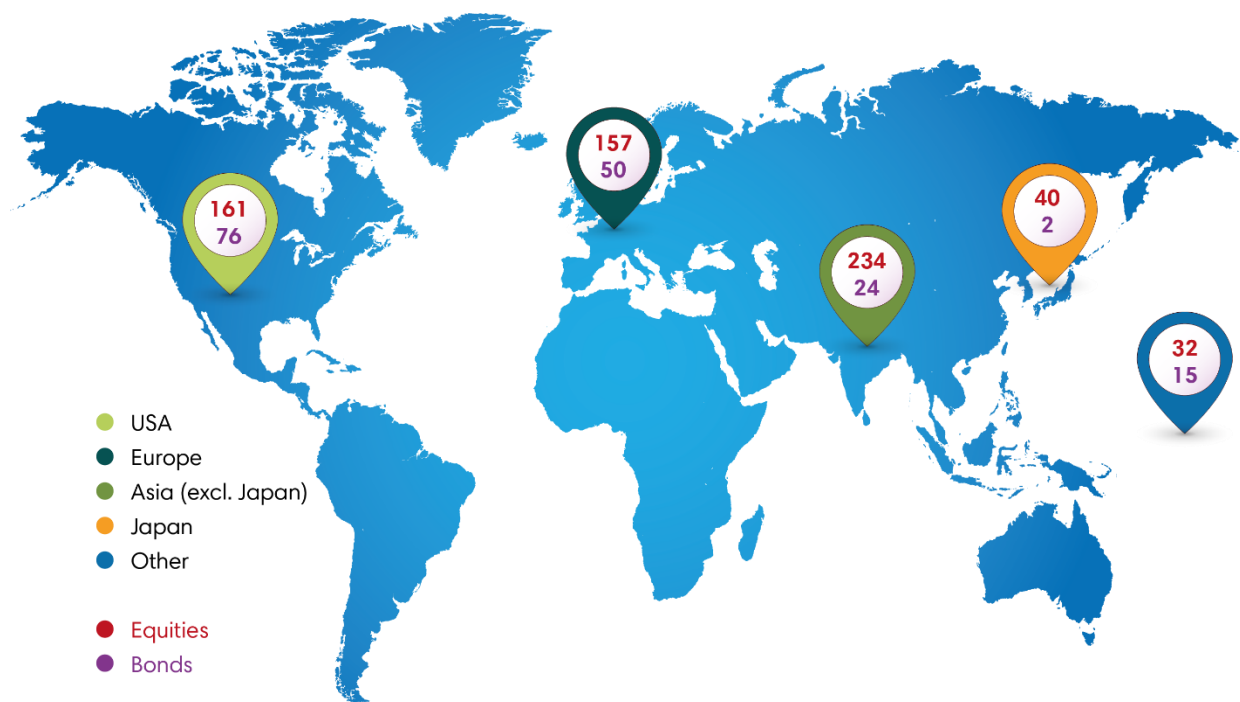
More information

Want to find out more about engagement? Go to 'News on engagement results' at pensioenfondspgb.nl/duurzaambeleggen.

Engagement in figures in 2023

In 2023, a total of 1,138 engagements (2022: 1,333) occurred. Within our equity portfolio, 622 companies (2022: 569) in 38 countries (2022: 40) were approached. Within the corporate bond portfolio, dialogue was held with 167 companies (2022: 146) in 34 countries (2022: 32). Almost 48 percent* of the engagement processes related to focus themes of our investment policy

Number of companies per region



6 UTILISE (pillar 3)

This pillar stands for utilising opportunities to make a specific contribution to a sustainable future for our participants. This is an answer to the question: *what other specific, measurable impact do we want to achieve?*

Investments with impact

Investments with a positive impact are important for the transition to a sustainable society and economy. In 2021, Pensioenfonds PGB joined the SDI Asset Owner Platform. This is an international platform working on a global standard to measure the contribution of investments to SDGs (an SDG taxonomy). Using this platform, we can calculate the contribution that listed equity and bond portfolios have made to the various SDGs. We also receive reports on the contribution of property funds and alternative fixed-income securities.



What is the difference between investments with impact and impact investments?

All investments have an impact on the environment or society. That impact can be positive or negative.

Impact investments require intentionality. This means that the fund or instrument is linked to specific and formal impact goals that have a measurable impact on the real world. These goals can relate to the environment and society. In addition, the manager must demonstrably and structurally manage the realisation of those impact goals. For instance, a green bond to finance a project that will generate sustainable energy.

Investments with impact do not require predetermined, specific sustainability goals. But they can contribute to its realisation. For instance, the SDGs that we report on our listed investments. Impact investments are part of investments with impact.

Green bonds

In the 2022 climate plan, the fund has set a specific goal for climate solutions: investing at least 9 percent of the matching portfolio in green bonds. Green bonds make a targeted and measurable contribution to a sustainable future. At the end of 2023, green bonds represented 11.3 percent* of the matching portfolio (approximately 1.5 billion euros).

To reduce the risk of greenwashing to reduce, we decided at the end of 2023 to further tighten the definition of green bonds. From 2024, we will use the Green bond principles of the International Capital Markets Association (ICMA) in combination with external assurance on the reported impact of projects financed with green bonds. For instance, there was no assurance requirement until the end of 2023.



Investments with a positive contribution in 2023

In 2023, Pensioenfondsgb made various investments with a positive contribution to society and the environment. A total of almost € 5.0 billion (2022: 4.6 billion).

Sustainable equities:		€	2,036	million (6.4%*)
Sustainable infrastructure:		€	381	million (1.2%*)
Sustainable bonds:		€	1,771	million (5.5%*)
Green bonds:	€ 1,468			million (4.6%)
Social bonds:	€ 119			million (0.4%)
Sustainable bonds:	€ 184			million (0.6%)
Sustainable property:		€	799	million (2.5%*)
Total		€	4,987	million (15.6%*)

Explanation

1. If an investment makes a positive contribution, this does not necessarily mean that it is a sustainable investment, as referred to under the SFDR.
2. Sustainable equities consist of investments in companies that, based on the taxonomy of the SDI Asset Owner Platform contribute to one or more SDGs through their products and services.
3. Sustainable bonds consist of green, social and sustainable bonds. Sustainable bonds are a combination of green and social bonds. They are used to (re)finance new and/or existing projects in whole or in part. These projects yield intentional, measurable environmental and social benefits for the identified target group.
4. Only the sustainable property and sustainable infrastructure that have achieved four or five stars out of the maximum five stars on the GRESB Benchmark - the global ESG benchmark for property and infrastructure - are considered an investment with impact because of the positive social contribution of this property and infrastructure to their environment. More than 170 institutional and financial investors use GRESB data and benchmarks to monitor their investments and make decisions that lead to a more sustainable property industry and sustainable infrastructure.

IN PRACTICE

Theme: Investing in sustainable living
Interviewed: Evert Jan Nilting, Portfolio Manager
Private Markets



Background:

Investing in a sustainable and future-proof housing portfolio provides pleasant and healthy homes for the residents and a responsible investment with a good return on investment. During the past years we invested, among other things, in the portfolio of a property fund Vesteda, which focuses on sustainable and affordable rental properties in the mid-price range. This concerns approximately 28,000 homes. An important spearhead is making older homes in that portfolio more sustainable. Our investments in Vesteda have a value of approximately 280 million euros.

Why is it so important to invest in sustainable living?

“As a pension fund, we play an important social role. We manage the funds of our participants, so they can enjoy a good pension in a liveable world. Now and later. That is why we invest in a sustainable living environment and in buildings that have a positive impact on man, nature and society. Making homes more sustainable is good for tenants and for social returns on investment, without this necessarily being at the expense of financial returns on investment. For tenants, this means they live in a pleasant home and their energy consumption can be reduced. It is important for our participants’ pensions that investments in sustainability increase the future value of the homes.”

What does making homes sustainable entail?

“Vesteda has two main goals in making homes more sustainable, namely reducing energy consumption and improving living comfort. The surrounding area also receives plenty of attention. This includes constructing green roofs, installing nest boxes and greening the environment. In this way, birds and other animals, such as bats, butterflies and bees, regain their habitat in the urban area.”

Do we also work with others in that respect?

“*Vogelbescherming Nederland* (The Netherlands Society for the Protection of Birds) and Vesteda work together to improve the immediate living environment of residents and birds, so nature is enhanced in places where homes are built or renovated. Their shared goal is to add as much plants, trees and facilities for birds such as house sparrows and swifts and for bats to people’s living environment. We think that is very important and as an investor, we are happy to contribute to that. Vesteda and *Vogelbescherming Nederland* want to inspire other parties in the property industry with their collaboration. Increasing tenants’ awareness is also a shared goal. For instance, new Vesteda tenants receive a bird-friendly welcome package and Vesteda tenants are invited to a birding excursion.”



7 COLLABORATIONS

Influencing the sustainability performance of companies works better if you can do it together with others. Together, you achieve more. That is why we attach great importance to collaborations within the financial sector, such as the Dutch Pension Funds' International Socially Responsible Investment covenant, Commitment Climate Agreement of the Dutch Pension Federation, Task Force on Climate Related Financial Disclosures (TCFD), the Dutch Association of Investors for Sustainable Development (VBDO), United Nations Principles for Responsible Investment (UNPRI), Climate Action 100+, the Investment Leaders Group van Cambridge University (CISL) and Eumedion.

Dutch Pension Funds' International Socially Responsible Investment Covenant

Pensioenfond's PGB joined the covenant for International Socially Responsible Investment for pension funds in 2018 (Dutch Pension Funds' International Socially Responsible Investment Covenant). This is a covenant in which pension funds work together to identify malpractices at companies in the investment portfolios on the basis of the OECD Guidelines for multinational companies and the United Nations (UN) principles for companies and human rights. The Dutch Pension Funds' International Socially Responsible Investment Covenant expired at the end of 2022. The Dutch Pension Federation intends to further the work of the IMVB covenant in the future. They want to achieve this by setting up the social dialogue platform for pension funds.

Climate commitment from the Dutch Pension Federation

We embrace the Paris Climate Agreement and align with the ambitions of the Netherlands and the EU. This means that we measure the CO₂ footprint of our investments and show each year what our CO₂ footprint is. We also take action to reduce our CO₂ footprint. To that end, we draw up an action plan. Under the banner of the Climate commitment from the Dutch Pension Federation, we work together with other pension funds. The aim is to translate the agreements from the Paris Climate Agreement into a climate plan with specific objectives for various investment categories in order to be climate neutral by 2050. In 2022, Pensioenfond's PGB, like all other participating pension funds, drew up a climate plan. That climate plan was tightened and re-adopted at the end of 2023.

Task Force on Climate-Related Financial Disclosures

Pensioenfond's PGB would like to be transparent about what we do and how we deal with climate change. That's why we joined the Task Force on Climate-Related Financial Disclosures (TCFD). The TCFD has established standards that allow organisations to report on how climate factors will impact their operations. By enabling uniform climate reporting, participants and other stakeholders can see how we deal with climate risks and opportunities, but it also makes it easier to compare the results. In this annual report, we report according to the TCFD framework. From 2024, the International Sustainability Standards board (ISSB) will take over the tasks of the TCFD.

VBDO and UNPRI

Pensioenfond's PGB has joined the Dutch Association of Investors for Sustainable Development (VBDO) and the United Nations Principles for Responsible Investment (UNPRI). Both are partnerships between investors to take the development of sustainable investing to a higher level. The VBDO does this in the Netherlands and the UNPRI internationally. Both partnerships conduct research into the extent to which participating investors meet the standards they set in the field of sustainable investing. The VBDO Benchmark for sustainable investments by the 50 largest Dutch Pension Funds is published each year, along with the results thereof. In 2023, we fell two places on that ranking, and are now 16th.

Climate Action 100+

Climate Action 100+ is a major initiative of investors from all over the world. The purpose of this is to engage in dialogue with the biggest polluters, and to persuade these companies to reduce their CO₂ emissions in line with the Paris Climate Agreement and enable a fair transition to a cleaner world. Climate Action 100+ also asks these companies to be transparent about the climate risks they face and how they affect their business. By joining forces with several major investors and our professional services provider in the field of active shareholdership (Colombia Threadneedle Investments/CTI), we can effectively engage with these companies and make our voice heard at shareholders' meetings.

Investment Leaders Group (University of Cambridge Institute for Sustainability Leadership)

To collaborate with progressive parties in the field of sustainable investments, Pensioenfonds PGB became a member of the Cambridge University Institute for Sustainability Leadership (CISL) in 2022. CISL is a globally influential institution that believes the economy can be made more sustainable through targeted collaboration between the business community, the government and financial institutions to achieve positive results for people and the environment. It is a voluntary initiative, driven by its participants, facilitated by the CISL, and supported by academics from the University of Cambridge. CISL aims to assemble a small but influential group of leading investors, with a shared belief in the need for bold leadership in advancing the practice of sustainable investing. In this context, we actively participate in research and publications on biodiversity.

Eumedion

Eumedion is a Dutch interest group in the field of corporate governance and sustainability and mainly works with institutional investors such as pension funds and insurance companies. The focus is on promoting transparency, accountability and shareholder engagement in listed companies, which contributes to improving corporate governance. In addition, Eumedion encourages companies to act sustainably with an eye for society and the environment. Lastly, Eumedion offers a platform to exchange knowledge and experiences.



TALKING TO OUR STAKEHOLDERS

Broad support for our sustainable investment policy is a critical condition for its success. We regularly discuss our sustainable investment policy with participants, employers, the Supervisory Board and the accountability body*.

Sticking together

We work for 16 different sectors with a diverse group of stakeholders who all have different opinions. We therefore continue to listen carefully to how people think about sustainable investments. And to what is going on within companies, so we can include that feedback in our decisions. And we provide feedback on how we translate the input into our sustainable investment policy.

Employees, employers and pension recipients

We believe it is important that all stakeholders can influence the way we manage our fund. That is why we have a joint board with representatives from employees, employers and pension recipients. We also regularly consult with our accountability body and the employers' council. In addition, we ensure coordination with our social partners from various sectors, including through sector committees.

In 2022, the board determined the investment philosophy and risk appetite for sustainable investing. More about this in Chapter 2. In 2023, the board determined three focus themes that, among other things, serve as a basis for tightening the engagement policy and impact investing.

Survey among our participants

We regularly conduct surveys among our participants about their opinions on sustainable investing. We did so in 2023, too. This showed that a large majority (70 percent) considers sustainable investing very important. A small percentage (5 percent) believes we should only focus on making returns on investment. The rest (25 percent) is neutral. We also gauged which sustainable themes our participants considered most important. On this basis, the board established three focus themes for our investments: climate, biodiversity and nutrition. In the practical case in this chapter, Elske Heringa, the secretary of the board, tells more about the participant survey.

IN PRACTICE

Theme: Participant survey into sustainable investing
Interviewed: Elske Heringa, board secretary. Together with a number of colleagues responsible for the content and design of the participant survey.



Background:

As a pension fund, we play an important social role. We manage the funds of our participants, so they can enjoy a good pension in a liveable world. Now and in the future. That is why we asked our participants in 2023 what themes they think are important in that respect.

How was the survey designed?

“We sent approximately 43,000 participants an invitation for the survey. Nearly 1,400 people completed the survey. That response was sufficiently representative to be able to use the results.”

What were the most important insights?

“A large majority of our participants, approximately 70 percent, consider it important that Pensioenfonds PGB invests sustainably and responsibly. Limiting global warming is in the top 3 of most important goals for all target groups (active participants, former participants and pension recipients). In addition, active participants and former participants believe goals that have a positive impact on nature, ourselves and our planet are important. Consider, for instance, making the energy transition possible. Pension recipients place more emphasis on social goals, especially affordable basic healthcare and housing.”

And what does Pensioenfonds PGB do with the results?

“The board chose three focus themes that best suit Pensioenfonds PGB and our participants. They are climate, biodiversity and nutrition. We are now looking at how we can best apply these goals in our sustainable investment policy. And how, and in which companies or funds, we can best invest. We will also conduct further studies into the themes of housing and healthcare, which also scored highly in the survey. We may add one or both themes as additional focus goals.”

What’s going to happen now?

“All this doesn’t happen overnight. Because when it comes to sustainability, the choices are complex; there are no simple answers. But the results of this survey give us direction. And we know that our choices are supported by our participants. We will therefore certainly continue to inform them about our choices and developments in the field of sustainable investing.”





A retrospective and preview with Anne Kock and Frans van de Veen

Pensioenfond's PGB has two board members who focus specifically on balance sheet management in general and sustainable investing in particular: Anne Kock and Frans van de Veen. They take us on a retrospective of sustainable investing in 2023. And together with them we also look ahead to their expectations for 2024.

What was especially important in 2023?

Sustainable investing has become an inseparable part of investing

Anne: 'In 2023, we and the board tightened our general investment philosophies. Sustainability has now become an inseparable element. We now explicitly state that we strive for a good pension in a liveable world. That is why we always fully assess our investments based on four aspects, namely return on investment, risk, return, costs and sustainability. Sustainability is more than just investing, but we can make the most impact with our investments.'

Preconditions and principles for sustainable investing are clearly formulated

Frans: 'I'm satisfied that we have made further progress in sustainable investing in 2023. How that manifests itself? This year, we have clearly formulated the preconditions and principles for sustainable investing based on the investment philosophies mentioned by Anne. That is the foundation for how we will specifically implement this in 2024. We now have the foundation. And of course sometimes I wish it went faster. But the great thing about sustainability is that everyone has something to say about it. And the difficult thing about sustainability is that everyone has something to say about it. So it takes time to go forward. Because you want to do it well. And together.'

Country policy implemented and opted for SFDR opt-in

Anne: 'We also implemented the country policy in 2023. More countries are now excluded than before. The most important thing is that we have chosen a measuring instrument for this. It has now been made more objective when we exclude a country. That is good. We also recently made a decision on the SFDR (see elsewhere in this annual report). We have now opted for an opt-in, which means we will include the most important negative effects in communications about our investment policy (Article 4 of the SFDR). In doing so, you in fact promise to communicate more honestly and transparently about sustainable investing. I think that's also a good development.'

Survey held among participants into sustainable investing

Anne: 'And we held a survey among the participants last year. The great thing is that this shows there is great support for sustainable investing. A staggering 70 percent think it is important that we invest sustainably. Of course there are also people who say: I think returns on investment are more important. That applied to 5 percent. So we have to explain even better that sustainability and results can go hand in hand.'

Frans: '1,400 participants took part in that survey. Three focus themes emerged; themes that appeal most to our participants when it comes to sustainable investing. They are climate, healthy and affordable food and biodiversity. This doesn't mean, however, that we will focus our entire portfolio on those themes. We focus on those three. If we get the chance, we want to do more with those



Anne Kock has been a board member of Pensioenfond's PGB since May 2023, focusing on balance sheet management & sustainable investing. As of 1 January 2024, she is chairman of the Balance Sheet Management Committee.



Frans van de Veen has been a board member of Pensioenfond's PGB since 1 January 2022, with the focus area of balance sheet management & sustainable investing. He is a member of the Balance Sheet Management Committee.

three themes, for instance, in impact investing or engagement. But the basis remains that we invest across the board.'

Anne: 'And as far as climate is concerned, it is not just about reducing CO₂ emissions. It is also about climate adaptation: making sure we are resilient to the effects of global warming, including in our investments.'

Frans: 'There are two directions: what effect does climate change have on your investments? So: which companies will become less valuable and which will become more valuable? But also conversely: what positive effect can our investments have on climate change? You see this most clearly in impact investing. We would like to do more in that regard. But that also has to be done step by step.'

Discussion about the dilemmas

Anne: 'And we also encounter dilemmas. We also discussed this with the entire board. For instance, if you want to invest in the construction of a new solar park, but it subsequently turns out this has a bad effect on biodiversity, what do you do? Or if you want to finance a wind farm, but that gets in the way of the birds. Sometimes the themes are incompatible. You need to consider that. Another dilemma is sustainability versus risk and return on investment. For instance, you can perhaps achieve the most in the field of sustainability if you invest in research. But that creates a lot of uncertainty about the financial result of an investment. Then we have to consider whether it is wise to do that or not. We also want to share these kinds of dilemmas more with our participants.'

To determine sustainability, we look at CO₂ emissions, waste processing and water use

Frans: 'On 40 percent of our equities in the Western world (developed markets), we have introduced a portfolio based on three sustainability themes: CO₂ emissions, waste processing and water use. We work together with a specialist agency for this, Osmosis. They look at which companies are doing well and which are doing poorly on all three points, immediately eliminating some of the possible investments. And of the companies that are doing well, there are more in our portfolio. That's good. As a company you have to make the right things, but also in the right way, so with as little damage as possible to your environment. That's positive for your profit. And for the climate.'

Anne: 'Osmosis also fits within our climate plan. We want a 50 percent CO₂ reduction by 2030, fully in line with the Paris Climate Agreement. Our Osmosis equities are a concrete step towards that reduction. We do know the emissions of the other 60 percent of those developed market equities. But for now, we are just monitoring it and don't yet manage it. That is something for the future. First we have to measure and know what our impact is.'

What are we going to do in 2024?

Review everything in 2024

Anne: 'We don't yet know specifically what's in store for next year. We will review our entire portfolio in 2024. We do this, among other things, on the basis of our new investment philosophies, but we also look ahead to how the introduction of the new Future Pensions Act will affect our investment portfolio. We pay attention to sustainability, but also to risk, return on investment and costs. Then we can take new steps again.'

Include results of the risk preference survey and ALM study

Frans: 'For instance, we're still conducting a risk preference survey among our participants. The results of this determine the risk attitude we adopt. We will also be conducting a new ALM study. This study provides insight into the sensitivity of the financial health of a pension fund. And that will lead to a new investment mix: the categories we want to invest in and how much. And we also have to look at what suits the run-up to the new pension. That also influences our way of investing.'

And whether it suits Pensioenfonds PGB

Anne: 'How we invest must of course always fit in with Pensioenfonds PGB. But that's not easy, because our participant base is extremely broad. You should always keep a close eye on that. What we don't do, for instance, is exclude entire sectors in advance, such as oil and gas. We have participants in those sectors. And it's not financially useful in the short term to exclude them. What we do do is enter into dialogue with those sectors. To see whether as a shareholder, we can influence the transition from fossil fuels to natural energy sources. That's where we use our engagement.'

Frans: 'We don't want to be a leader in sustainable investing, but we do want to be a cautious forerunner. That also has to do with our stakeholders. But what we do, we want to do well.'

Anne: 'Exactly. Our stakeholders must have confidence in it. Support for sustainable investing is extremely important. That's why we also discuss it in the board. The board members all have different opinions and that's good, because we also find those different opinions among our stakeholders. So you have to be prudent during the administrative dialogue, and when discussing with our stakeholders. You have to clearly explain what we do and why. That communication is becoming increasingly important.'

Ensuring good stewardship

Frans: 'That's right. It's not our money, but the participant's. We, and the entire board, are very well aware of that. That's what I call good stewardship: managing our participants' money well. It's their pension. That means a great responsibility, but also the opportunity to make that money work well. And not only for the pension that we pay out every month now, but also in 10, 20, 30 years and beyond. Together we can make a difference.'



Have a sustainable impact together and achieve better results

Anne: 'That's how I see it too. Together you can do more than on your own. I can't achieve much with my own investment portfolio, no matter how hard I try. But together, on this large scale, you have access to many more investment options and opportunities. That collectivity, and solidarity, in our fund is very important in this respect. Together we can achieve more than the sum of the parts. Together we can really have a sustainable impact. And get better results.'

APPENDICES

Appendix 1: Reporting criteria

Appendix 2: Limited assurance Mazars

Appendix 3: Use of data and models

Appendix 4: Glossary

Appendix 1: Reporting criteria

No.	KPI (Key Performance Indicator)	Reporting criteria
1	Company/country exclusions	<p>Pensioenfondspgb reports on the percentage of the market value of the total investments, as at the end date of the reporting period, of which it has been determined that they are not investments that appear on the exclusion list, drawn up in line with its own exclusion policy. For instance, investments in derivatives fall outside the scope of the exclusion policy, so this percentage is not 100 percent. The most recent exclusion list can be found at pensioenfondspgb.nl/duurzaambeleggen and is periodically updated in line with our exclusion policy.</p> <p>The exclusion policy has been incorporated into the exclusion list and applies to companies and countries that do not meet the criteria for sustainable investment. Investments are excluded if they:</p> <ul style="list-style-type: none"> • violate one or more of the UN’s Ten Principles. • get more than a quarter of their turnover from tobacco products. • are involved in production or trade in controversial weapons other than nuclear weapons covered by the Non-Proliferation Treaty. • produce or sell firearms to civilians. • derive more than a quarter of their turnover or electricity production from coal, shale gas and/or tar sands oil. • do not (or no longer) comply with international sanctions imposed by the European Union (EU) or United Nations (in the case of government bonds). • do not comply with the country policy of Pensioenfondspgb (part of the exclusion policy). <p>Countries are excluded under the following rules:</p> <ul style="list-style-type: none"> ○ If countries do not reach the criterion (42 is the 2023 figure) on the Environment (E), Social (S) or Governance (G) score. ○ To limit fluctuations in positions and transactions, the stability rule is: <ul style="list-style-type: none"> ▪ A country that was not excluded in Q1, but scores insufficient in Q2, will be given the opportunity to score sufficient again in Q3. If the E, S or G score is insufficient again in Q3, the country will be excluded. ▪ Countries that achieve the minimum required scores after a period of exclusion must do so for two consecutive quarters before investing in government securities and public undertakings. ○ We exclude countries prudently; if the independent research agency does not provide data about a country, we exclude it. ○ Hong Kong is excluded if China is excluded. <p>Every quarter, an independent research agency (Sustainalytics) examines for Pensioenfondspgb which companies and countries do not (or no longer) meet the exclusion criteria of Pensioenfondspgb. These companies and countries are then benchmarked against the portfolios that are viewed for exclusions. Pensioenfondspgb assesses the portfolios against these benchmarks on a daily basis. If an investment is made in an equity or country that is on the exclusion list, a breach occurs.</p>

No.	KPI (Key Performance Indicator)	Reporting criteria
1	Company/country exclusions (continued)	<p>In terms of the country policy, Pensioenfonds PGB asks an independent research agency (Economist Intelligence Unit) to examine which countries receive which E, S and G scores. In order to be able to exclude prudently, Pensioenfonds PGB follows the international country definition as described in ISO 3166.</p> <p>After determining the excluded countries, it is determined which state-owned companies belong to these countries. To this end, we examine which companies in the investable universe of Pensioenfonds PGB have a state-owned enterprise characteristic. This characteristic is determined by FactSet. Of these companies, it is checked which country is the ultimate owner in accordance with FactSet definitions. If this is an excluded country, the company will be excluded.</p> <p>If Pensioenfonds PGB owns equities or bonds of these companies, these will be sold. The measurement is made on exposures in mandates.</p> <p>Pensioenfonds PGB follows the sanctions lists of the EU and the UN. This means that government bonds in those countries are excluded.</p> <p><i>Changes compared to 2022: With effect from 2023, the country policy of Pensioenfonds PGB will form a new part of the exclusion policy.</i></p>

No.	KPI (Key Performance Indicator)	Reporting criteria
2	Climate policy	<p>Pensioenfond PGB reports on the CO₂ emissions relative to the base year (as at 31 December 2020), for the equities and corporate bond categories.</p> <p>It does so by measuring the trend in carbon intensity. In line with the recommendations of the TCFD, the Weighted Average Carbon Intensity (WACI) is used as a benchmark. This benchmark shows CO₂ emissions weighted by turnover and expressed in ‘tonnes of CO₂ equivalents/million euros of turnover’. The WACI for the entire portfolio is calculated by calculating a weighted average WACI based on market values.</p> <p>The formula for calculating the WACI per company is as follows: $WACI_{(company A)} = \text{tons (t) of CO}_2 \text{ equivalents} / \text{million dollars in turnover}$</p> <p>The formula for calculating the WACI for the entire portfolio is $WACIA_{(PGB \text{ pension fund})} = WACI_{(company A)} * (\text{market value}_{PGB \text{ equities in company A}} / \text{Market value}_{total \text{ PGB portfolio}}) + WACI_{(company B)} * (\text{market value}_{PGB \text{ equities in company B}} / \text{Market value}_{total \text{ PGB portfolio}})$</p> <p>This KPI relates to tons of CO₂. The required tons of CO₂ data is provided by Sustainalytics.</p> <p>In addition to WACI, Financed Emissions are also measured. This figure is calculated as follows: $Financed \ Emissions = \sum \text{Market value per company} / \text{EVIC per company} * \text{Tons of CO}_2 \text{ equivalent per company}$</p> <p>EVIC stands for Enterprise value including cash. This is the sum of the market cap plus outstanding debts. For the calculation of both the WACI and the Financed Emissions, the ‘tons of CO₂ equivalent’, the scope 1 (direct emissions from activities of the company itself) and scope 2 (indirect emissions, for instance, with regard to purchased electricity) emissions are used per company.</p> <p>The WACI is used to measure CO₂ reduction and is therefore the key indicator for assessing whether the carbon reduction KPI is being met. The Financed Emissions are only shown as additional information, but are not relevant to assess whether the carbon reduction KPI is met. All amounts used in the calculations for determining the WACI and the Financed Emissions are nominated in euros.</p> <p>The extent to which the investments are aligned with the Paris Climate Agreement is calculated based on the LCTR (Low Carbon Transition Rating) report from Sustainalytics.</p> <p><i>Changes compared to 2022: With effect from 2023, amounts in euros will be taken into account in WACI calculations. Since dollar amounts were used in the calculations in previous years, comparative figures have been converted where necessary. Furthermore, a new reduction target applies, with a different base year. In 2022, the reduction was determined compared to the base year 2018, while 2020 figures have now been used as the base year. The main reason for the adjustment of the base year is the improvement in data quality compared to 2018 and the implementation of the HY portfolio in the course of 2020.</i></p>

No.	KPI (Key Performance Indicator)	Reporting criteria
3/4	<p>Commitment through engagement and voting</p> <p>Actively exerting a positive influence on companies by encouraging companies to act sustainably and to draw attention to socially responsible investment topics.</p> <p>Encouraging companies to act sustainably and promoting socially responsible investment topics by voting</p>	<p>As an investor, Pensioenfond PGB can influence the sustainable behaviour of companies. That is why Pensioenfond PGB has an engagement policy, which means it enters into discussions with companies (engagement) or votes at shareholders' meetings.</p> <p>Pensioenfond PGB reports on its engagement and voting programmes. It reports on:</p> <ul style="list-style-type: none"> • The number of engagement processes within the portfolio that Pensioenfond PGB has conducted on the focus themes of the sustainable investment policy. • The total percentage of shareholder resolutions within the portfolio that Pensioenfond PGB has voted on in accordance with its sustainable investment policy. <p>Pensioenfond PGB has outsourced the implementation of engagement and voting to CTI Columbia Threadneedle Investments (CTI). CTI is one of the largest providers of engagement and voting. It has developed the Responsible Engagement Overlay programme especially for large institutional investors. The voting programmes apply to the companies in which Pensioenfond PGB has equities. The engagement programmes apply to the companies in which Pensioenfond PGB has equities and bonds.</p> <p>The focus themes of Pensioenfond PGB's sustainable investment policy are determined based on the top three themes that Pensioenfond PGB identified as the highest priority in the CTI customer consultation. The engagement associated with projects and sub-themes linked to these three themes is taken into account.</p> <p>When a shareholders' meeting is held, Pensioenfond PGB as a shareholder receives an announcement that topics can be voted on. CTI prepares the voting instruction and PGB's custodian Northern Trust processes it through Broadridge. Broadridge is a global provider of proxy voting in the broad sense; in this case, it processes votes and reports on the results. CTI generates the data used in the annual report directly from Broadridge's reporting feature.</p> <p>If there is an opportunity to enter into dialogue, CTI will do so on behalf of Pensioenfond PGB; this dialogue serves as a criterion for inclusion in the annual report. CTI reports to Pensioenfond PGB each quarter. CTI has three types of engagement:</p> <ul style="list-style-type: none"> • Priority engagement • Theme engagement • Reactive engagement

No.	KPI (Key Performance Indicator)	Reporting criteria
5	<p>SDG</p> <p>Seizing opportunities to achieve a good return with direct investments and to make a positive contribution to society.</p>	<p>Pensioenfonds PGB is committed to increasing SDG-related investments in our portfolios, with the aim of contributing to achieving the United Nations' Sustainable Development Goals (SDGs). Of the 17 SDGs, Pensioenfonds PGB has focused on SDGs that are related to the focus themes determined in 2023, namely:</p> <ul style="list-style-type: none"> • climate change, including energy transition (including SDG 13, 7, 8 and 9); • loss of biodiversity (including SDG 12, 14 and 15); • sustainable and affordable food systems (including SDG 2 and 3). <p>Pensioenfonds PGB reports the percentage of investments with impact at the end of the reporting year, which count as investments with impact according to criteria set by Pensioenfonds PGB, compared to the total market value of the investments in the portfolio.</p> <p>The criteria for SDG investments that are classified as investments with impact are as follows:</p> <ul style="list-style-type: none"> • Listed equities: for listed equities, the criteria of the SDI AOP are followed. SDI-AOP (Sustainable Development Investments - Asset Owner Platform) is a platform, established by pension administrator APG among others, that assesses companies on their contribution to SDGs. Via this platform, Pensioenfonds PGB obtains a dataset with the contribution of companies to the 17 SDGs. The value of equities in companies that realise more than 10 percent of their turnover in one or more of the SDGs is reported in the annual report on sustainable investments. <p>For the following categories, criteria have been determined to classify the investment as investment with impact.</p> <ul style="list-style-type: none"> • Infrastructure/Property: a GRESB score of at least four out of five stars. GRESB provides a dataset with ESG data for, among other things, illiquid fund investments. • Fixed-income investments: an indicator from FactSet is used for this. Bonds and loans marked YES in the GREEN_BOND_LOAN_INDICATOR field invest the proceeds of the bonds and loans in green projects or activities that reduce the effects of climate change or other sustainable activities. FactSet is a global leading platform for obtaining market data.
6	<p>Compliance with stakeholder engagement policy:</p> <p>Creating and maintaining broad support for our sustainable investment policy.</p>	<p>Transparency is provided about the interaction with participants, employers, the supervisory board and accountability body on sustainable investing.</p> <p>The above is made concrete by meeting at least the following minimum requirements:</p> <ol style="list-style-type: none"> A. At least one knowledge session on sustainable investing is organised for the board, supervisory board and accountability body. B. A knowledge session on sustainable investing is organised with at least one employers' organisation (unless there is no need for this according to the employers). C. Participants are involved in decision-making regarding sustainable investing and the participants are notified about how this input has been incorporated into the decision-making process. D. In addition to the Annual Report on Sustainable Investments, participants are informed about developments in the field of sustainable investing.

Appendix 2: Limited assurance Mazars

To the board of directors of Stichting Pensioenfonds PGB

Our conclusion

We have reviewed the selected sustainability indicators in the Annual Report on Sustainable Investment 2023 (hereafter: the Report) of Stichting Pensioenfonds PGB (hereafter PGB). The review procedures performed are aimed at obtaining limited assurance.

Based on our review and the assurance information obtained, nothing has come to our attention that causes us to believe that the selected sustainability indicators in the report included on page 8 are not, in all material aspects, have been prepared in accordance with the reporting criteria as explained in the 'Reporting criteria' section on pages 27 to 31 of the Report.

The selected sustainability indicators are as follows:

1. The percentage of the market value of total investments determined not to invest in investments in the exclusion list.
2. Explanation of the CO2e profile of the investments and the progress made on the actions described in this climate plan.
3. The percentage of engagement processes within the total portfolio that PGB has conducted on the focus themes of the SRI policy.
4. The percentage of shareholder resolutions within the total portfolio on which PGB has voted in line with its SRI policy.
5. The percentage of the market value of investments that count as utilised investments according to the criteria set by the foundation.
6. Explanation, based on the criteria set by PGB, whether during the year there were contacts with participants, employers, the Supervisory Board and the Accountability Body regarding sustainable investment.

Basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 3000A 'Assurance engagements other than audits or reviews of historical financial information (attest engagements)'.

A review of the report in accordance with the Dutch Standard 3000A is a limited assurance engagement. Our responsibilities under this standard are further described in the 'Our responsibilities for the review of the report' section of our report.

We are independent of PGB in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting criteria

The selected sustainability indicators should be read and understood together with the reporting criteria. PGB is responsible for selecting these reporting criteria, taking into account applicable laws and regulations relating to reporting.

The reporting criteria used to prepare the information on selected sustainability indicators are explained in the 'Reporting Criteria' section on pages 27 to 31 of the Report.

The comparability of sustainability information between entities and over time may be affected by the absence of a uniform practice on which to draw, to evaluate and measure this information. This allows for the application of different, but acceptable, measurement techniques. Consequently, the sustainability information needs to be read and understood together with the criteria applied.

Limitations in the scope of our review

The references to external sources or websites in the Report do not form part of the information reviewed by us. We therefore provide no assurance on this information. The Report presents forward-looking information in the form of ambitions, strategy, plans, expectations and risk assessments. It is inherent in forward-looking information that the actual outcomes in the future are uncertain. We give no assurance on the assumptions and feasibility of the forward-looking information included in the Report.

Responsibilities of management for the Report and the selected sustainability indicators

Management is responsible for the preparation and fair presentation of the sustainability information in accordance with the reporting criteria on page 27 to 31 of the Report. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the Report that are free from material misstatement, whether due to fraud or error.

Our responsibilities for the review of the selected sustainability indicators

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Our assurance engagement is aimed to obtain a limited level of assurance to determine the plausibility of sustainability information. The procedures vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is therefore substantially less than the assurance that is obtained when a reasonable assurance engagement is performed.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, regulations for quality management systems) and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with Dutch Standard 3000A.

Our review included among others:

- obtaining an understanding of PGB and its environment in terms of responsible investment;
- evaluating the appropriateness of the reporting criteria used, their consistent application and the disclosures in the Report. This includes evaluating the outcomes of stakeholder dialogue and evaluating the reasonableness of estimates made by the board.
- obtaining an understanding of the reporting processes underlying the reported information, including an outline understanding of internal controls, to the extent relevant to our assessment;
- obtaining information from the executive board and other officers of PGB;
- obtaining assurance evidence that the selected sustainability indicators included in the Report agree with, or reconcile to, the entity's underlying source documentation;
- evaluating the assurance evidence obtained;
- identifying areas in the Report with a higher risk of misleading or imbalanced information or material misstatements as a result of errors or fraud. Determining and performing further work based on this risk assessment aimed at determining the plausibility of the information in the Report. This work included:
 - conducting interviews with relevant employees responsible for the sustainable investment policy and performance;
 - conducting interviews with relevant employees responsible for providing information for, performing internal controls on, and consolidating data in the information;
 - obtaining assurance that the information in the Report is consistent with the organisation's underlying records;
 - assessing relevant internal and external documentation on the basis of limited sampling
- considering whether the information in the Report, including the selected sustainability indicators, represent the purpose in a manner that appears to give a true and fair view.

We communicate with the board, among other matters, the planned scope and timing of the review and significant findings that we identify during our assurance engagement.

The English version of the Annual Report on Sustainable Investment 2023 of Stichting Pensioenfonds PGB is a translation of the original Dutch version. In case of doubt or differences of interpretation, the Dutch version shall prevail over the English language version.

Amsterdam, 17 april 2024

Mazars N.V.

Original was signed by drs. R.C.H.M. Horsmans RA

Appendix 3: Use of data and models

Pensioenfonds PGB mainly uses the following data sources for the implementation of the sustainable investment policy and the calculation of the indicators: Sustainalytics, Economist Intelligence Unit (EIU) and CTI.

Pensioenfonds PGB recognizes that these datasets and models are not perfect and will evolve in the future. For instance, Pensioenfonds PGB only uses future-oriented climate scenarios to a limited extent to assess the climate plans and actions of companies in which it invests and to guide and assess CTI's activities in the field of active shareholding. Pensioenfonds PGB relies on Low Carbon Transition Rating (LCTR) data and models from Sustainalytics, which came onto the market at the beginning of 2023. Pensioenfonds PGB believes that the data and assumptions used in the models are not yet sufficiently reliable to formulate hard investment goals and limits on that basis.

Appendix 4: Glossary



Active shareholdership

Engaging in discussions about financial results, the corporate governance model and social and environmental impact with companies and sectors in which investments are made (engagement) and voting at shareholder meetings (voting). Active shareholdership forms an important part of sustainable investing.

ALM

Asset liability management. A method to determine the composition of the strategic investment portfolio using a model, taking into account the pension liabilities.

ASCOR

Assessing sovereign climate-related opportunities & risks (<https://www.unpri.org/ascor-project/the-ascor-project-progress-report/10120.article>).



CA100+

Climate Action 100 (CA100+) is an international partnership of investors with the aim of motivating the companies that contribute most to greenhouse gas emissions to take the necessary actions to combat climate change and align their activities with the Climate Agreement of Paris (<https://www.climateaction100.org/>).

Climate commitment managers

A combination of formal commitment of the manager to help achieve the goals of the Paris Climate Agreement, formal short and long-term CO₂ reduction targets, a specific and credible action plan and periodic progress reports on actions and results.

Climate neutral

The net CO₂ emissions, the total of CO₂ emissions minus the total greenhouse gases removed must be zero by 2050.

CO₂

In this document, the term CO₂ refers to all greenhouse gases and is a synonym for CO₂ equivalent of greenhouse gases. It is a measure of the warming potential of various greenhouse gases (<https://ghgprotocol.org>).

CO₂ intensity

Pensioenfonds PGB uses CO₂ intensity for reporting purposes and as a basis for investment objectives and decisions.

CO₂ profile of investments

Consists of the following indicators: CO₂ intensity (WACI), Financed Emissions, ITR score (or equivalent), SFDR CO₂ footprint, the extent to which the investments meet the minimum climate requirements of Pensioenfonds PGB and the percentage of climate solutions in the portfolio.

CTI

Columbia Threadneedle Investments. CTI implements the engagement and voting programme of Pensioenfonds PGB.



DNB

De Nederlandsche Bank. Central bank of the Netherlands. Responsible for, among other things, financial supervision of pension funds and providing guidance regarding the management of financial and sustainability risks (see, among others, <https://www.dnb.nl/groene-economie/klimaatverandering/>).



E	Engagement	See active shareholdership.
	EMC	Emerging market credits. A subcategory of listed corporate bonds.
	ESG	ESG stands for environmental (environment, nature, climate, ecological), social (society) and governance. Developments in social, ecological and administrative areas (both within a company and with regard to laws and regulations) can entail risks for the long-term value creation or financial situation of a company or government. This constitutes ESG risks. 'These risks do not necessarily have to be avoided; but are controlled' (DNB, Op waarde geschat?, 2019).
F	Financed Emissions	$\sum ((\text{EUR invested in company}/\text{EUR EVIC company}) \times \text{absolute emissions company})$.
G	GRESB	GRESB assesses the sustainability character of property investments, taking into account, among other things, energy consumption and fossil energy (https://www.gresb.com/nl-en/).
H	High yield	A subcategory of listed corporate bonds.
I	IGC	Investment grade credits. A subcategory of listed corporate bonds.
	IMVB	The covenant for International Socially Responsible Investment (IMVB) for pension funds started in December 2018, with a term of four years. It has been signed by more than 80 pension funds, the Dutch Pension Federation and three ministries. The aim was to promote international corporate social responsibility among pension funds (https://www.imvoconvenanten.nl/nl/pensioenfondsen and https://www.pensioenfederatie.nl/website/themas/vermogensbeheer/imvb-convenant/over-het-convenant).
	ISSB	International Sustainability Standards Board (ISSB) develops reporting standards regarding sustainability aspects of companies for the benefit of investors and other financial institutions. ISSB is part of IFRS, has a large support base (G7, G20, IOSCO, etc.) and is in the process of consolidating a number of standards such as TCFD, Value reporting foundation and SASB (https://www.ifrs.org/groups/international-sustainability-standards-board/).
	ITR	Implied temperature rise. An indicator of the expected contribution that an investment makes to global warming. Forward-looking indicator. Pensioenfonds PGB does not use the indicator as a basis for investment decisions, but as input for engagement and reporting.
N	NA100	Nature Action 100 (NA100) is an initiative, led by institutional investors, to encourage (listed) companies to reduce and reverse their negative impact on nature (e.g. loss of biodiversity). The focus is on companies in sectors that have the greatest negative impact (https://www.natureaction100.org/).



OECD Guidelines

The OECD Guidelines for Multinational Enterprises clarify what the Dutch government (and 48 other countries) expects from companies when doing international business in the field of corporate social responsibility (CSR). They provide guidance for companies on how to deal with issues such as chain responsibility, human rights, child labour or the environment. The OECD Guidelines for Multinational Enterprises, together with the United Nations Guiding Principles for Business and Human Rights (UNGPs), form the framework for international Corporate Social Responsibility (CSR). The guidelines also include the core labour standards of the International Labour Organisation (ILO). The due diligence process plays an important role in international CSR. Companies are expected to identify, prevent and reduce the actual and potential negative impact of their actions and to account for how they deal with identified risks (<https://www.oesrichtlijnen.nl/> and <https://www.imvoconvenanten.nl/nl/waarom/oeso-richtlijnen>).



PAI indicator

Principal adverse impact-indicator. See SFDR.

PCAF

Partnership for carbon accounting financials. Provides specific guidelines for the calculation of CO₂ intensity and Financed Emissions (<https://carbonaccountingfinancials.com>).

Physical risk

Form of climate risk. The risk that the value of investments is negatively affected because companies are forced to (temporarily) cease activities or the value of assets drops sharply (e.g. buildings) as a result of climate-driven damage (storm, flood, heat wave, forest fire, etc.).



SDG

Sustainable development goals. In 2015, all 193 countries that are members of the United Nations (UN) adopted the Sustainable Development Goals (SDG). The goals apply to all countries and all people. The goals call for education, healthcare and decent jobs for all, and protection of the oceans, forests and all-natural habitats. They paint a picture of a future where progress benefits everyone, where climate change is halted and all people can live in peace and prosperity. The unique nature of the SDGs means they are interconnected - progress on one goal often leads to progress on another, or sometimes even several (<https://sdgs.un.org/goals>).

SDI-AOP

SDI-AOP stands for Sustainable Development Investment - Asset Owner Platform. The platform offers a methodology and data that enables investors to calculate the contribution of listed companies to the SDGs (Sustainable Development Goals) and use it for, among other things, investment decisions and reporting. This way, the platform enables investors to contribute to the realisation of the SDGs, as established by the UN in 2025. The platform was originally founded by a group of institutional investors.

SFDR

Sustainable finance disclosure regulation. The Sustainable Finance Disclosure Regulation (SFDR) prescribes transparency rules on sustainability by financial market participants and financial advisors. Financial market participants include banks, investment firms, pension funds, etc. The SFDR requires these parties to place a statement on their websites, showing whether they take into account the negative sustainability impact of their investments. If that is the case, they must also make clear how the due diligence policy is tailored to this. The scope, nature and complexity of the activities and products may be taken into account. The SFDR requires these parties to measure the most principal adverse impacts of investment decisions based on a series of

sustainability factors and they must communicate this to customers. This is done via the principal adverse impact statement (<https://www.afm.nl/nl-nl/professionals/onderwerpen/duurzaamheid-sfdr>).

SFDR CO₂ footprint

The SFDR CO₂-footprint refers to the four mandatory PAI indicators that the SFDR recognises with regard to CO₂ emissions: 'GHG emissions', 'Carbon footprint', 'GHG intensity of investee companies' and 'exposure to companies active in the fossil fuel sector'.

SRI

Socially responsible investing .



TCFD

Task Force on Climate-related Financial Disclosure (TCFD) was established in 2015. The TCFD reporting framework is intended to provide investors and other financial institutions with a better understanding of the material sustainability risks a company faces. Attention is paid to objectives, strategy, governance and risk management. TCFD transferred its tasks to the ISSB in 2023 (<https://www.fsb-tcfid.org/>).

Transition risk

A form of climate risk. The risk that the value of investments is negatively affected by stricter laws and regulations, technological developments, reduced demand for products and services or negative impact on the reputation of companies. In the context of the climate plan, this concerns changes driven by the desire or need to limit global warming by reducing emissions and concentrations of greenhouse gases.



UNGC

The UN Global Compact (UNGC) aims to mobilise businesses and stakeholders with the aim of improving the lives of future generations. Guided by the UNGC's Ten Principles on human rights, labour, environment and anti-corruption and the 17 SDGs, we support organisations in understanding what corporate responsibility means in a global and local context and provide guidance to translate sustainability commitments into action (<https://unglobalcompact.org/> en <https://gcnetherlands.nl/>).

UNPRI

The United Nations Principles for Responsible Investment (UNPRI). The goal of UNPRI is to gain insight into the consequences of sustainability for investors based on six principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

UNPRI supports signatories in integrating these principles into the investment process and in implementing active shareholdership (<https://www.unpri.org/>).



VBDO

The Dutch Association of Investors for Sustainable Development (VBDO) is committed to making the capital market more sustainable, based on the belief that this leads to a healthier and more just world. As an independent association, the VBDO has been a driver, motivator and knowledge leader for responsible investing and for embedding sustainability in companies since 1995, especially within the Netherlands (<https://www.vbdo.nl/>).



WACI

Weighted average carbon intensity of an investment portfolio: $\sum (\text{EUR invested in company} / \text{EUR market value of portfolio}) \times (\text{absolute emissions company} / \text{turnover})$. See CO₂ intensity.

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Annual Report on Sustainable Investments 2023
Pensioenfonds PGB

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