

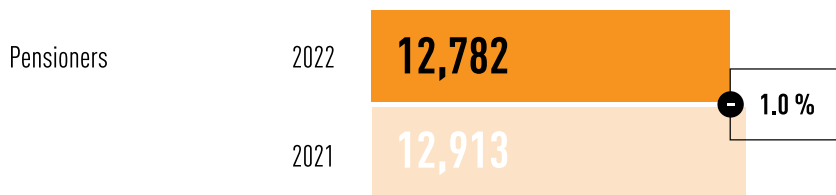
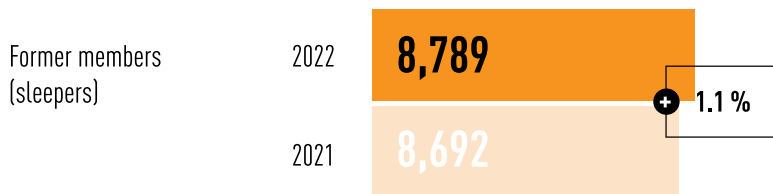
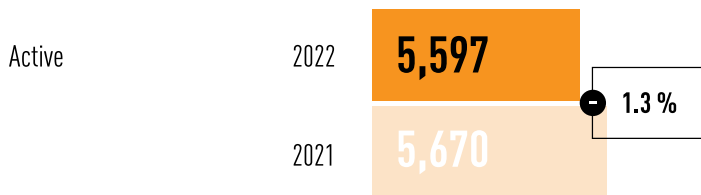
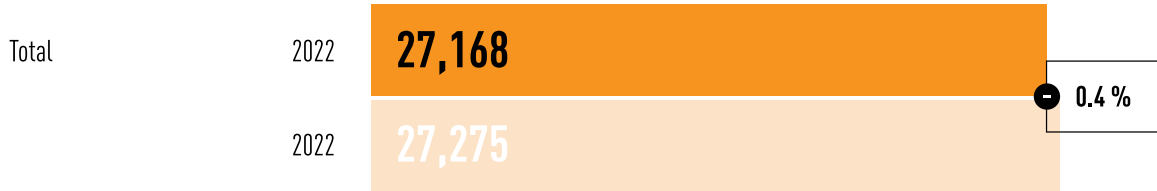
Welcome to the PDN 2022 Annual Report

We've made a visual summary of 2022 for you. In this annual statement, we present the most significant developments and figures for PDN and highlight the main points. What has PDN done with your pension money? How did the funding level develop and what about the investment returns?

If you read this annual statement, you will be aware of what's going on with your own pension fund. For more detailed information about PDN in 2022, please see [the full annual report](#) (only in Dutch), which can also be downloaded from PDN's website: www.pdnpensioen.nl.

2022 key figures

Members

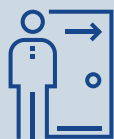


Pension liabilities PDN

Pension liabilities PDN at year-end 2022

7,111 MLN euro

Changes in pension liabilities in 2022



Benefit payments to pensioners

-235 MLN euro



New pension entitlements accrued by members

+110 MLN euro



Change in liabilities due to higher interest rate

-1.938 MLN euro



Other

+556 MLN euro

Pension liabilities PDN at year-end 2022

5,604 MLN euro

Invested capital PDN

Invested capital PDN at year-end 2022

8,215 MLN euro

Changes in invested capital in 2022



UPension benefit payments

-235 MLN euro



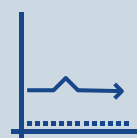
Pension contributions received

+98 MLN euro



Income from investments

-1.144 MLN euro



Other

0 MLN euro

Invested capital PDN at year-end 2022

6,934 MLN euro

PDN FUNDING LEVEL 2022

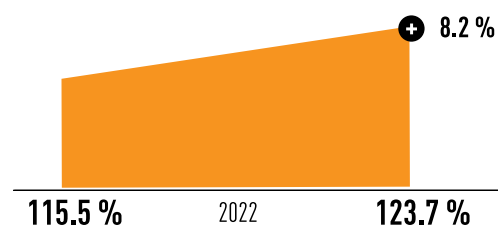
123.7%

The financial position of PDN

The funding level is an important yardstick for judging the pension fund's financial situation. It indicates to what extent the pension assets are high enough to meet all future pension obligations (including, in particular, the pension benefit payments).

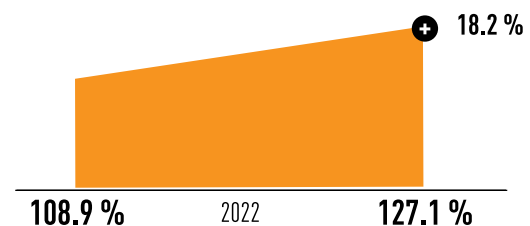
Besides the funding level, a pension fund must calculate its 'policy funding level,' this being the average of the last twelve months of monthly funding levels. The policy funding level can be used to determine whether a pension fund needs to curtail accrued pensions and pensions that have commenced payment.

Funding level



Funding Level: A yardstick for judging the financial position of a pension fund, expressed as a percentage. This percentage is the ratio between the pension fund's capital and all current and future pension commitments. The certainty that a fund can pay the granted pensions increases with its funding level.

Policy funding level

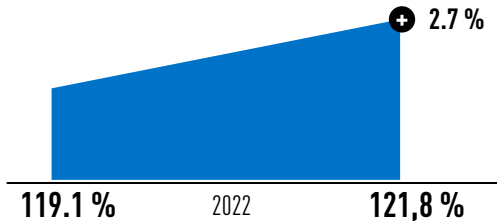


Policy funding level: The policy funding level is the average of the twelve most recent monthly funding levels.

PDN also faced a funding shortfall in 2021. Despite this, the fund did not have to reduce the pension entitlements for current employees or the pension payments for pensioners in 2021. At the end of 2021, the funding level was 115.5%, which was 15.8% lower than the funding level at the beginning of the year (99.7%). Besides the funding level, a pension fund must calculate its 'policy funding level,' this being the average of the last twelve months of monthly funding levels. At the end of 2021 the policy funding level was 108.9%, which is 13.4% higher than at the beginning of the year (95.5%).

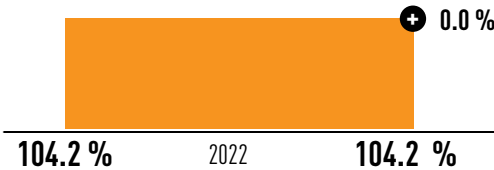
The policy funding level can be used to determine whether a pension fund needs to curtail accrued pensions and pensions that have commenced payment. The policy funding level can also be used to determine whether a pension fund is in a deficit situation, in which case the pension fund would be required to submit a recovery plan to the Dutch central bank, DNB (De Nederlandsche Bank). The recovery plan outlines how a pension fund aims to achieve a higher funding level in the coming years. The policy funding level plays a decisive role in the fund's decision on whether to index.

Required funding level



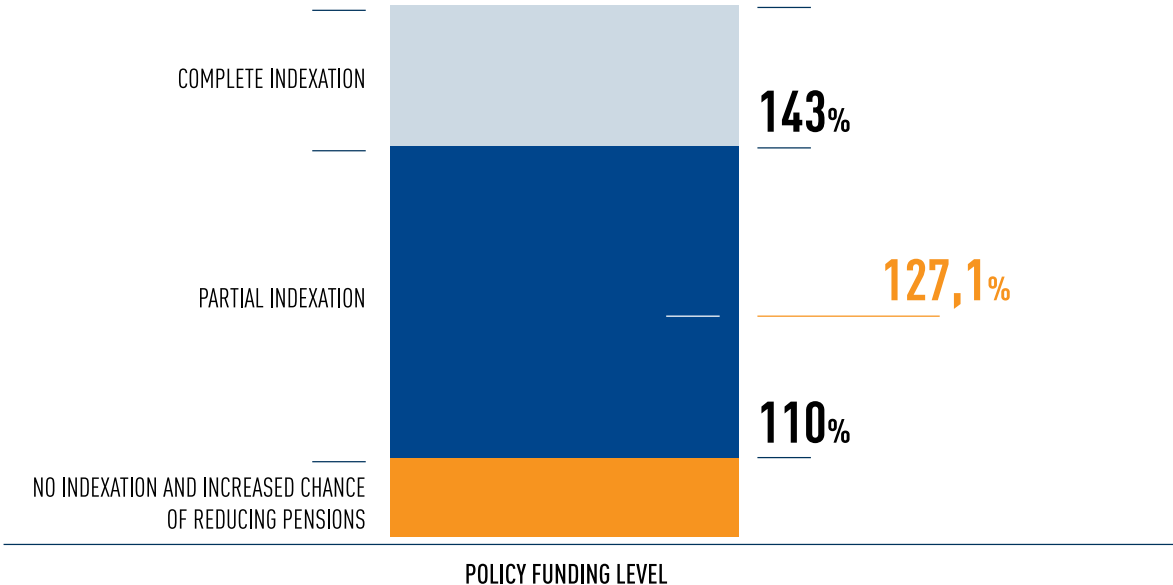
The required funding level indicates the legal level of PDN's policy funding level. If the policy funding level falls below the required funding level, PDN must submit a recovery plan.

Minimum required funding level



The minimum required funding level indicates the absolute lower limit. If PDN's policy funding level falls below this level, there is a funding shortfall. PDN will then have insufficient capital to be able to pay future pensions. If the policy funding level remains below the minimum required funding level for five years, PDN must reduce (curtail) the accrued pensions.

Indexation



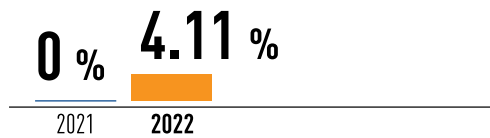
Fortunately, the policy funding level did not necessitate any curtailment in 2022.

In June, the Board decided to use the additional indexation possibilities following the AMvB ('Van Dijk Motion') and to award a partial indexation from July 1, 2022, of 1.64% for the pensions of pensioners in payment and accrued pensions of deferred members (sleepers), and a 1% increase of the accrued pensions of active members (employees). In December, the Board decided to award indexation of 3.11% for active members and 10.02% for non-active members as of January 1, 2023.

Each year, PDN endeavors to raise the pensions of pensioners and the accrued pensions of former members to compensate for price developments, and to raise the accrued pensions of members to account for salary changes. The pensions and accrued pensions have not been increased in recent years. The gap that has gradually emerged has diminished the purchasing power of our pensions and the pension accrual.

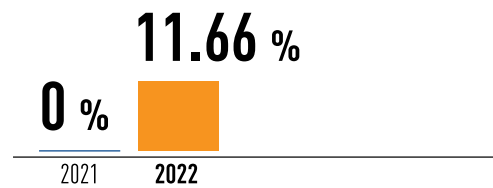
If PDN's financial situation continues to improve, we will once again be able to offer indexation, and the Board may decide to add additional indexation in compensation for indexation not granted in previous years. As a result of the recovery plan, PDN did not have to reduce its pension payments in 2022. It will not have to do this in 2023 either. More information about indexation is available on PDN's website.

Indexation Actives



PDN aims to increase your pension every year and to allow it to grow in line with inflation or wage rises. We refer to this increase as "indexation."

Indexation Pensioners/Formers Members



PDN aims to increase your pension every year and to allow it to grow in line with inflation or wage rises. We refer to this increase as "indexation."

How we invest the money

To be able to pay pensions every month, pension contributions alone do not suffice. A pension fund must invest. By investing, we make a profit. That is the return. In the long term, investments yield more return than a savings account. The return indicates what the investment yielded and is expressed as a percentage.

	2022	2021
Total invested assets (in mln €)	6,933	8,215

Composition of investments 2022	mln. €	weighting	
Matching portfolio	2,927	42.2%	43.5%
Interest overlay	-45	-1,5	-0,1
Nominal government bonds	737	25.1%	40.9%
Inflation-linked bonds	684	23.2%	17.7%
Investment grade credits	502	15.6%	15.5%
Mortgages	955	32.5%	23.3%
Ground Lease	94	3.2%	3.6%
Return portfolio	3,968	57.2%	56.3%
Valuta overlay	18	0.4%	-0.1%
Shares	1,902	48,0%	52.3%
Bonds	766	19.3%	17.5%
Real estate	326	8.2%	12.1%
Alternative investments	956	24.1%	20.2%
Cash	38	0.6%	0.2%
Total	6, 933	100.0%	100.0%

PDN has split the investments into a matching portfolio and a return portfolio.

Matching portfolio

The objective of the matching portfolio is to achieve a favorable risk/return profile with bonds that have a high credit rating, thus pursuing a high degree of certainty. This covers part of the interest rate risk.

Return portfolio

The objective of the return portfolio is to realize a sufficient return in order to achieve the indexation ambition. Through an active policy, we try to achieve additional returns after costs or a lower risk profile within the permitted risk margin.

To reduce risk, PDN spreads its investments over various categories, including:

- **Inflation-linked bonds**

In these loans, which are mainly made to governments, the interest rate and repayments are linked to inflation. This means you are compensated for actual inflation and a real yield is thus recorded.

- **Investment grade credits**

The normal term of these loans, which are made to businesses with a good credit rating, is relatively short (4-5 years). Because of the good credit rating, the chance that the loans will be repaid with interest is very high and the risk is low.

- **Bonds and loans (fixed-yield securities)**

Money is lent in this way to governments and businesses worldwide. The return (so-called interest payment) is generally stable. PDN also invests in Dutch private mortgages.

- **Shares**

This is a worldwide interest in the capital of a company. Although higher returns can be expected in the longer term than on bonds, the risk is relatively high.

- **Alternative investments**

This is an asset class from which an attractive return is expected in the medium term. The investments within this sub-portfolio therefore aim for an attractive return without being dependent on so-called benchmarks (market indices, such as the AEX), and include investments in microfinance, infrastructure, and commodities.

- **Real estate**

Investments in real estate can be made in two ways: directly (houses, shops, and offices) and indirectly (shares in real estate funds). PDN only invests in indirect real estate worldwide.

- **Currency overlay**

The above investments are made in different currencies. As the value of the currency may rise or fall against the euro, the return on the internationally diversified portfolio consists partly of currency returns. To limit the impact of currencies on the fund's performance in euros, we use currency overlay, by which the fund hedges itself against exchange rate movements.

- **Interest rate overlay**

The interest rate sensitivity of the pension commitments differs from the investments, resulting in an interest rate risk. To limit this risk, part of the interest rate risk is hedged. For this purpose, investments are made in fixed-income securities and we use derivatives. The interest rate overlay also determines part of the fund's return.

Sustainable investment (in mln €)	2022	2021
Impact investments	344.0	246.0

Impact investments

PDN uses Impact Investments to help guide us in achieving both attractive financial returns and social objectives. Our investment decisions are based on the UN's seventeen sustainable development goals.

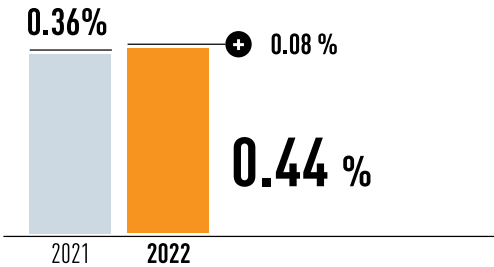
The complete list of the companies in which PDN invests can be found on PDN's website.

Investment return (in %)	2022	2021
Total portfolio (excl. PPS)	-13.8%	8.3%
Matching portfolio	-20.5%	0.7%
Return portfolio	-8.5%	15.8%

Although we much prefer seeing positive returns, there is no need for you to worry about negative returns. PDN invests with a long horizon. Fluctuations are expected to be compensated over the years. The average five-years return as at end 2022 was 1.4% annualized. The average ten-year returns as at end 2022 was 4.0% annualized.

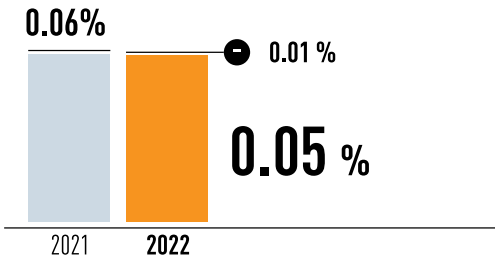
Asset management costs

in % of average invested assets



Transaction costs

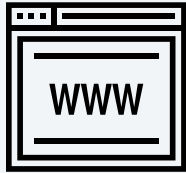
in % of average invested assets



Transaction costs are costs that have to be incurred to make and then administratively settle purchases and sales.

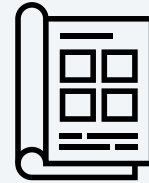
Our means of communication in figures

www.pdnpensioen.nl



Number of visits	81.734
Visits per day (average)	224

PDN Magazine



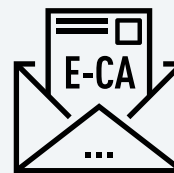
2 editions: June and december	edition 20.000
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Podcast



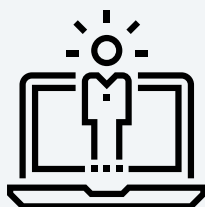
Number of episodes	6
Number of listeners	841

E-cards for 40th birthday



Total sent	103
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My PDN Pension

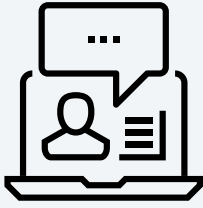


Number of users	91 %
Number of visits (average)	67,474
Number of visits per day (average)	185
Number of users of Digital Mail	68.7 %

Evaluation

NL planner	8.1
My PDN Pension	8.0

Pension journeys



Q2 Pension journey Employed

43 sent, number of visits 20

Q4 Pension journey 60-year olds

459 sent, number of visits 325

1st line questions

1,847

answered in time



97.8%

Questions which can and have to be answered within three business days.

Evaluation 1st line questions: **8.3**

2nd line questions

623

answered in time



95.0 %

More complex questions which have to be answered within ten business days.

Evaluation 2nd line questions: **8.2**

Appreciation



Granting of retirement pension

8.3

Granting partner's pension

8.6

Value transfer

7.9

171 personal conversations

9.6

What is the Accountability Council's opinion?

The Accountability Council (AC) is tasked with producing an assessment of Board policy implemented in 2022 as well as its policy proposals for the future. The AC is made up of eight members. As of June 19, Harry Govers stepped down as a pensioner representative. He was succeeded by Meindert Dijkstra during the course of the year.

Composition in 2022



WIL BECKERS

Chairman
Elected from and by pensioners



MEINDERT DIJKSTRA

Elected from and by pensioners



ETHA VAN DE WIEL

Elected from and by pensioners



ALBERT NOTEBORN

Elected from and by pensioners



MARC SILVERTAND

Elected from and by employees



PETER PASMANS

Elected from and by employees



LAURINE LEON

Deputy Chairman
Put forward by DSM Nederland



RUUD VAN OOL

Put forward by DSM Nederland

The Accountability Council's Assessment of 2022

The Accountability Council (AC) concluded for 2022 that it received a lot of advance information, was updated on policy intentions and decisions, or in the case of advisory rights, on proposed decisions.

The Board largely implemented recommendations made by the AC or these are in progress. With respect to the priorities identified by the AC, we note that progress on the Future Pensions Act (WTP) transition was delayed despite the Board's pressure on social partners in 2022. However, a detailed version of a draft action plan for the Future Pensions Act transition was published by the end of 2022, identifying all steps to be taken including the associated stakeholders. The management actions mentioned by the fund in its own risk assessment (ERB) were not entirely implemented in 2022. Communications about awarding indexation required constant attention, particularly concerning managing expectations among members and deferred members.

The Accountability Council's opinion is based on the argumentation expressed in the proposed or final decisions, as well as on the conclusions that the Accountability Council draws from its consultations with the Board and Executive Board, management team, and the Supervisory Board. The Accountability Council also forms its opinion by studying all relevant fund documents and periodic reports as well as the draft and final management report and financial statements. To reach a sound judgement, the Accountability Council uses a review framework developed in 2021.

While the Accountability Council found that the Board's decisions in 2022 were balanced, it is important for the Accountability Council to gain greater prior insight into how the Board usually makes a choice between various options and scenarios and what frameworks are used as a basis from which to arrive at a final choice in a reasoned manner. A choice that can be explained on this basis may improve acceptance among deferred and current members who would have preferred a different outcome. Such a framework helps to assess how balanced the decision in question is. The information that the Board sends to the Accountability Council in requests for advice is supposed to give the Accountability Council insight into the considerations made by the Board. On the Accountability Council's insistence, during 2022 the Accountability Council received not only a background paper outlining the request for advice but also the decision document setting out the considerations that the Board would make. The Accountability Council asks to continue working in this way.

Recommendation

- Specify the criteria for a balanced consideration of interests, and develop a framework that can be used during decision-making to provide reasoned and documented evidence for balancing considerations. Criteria can also be ranked by degree of priority.
- As a standard procedure, send the decision document discussed by the Board, including any appendices, along with the request for advice to the Accountability Council. Make sure that the information is also specific enough to bridge any information gap between the Accountability Council and the other fund bodies.

Summary Evaluation

In the AC's opinion, the policy adopted by the Board and the decisions taken by the Board in 2022 were in the interests of members, deferred members, and pensioners. In taking decisions, the Board explicitly considered the interests of all stakeholders in its decision-making process. When taking important decisions, the AC recommends that more information is made available on how the Board reached a balanced weighing of interests, and on what policy or policy framework and criteria the Board reached its decisions. There should also be more focus in the fund's communications on explaining the decisions

reached and how, when weighing the various interests, the Board made balanced choices for all stakeholders.

Recommendations

The AC is making the following recommendations, based on its findings:

Strategic Developments

- Clarify which strategic options are available to PDN after the Future Pensions Act transition, taking the developments at the employer and the affiliated companies into account.

Governance

- Evaluate whether the Board's new working method, introduced in 2022, is performing well.
- Although the operational Board members are now the primary contact point for the AC, the AC is committed to continuing the current working method in which the Chairman and other Board members are scheduled to participate in the AC meetings.

Pensions

- Continue to provide members and deferred members with clear and accessible insight regarding the extent to which certain policy choices, as well as external developments (interest, life expectancy), can or have influenced the funding level and the possibilities for indexation.

Communication

- In communications, do not only focus on communicating the outcomes of decisions taken but also engaging members and deferred members in the Board's weighing of interests and in the relevant argumentation.

Investments

- Continue working on providing easy-to-understand information on sustainability policies relating to investments.

Risk Management

- Implement the actions stated in the ERB on time and periodically evaluate whether the timing of the planned actions is still appropriate.
- Conduct periodic monitoring of the outsourcing risk in connection with services provided by external parties, particularly DPS.

AC Priorities for 2023

The most important priorities on which the AC aims to focus in 2023 are:

1. Progress of the Future Pensions Act transition process including specific knowledge acquisition on the AC
 2. Progress of the study regarding the fund's future vision
 3. The new pension administration agreement, which is to be finalized as of January 1, 2024.
-

The conclusion of the Supervisory Board

The Supervisory Board (SB) supervises the PDN Board and evaluates the Board's performance and the processes it uses. The Supervisory Board comprises three members.

Members of the Supervisory Board



COR
VAN DER SLUIS

Chairman



MARLIES
VAN LOON



RAJESH
GROBBE

In performing its duties, the Supervisory Board (SB) abides by the supervision code established by the Vereniging Intern Toezichhouders Pensioensector (the Association of Internal Supervisors for the Pension Sector) and the Code of Dutch Pension funds.

In addition to its statutory tasks, in its monitoring plan for 2022, the SB outlined the following priorities:

- Governance in the context of time constraints and progress of the Future Pensions Act (WTP) process;
- Outsourcing/IT; control of the chain;
- ESG risk management;
- Strategic projects;

Summary conclusion

The SB concluded that the Board performed well and with ambition in 2022. The fund has sound operations and a thriving structure with key position holders, which the SB can make good use of in its work.

The SB did, however, include some recommendations, which qualify as encouragement for further improvement and optimization in view of the complex environment in which the fund needs to operate now and in the near future. The Board is facing considerable challenges, particularly with respect to the Board's set-up and operation, managing strategic projects including the new pension contract, and changing the outsourcing relationship position. The SB is of the opinion that its recommendations are useful in this respect as well as in supporting the power of change within the Board.

2023 priorities

Based on the Board's planning and SB's findings, a new monitoring plan has been developed for 2023. The SB will focus on the following priorities in 2023:

- Governance in the context of changes in Board set up, the filling of vacancies and the governance process, as well as progress on the process relating to the Future Pensions Act;
- Outsourcing; overall control of the chain;
- Strategic projects.

Supervisory Board statement

Based on its observations, the Supervisory Board approves the decision made by the Board to adopt the 2021 Management Report and 2021 Annual Accounts.

The Board Composition

PDN's Board comprises eight members (including the Chairman). Four members are nominated by DSM Nederland, two members are nominated by the DSM Nederland Central Works Council, and two members are nominated from and by pensioners.

In 2022, the Board appointed two operational Board members from its midst. These two Board members have taken over part of the Executive Board's activities, based on the pre-existing mandate granted to the Executive Board by the Board. This new way of working enables the Board to concentrate on managing the fund, making comprehensive considerations, and setting out and deciding on policy and strategy. This also relieves the other Board members and the Executive Board from their structurally increasing workload.

Board composition ultimo 2022



**EDITH
SCHIPPERS**

Chairman
Appointed on recommendation by
DSM Nederland B.V.



**MONIQUE
VAN HEESWIJK-KUSTER**

Board member
Appointed on recommendation by
DSM Nederland B.V.



**PIET
MOLENAAR**

External Board member
Appointed on recommendation by
DSM Nederland B.V.



**JOS
OP HEIJ**

Board member
Appointed on recommendation
by DSM Nederland B.V.



**REIN
PIKAART**

Board member
Elected from and by
pensioners.



**PIET
RENNEN**

Prospective-member
Elected from and by
pensioners



**EIKO
DE VRIES**

External board member
Nominated by the DSM Nederland
Central Works Council



**WIM
REINARTZ**

Board member
Nominated by the DSM Nederland
Central Works Council

The Board would like to thank the Supervisory Board and Accountability Council for sharing their findings and recommendations. The Board is extremely grateful to them for their commitment, involvement, and constructive discussions in 2022. The Board is looking forward with confidence to continuing the open and close cooperation.

The Board's full response to the Accountability Council and Supervisory Board evaluations, as well as the text of the evaluations, can be read in PDN's full 2022 annual report.

PDN's Sustainability Policy

In the 2022 Sustainability Report, PDN explained its sustainability policy and accounts for the most significant results over the reporting year 2022. The complete sustainability report (PDF) can be found on the PDN website under downloads and is included in the 2022 annual report.

We continued implementing the tightened sustainability policy in 2022. It is essential that this tightened policy is implemented so that we can offer our members a good pension now and in the future. A pension that enables them to enjoy their retirement in a livable world. For that reason, every time we make an investment decision, we consider the return, the risk, the costs, and the performance in terms of sustainability as well as continuously reviewing our policy.

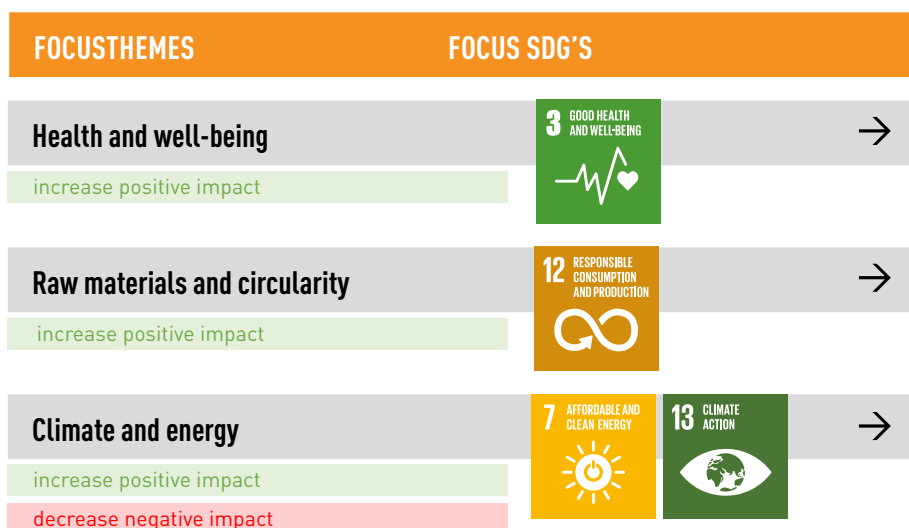
In view of the specific war situation in Russia, PDN decided to reduce its existing investments in Russian companies and to make no new investments in Russian companies. PDN was already not investing in Russian government bonds due to EU sanctions legislation. However, the situation is creating a global negative impact, as well as impact close to home. Energy prices increased considerably and the cost of living has become more expensive for everyone. It is vital that we handle raw materials and resources responsibly. As a pension fund, we also take our social responsibility seriously.

To increase our positive influence as a fund, we have been focusing on three specific sustainability themes since 2021:

1. Health and well-being
2. Climate and energy
3. Raw materials and circularity

These themes are linked to the United Nation's four sustainable development objectives: the Sustainable Development Goals (SDGs). We are focusing more specifically on:

- SDG 3: Good health and well-being
- SDG 7: Affordable and clean energy
- SDG 12: Sustainable consumption and production
- SDG 13: Climate action



Six policy instruments defined in the sustainability policy are used to contribute to our objectives.

1. ESG Integration

ESG stands for Environment, Social, and Governance. PDN firmly believes that taking ESG criteria into account when making investment decisions leads to better results and/or better management of risks in the long term.

We also include our CO2 policy in the Environment factor. In addition to having a good understanding of the portfolio’s carbon emissions by measuring them, we also want to achieve a reduction in our investment portfolio’s carbon emissions by means of a carbon reduction target (in terms of carbon intensity). This means we are not only committed to helping combat global warming, but are also making the investment portfolio more resilient to certain risks, such as climate-related risks.

PDN actually aims to reduce carbon emissions in its investment portfolio and uses specific targets to do so. Two new reduction targets were determined in 2021. To align with the goals of the Paris Climate Agreement, we first set a long-term target:



PDN aims for a net zero (100% reduction) in carbon emissions by 2050 based on WACI scope 1 and scope 2 emission figures for the investment categories, investment grade credits, and high yield US.

Setting ourselves a target also in the near future, enables us to take concrete steps towards the ultimate goal: net zero carbon emissions from our investment portfolio. This target, formulated below, was issued specifically on the investment categories for which good quality data are available. If this improves in the future for other investment categories, a target may also be set for these.



PDN aims for a reduction in carbon emissions of 55% by 2030 compared with the 2016 benchmark for the investment categories, investment grade credits, and high yield US.

Whether this target is achieved can only be determined after 2030. We can, however, monitor our carbon reduction progress in the meantime.

Outcome of the Carbon Reduction Target

KPI 2022	Carbon footprint meting
Description	<p>The fund measures and publishes the carbon reduction target for the investment categories shares, investment grade credits, and high yield US. The reduction is calculated using the carbon intensity for the most recent year and a benchmark. The target is a carbon reduction of 55% by 2030 and a net zero target (100% reduction) by 2050 compared with the benchmark.</p>
Measurement method	<p>Carbon reduction is calculated by measuring the difference between the carbon intensity (WACI) of the benchmark and the carbon intensity of the investment portfolio at the end of the most recent year.</p> <p>The carbon intensity (WACI) of the benchmark is based on 2016 benchmarking and carbon data. If no 2016 carbon data were available, carbon data from 2020 were included in the calculation. This was the most recent data at the time of determining this KPI. If carbon data were also unavailable for 2020, these companies were not included in the benchmark (and the portfolio weighting was corrected for this).</p> <p>For the carbon intensity for the current year, actualized carbon data are used in calculating the carbon intensity of the current year and the companies in the investment portfolio of which no carbon intensity is available, are not included in the calculation (the portfolio weighting is corrected for this).</p> <p>The carbon intensity (WACI) of the portfolio and of the benchmark is the weighted average of the carbon intensity per company (= the amount of emissions (in metric tons) per million turnover) multiplied by the portfolio weighting. Scope 1 and 2 emissions are used.</p>
Source	Sustainalytics and DPS
Target	<p>A carbon reduction target of 55% by 2030 compared with the benchmark for the investment categories shares, investment grade credits, and high yield US, and a net zero target (100% reduction) by 2050.</p>
Outcome	<p>Shares: -38% (actual level 143 tCO₂e/\$million turnover) Investment Grade Credit: -15% (actual level 178 tCO₂e/\$million turnover) High Yield US: -61% (actual level 194 tCO₂e/\$million turnover)</p>

2. Impact Investments

Through our impact investments, in addition to achieving financial returns, we also want to contribute to solving various social and sustainability challenges. In doing so, we are in line with the vision of the United Nations, which states that, in order to achieve a livable, sustainable world by 2030, all 17 SDGs must be achieved. Therefore, we define an investment as an impact investment if it makes a positive contribution to at least one of the 17 SDGs.



Examples of impact investments and sustainable investments in the portfolio

Since 2019, PDN has participated in Dutch green state bonds. In 2019, the Dutch state was the first debtor with AAA status to issue green bonds. With these bonds, the proceeds are allocated to climate-related expenditure and investment by the Dutch government. This initiative was also later rolled out by other European governments. PDN provided financing for these initiatives by purchasing various bonds in different countries.

PDN also provides loans to housing associations in the Netherlands to support such things as improving the sustainability of social rental homes. It does this indirectly via loans to Bank Nederlandse Gemeenten (BNG) and Nederlandse Waterschapsbank (NWB).

An example of a sustainable investment in the European share portfolio is the investment in Siemens Energy AG. This company offers energy-based products and solutions and, with Siemens Gamesa, is active globally in the sustainable wind industry.

Outcome of Impact Investment Targets

KPI 2022	Impact Investments - Illiquid Fund Investments
description	The fund classifies fund investments as impact investments if they make a positive contribution to at least one of the 17 SDGs.
Measurement method	Market value or commitments (contractual obligations) to Impact Investments, in million EUR
Source	DPS
Target	Investments designated by DPS as impact investments are held in the investment portfolio.
Outcome	€344 million ✓

KPI 2022	Impact Investments – Impact Bonds
Description	The fund designates impact bonds as bonds issued by companies and semi-governmental or governmental bodies to finance social and sustainability projects.
Measurement method	Market value of investments as identified by DPS as impact bonds in the investment portfolio, in million EUR.
Source	DPS/Bloomberg
Target	An aggregate target allocation for impact bonds of 2.5% above the benchmark for the state and corporate bond investment categories.
Outcome	13.9% (+6.7% compared with target) ✓

3. Engagement

We want our investments to have as much positive impact as possible and preferably as little negative impact on the world as possible. We believe that influencing companies to change their behavior through engagement combined with voting is the most effective way to achieve this.

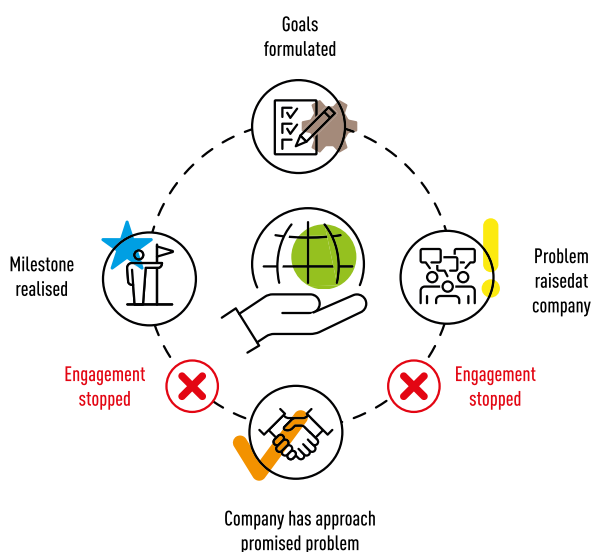
We have outsourced engagement to a company that specializes in this, Columbia Threadneedle Investments. Columbia Threadneedle Investments acts as an engagement party on behalf of a number of institutional investors. By working together, we increase our impact.

Engagement Process

An engagement process comprises four phases. It starts with determining a company specific objective. CTI then contacts the company concerned to raise the determined issues. CTI then monitors the extent to which the company commits to addressing the issue up to the point that the issues are resolved and the objectives are achieved. Unfortunately, the latter is not always the end of an engagement process. Sometimes companies do not 'engage' during these phases, resulting in the engagement process being aborted.

We expanded our engagement policy in 2021 to ensure a more precise focus on the companies that have a bearing on own focus themes. In doing so, we set ourselves a target for 2022 that a minimum of 25% of the total number of engagements prioritize focus SDGs 3, 7, 12, and 13.

In our opinion, engagement is less effective without clear targets and consequences. Engagement processes can take a long time. This isn't a problem as long as sufficient progress is being made. But if that is not the case and companies do not listen to our call for change, there must be consequences. For this reason, we included in our engagement policy that companies will be excluded if the engagement process that targets our focus



themes shows no progress for three years and there are no special circumstances that justify continuing investing in the company.

Climate Action 100+

PDN, through Columbia Threadneedle Investments (CTI), is a member of Climate Action 100+, along with other financial institutions. Climate Action 100+ is an initiative set up by a group of investors to ensure that the world's largest emitters of greenhouse gases are taking the necessary action to address climate change. More than 700 investors worldwide, responsible for more than \$65 trillion in assets under management, engage with companies in improving climate change policies, reducing emissions, and improving climate-related reporting. Climate Action 100+ also made considerable progress in 2022 with the companies with which it is in dialogue.

Responsible Production

CTI is also in dialogue with companies on behalf of PDN with respect to our focus theme 'Raw materials and circularity'. An example of this is Mettler-Toledo, a multi-national manufacturer of scales and analytic instruments. It is the largest supplier of scales for use in laboratory, industrial, and food retailing.

CTI discussed strategies for responsible purchasing with this company. The company has various processes and methods to check suppliers and improve their performance, but when purchasing from China there is possibly more space for the company to reduce plastic in packaging materials. In 2022, Mettler-Toledo formulated new targets for sustainable packaging materials, including >80% from recycled or certified sustainable sources, and >95% easily recyclable or compostable by 2025.

Coal Phase-out

German company RWE is active in the generation, transmission, and distribution of electricity and gas. The company is one of the last European utilities that still has interests in coal mines and plants. RWE was affected by Russia's invasion of Ukraine and the impact of this on energy and gas prices in the EU, which in turn impacted the carbon reduction strategy. The German government contracted RWE to reopen 1.3 GW in closed coal plants until March 2024.

CTI discussed the consequences of the European energy situation on net zero and on the biodiversity and climate risk approach several times with RWE in 2022. Expectations with respect to the phasing out of coal were shared. RWE's plans to convert several plants to biomass were also discussed. Concerns were expressed particularly about the purchase of biomass from Eastern European countries that have poor forest management. RWE assured us that the short-term investment targets for sustainable energy will increase.

Biodiversity

The air you breathe, the water you drink, and the food you eat all depend on biodiversity. The current biodiversity losses therefore form an existential threat to the ecosystems on which our economic and social well-being are based. This is why CTI started an engagement project on this topic two years ago, partly on behalf of PDN. This project has now resulted in dialogue with twenty-one companies in the transport, finance, non-sustainable consumer products, and raw material extraction sectors to stop activities that are harmful to global biodiversity.

Realisatie doelstellingen Engagement

KPI 2022	Progress on objectives for which engagement is deployed.
Description	The fund undertakes active and reactive engagement across the European, US, Emerging Markets, Pacific Rim and Listed Real Estate equity portfolios and in relation to European and US corporate bonds. The engagement program in particular aims to achieve a positive effect on SDGs 3, 7, 12, and 13.
Measurement method	The number of milestones achieved with engagements as formulated by Columbia Threadneedle Investments (hereinafter CTI) in a year as a percentage of the total number of companies with which engagement has taken place in that year. Additionally, the fund measures the number of engagements with a focus on SDGs 3, 7, 12, and 13.
Source	CTI
Target	<ol style="list-style-type: none"> At least 50% of the total number of engagements in a year have reached a milestone. At least 25% of the total number of engagements focus on SDGs 3, 7, 12, and 13.
Outcome	<ol style="list-style-type: none"> 36%. 145 milestones were achieved compared with the 406 companies with which engagement was conducted. 45% of the engagements were linked to our focus SDGs (3, 7, 12, and 13)

KPI	Exclusion of companies that show insufficient progress with engagement on one of the focus SDGs for three consecutive years
Description	No investments may be made in a company and an existing stake in a company is sold if the engagement process with the company receives a 'poor' rating from Columbia Threadneedle Investments for three consecutive years and this concerns engagement on one of PDN's focus SDGs: SDGs 3, 7, 12, or 13. The Board may deviate from this in special circumstances. Investments may be made in the company again once the company receives an 'adequate' or 'good' rating.
Measurement method	An engagement process with a company results in a 'poor' rating from Columbia Threadneedle Investments for three consecutive years and the engagement concerns one of PDN's focus SDGs: SDG 3, 7, 12, or 13 and there are no special circumstances that justify continuing investing in the company
Source	CTI
Target	No investments may be made in a company and an existing stake in a company is sold if the engagement process with the company receives a 'poor' rating from Columbia Threadneedle Investments for three consecutive years and this concerns engagement on one of PDN's focus Sustainable Development Goals (SDGs): SDG 3, 7, 12, or 13 and there are no special circumstances that justify continuing investing in the company.
Outcome	The result of this KPI can only be measured in 2025.

4. Voting Policy

In addition to engagement, PDN sees voting as the most effective way to influence companies to change their behavior and thereby contribute to curbing negative impacts, and increasing positive impacts. We therefore believe that exercising our right to vote is particularly important.

From 2022, voting will no longer be restricted to Dutch, but applicable to all global listed investments. This expansion resulted in more than 13,000 proposals being voted on in 1,095 shareholder meetings last year. CTI voted against or abstained on behalf of PDN on more than 20% of the proposals. This was not possible for seven meetings due to applicable liquidity constraints. This means that the KPI was not strictly achieved; however, PDN is satisfied with the result that votes were cast at every shareholder meeting where possible.

When voting, long-term value creation and the pension fund's focus SDGs come first. This means that the pension fund places additional emphasis on the topics associated with the focus SDGs. For example, for companies in high-risk sectors (utilities, materials, energy, transport), CTI votes on behalf of PDN against the appointment of Board members who do not provide information about their own carbon emissions and carbon reduction targets, and do not provide information about risk management. CTI also votes on behalf of PDN against companies that score poorly on the rankings of companies with the largest impact on deforestation.

Every quarter, we publish on our website the votes made on behalf of PDN in general meetings of the companies in which we invest. These are published per individual company and per voting point.

Outcome of the Voting Policy Target

KPI 2022	Percentage of shareholder meetings at which votes were cast
Omschrijving	The fund votes at shareholder meetings of the listed companies worldwide in which it invests in accordance with its Corporate Governance and voting policy and provides transparency in this regard
Measurement method	Number of shareholder meetings in which a vote was cast as a percentage of the total number of meetings.
Source	Columbia Threadneedle Investments
Target	Columbia Threadneedle Investments has voted on PDN's behalf in 100% of the shareholder meetings.
Realisatie	99%

KPI 2022	Percentage of votes cast on proposals
description	The fund votes at shareholder meetings of the listed companies world-wide in which it invests in accordance with its Corporate Governance and voting policy and provides transparency in this regard.
Measurement method	The total number of proposals that the fund voted on as % of the total number of proposals.
Source	Columbia Threadneedle Investments
Target	Columbia Threadneedle Investments has voted on PDN's behalf in 100% of the proposals.
Outcome	99%

5. Exclusion

Unfortunately, it is not always possible to use engagement and voting to dramatically reduce our negative impact. Therefore, we exclude some companies and countries from our investments. This enables us to secure a clear bottom line in terms of sustainability, based on our standards and values. A minimum sustainability standard.

This minimum sustainability standard is shaped based on two characteristics: product and behavior. Product groups that we exclude include controversial weapons, cluster munitions, and tobacco. We exclude companies or countries based on their behavior with respect to the UN Global Compact's Ten Principles and the UN Security Council, Dutch, or European international sanctions lists. Countries and companies are added to our exclusion list if there are serious and structural violations.

At the end of 2022, PDN's list of exclusions comprised a total of 168 companies and fourteen countries in the investment universe. This represents 37 companies and one country more compared with the end of 2021.

Some examples of countries and companies excluded in 2022:

- Afghanistan. After the withdrawal of American troops from Kabul in late 2021, the Taliban quickly returned to power;
- British American Tobacco;
- Gazprom. Russia's biggest company and the largest natural gas company in the world, which is largely owned by the Russian state;
- Teva. Teva Pharmaceutical Industries and its subsidiaries face allegations of anti-competitive practices, including price-fixing for generic drugs in the U.S., and were involved in cases of corruption in several countries.

Outcome of the Exclusion Targets

KPI 2022	Assets invested in excluded companies
Omschrijving	The fund does not invest in companies that are excluded in accordance with its exclusion policy and laws, and regulations. The screening takes place on a quarterly basis.
Manier van meten	Percentage of assets invested in excluded individual companies at year-end excluding fund investments.
Bron	Sustainalytics & DPS
Target	Maximum 0%
Outcome	0%

KPI 2022	Assets invested in excluded countries
Description	The fund does not invest in companies that are excluded in accordance with its exclusion policy and laws, and regulations. The screening takes place on a quarterly basis.
Measurement method	Percentage van het belegd vermogen in uitgesloten landen per jaareinde exclusief fondsbeleggingen.
Source	Sustainalytics & DPS
Target	Maximaal 0%
Outcome	0%

6. Transparantie

We believe it is important that we are transparent about the actions we have taken and the achievements we have had in the field of sustainability. To this end, we publish a Sustainability Report every year. In this report, we indicate how we handled sustainability in that year and which results were achieved with respect to sustainability. In the interests of transparency, on our website we also publish an annual overview of our total investment portfolio, to provide the vote summary report of shareholders' meetings, and report on the progress we have made through engagement. We also ensure that we comply with transparency requirements laid down in regulations and guidelines, such as the IMVB Covenant, the EU Sustainability Finance Disclosure Regulation (SFDR), and the Principles of Responsible Investment (PRI). The PDN Magazine and the PDN website also regularly feature items on PDN's sustainability policy.

Outcome of Impact Investment Targets

KPI 2022	Publication of the Sustainability Report
Description	The Sustainability Report is published and is available to all.
Measurement method	Publication of the previous year's Sustainability Report on the website
Source	DPS
Target	Publication of the previous year's Sustainability Report on the website.
Outcome	✓

KPI 2022	Publication of the Sustainability Policy
Description	The most recent version of the sustainability policy is published.
Measurement method	Publication of the most recent version of the sustainability policy on the website.
Source	DPS
Target	Publication of the most recent version of the sustainability policy on the website.
Outcome	✓

KPI 2022	Peer group analyses
Description	Cooperating on benchmark research by VBDO.
Measurement method	Inclusion of PDN in the VBDO Benchmark on Responsible Investment in the year covered by the Sustainability Report.
Source	DPS
Target	Inclusion of PDN in the VBDO Benchmark on Responsible Investment in the year covered by the Sustainability Report. the Sustainability Report.
Outcome	✓

KPI 2022	Publication of a list of companies, governments, and funds in which investments are made
Description	Publication of a list of all companies, governments, and funds in which PDN has invested as of the end of the year. by the Sustainability Report. the Sustainability Report.
Measurement method	Annual publication of a list of companies, governments, and funds in which PDN has invested as of the end of the year, with a maximum delay of one quarter.
Source	DPS
Target	An overview is published on the website of all the companies, governments, and funds in which PDN has invested as of the end of the year, with a maximum delay of one quarter.
Realisatie	✓

Implementation of Sustainability Legislation and Covenants in 2022

Mandatory legislation and regulations with respect to sustainability have increased in recent years as a consequence of the European Action Plan 'Financing Sustainable Growth'. The purpose of this Action Plan is to encourage the financial sector to contribute to the Paris Climate Agreement objectives.

IMVB Covenant

On December 20, 2018, we and 69 other pension funds signed the International Socially Responsible Investing (IMVB) Covenant. This Covenant is based on the OECD Guidelines and the UN Guiding Principles on Business and Human Rights (UNGPs). The OECD Guidelines clarify what can be expected of companies in terms of corporate social responsibility when doing business internationally. They contain standards on how to deal with issues such as supply chain responsibility, human rights, child labor, the environment, and corruption. From 2022 onwards, we will screen that part of the portfolio where this is possible based on the OECD Guidelines and the UNGPs and we will discuss this with the managers.

EU Sustainability Finance Disclosure Regulation (SFDR legislation)

In the context of the SFDR legislation, PDN has chosen an 'article 8 classification'. This means that PDN implements sustainability characteristics within its investment portfolio and also reports on them transparently. PDN will further investigate in 2023 whether employing a minimum percentage of sustainable investments with respect to the SFDR legislation is desirable and implementable (also see the Taxonomy section below).

Taxonomy

Through the Taxonomy Regulation, the European Union has established criteria for determining whether each economic activity is carried out in a sustainable way. Those are economic activities that contribute to an ecological goal and which do not cause significant damage to other ecological goals. A total of six different ecological objectives have been defined, only two of which have so far been written into law. In the years ahead, the criteria for the remaining four objectives will be determined. PDN believes it is important to also invest in economic activities that contribute to these ecological objectives. In the fourth quarter of each year, PDN will review the data of companies in the portfolio and assess the target percentage of Taxonomy-classified investments that PDN can set for the following year.

Looking Ahead to 2023

We further developed and implemented our ambition and sustainability policy in 2022. In 2023, we will continue to move forward and, when new sustainability decisions are made, we will assess whether and how we can further tighten our ambition. In doing so, we will remain very conscious of our role in society, but also of our important objective of providing a good pension for our members. Looking ahead, here are a few examples of actions we have already identified for ourselves for 2023 in the area of sustainability.

- Investigate the expansion of the exclusion policy based on a tightened country policy.
 - Evaluate the policy relating to impact investments and where necessary introduce refinements.
 - Investigate how climate risks can be integrated in the investment process.
 - Provide clarity on the positive and negative impact of the share and corporate bond portfolios in relation to the focus SDGs (3, 7, 12, and 13).
 - Evaluate whether targets for the percentage of impact bonds in the portfolio need to be increased.
 - Evaluate the engagement and voting policy and refine this, where necessary.
 - Continue to implement the requirements of the IMVB Covenant and the EU's Taxonomy Regulation and Sustainable Finance Disclosure Regulation.
 - Commit to increasing support for sustainable and responsible investment among members by reporting more on our activities and results in the area of sustainability.
-

Contact

**If you have any questions about your pension, visit www.pdnpensioen.nl
Or contact the Pension Desk:**

+31(0)45 5788100 / info.pdn@dsm.com



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