

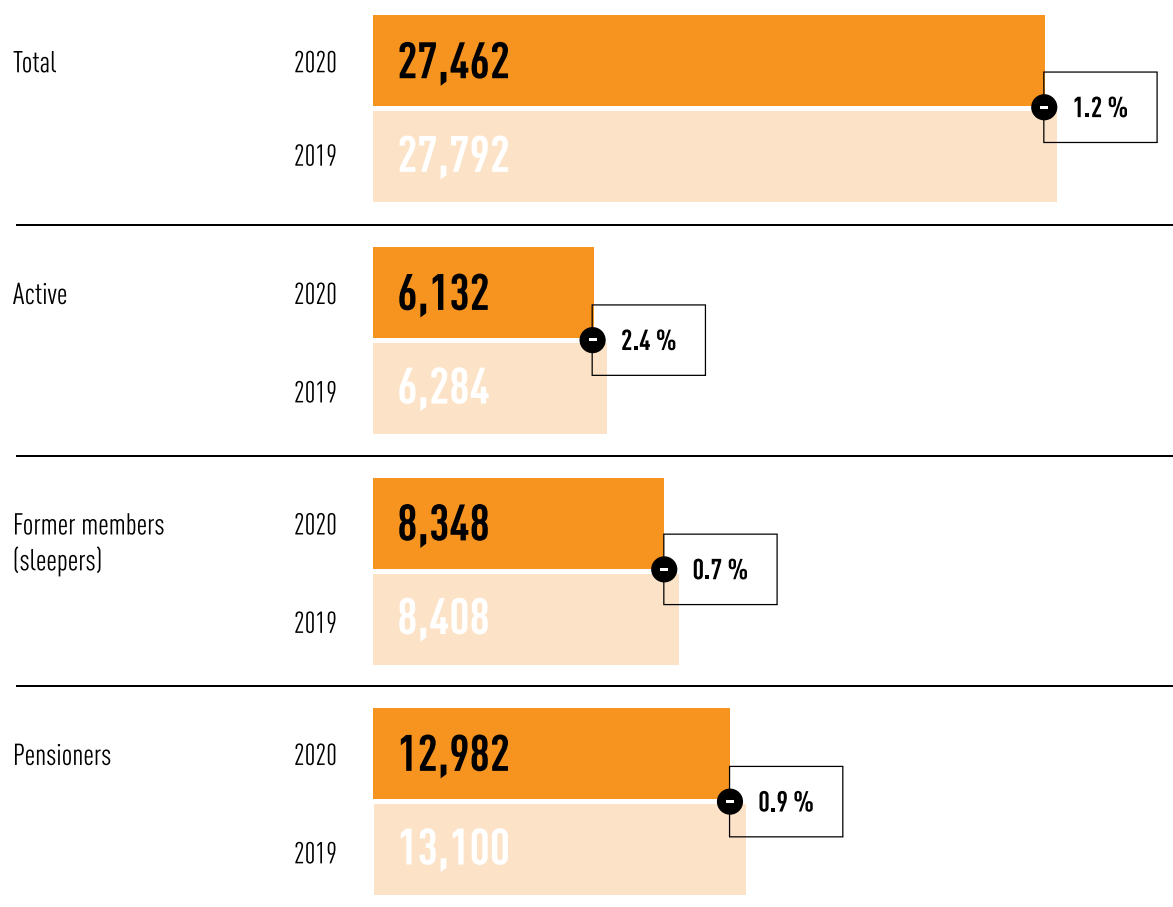
Welcome to the PDN 2020 Annual Report

We've made a visual summary of 2020 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 2020, please see the full annual report (only in Dutch), which can also be downloaded from PDN's website: www.pdnpensioen.nl.

The year 2020 in key figures

Members

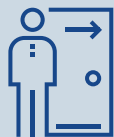


Pension liabilities PDN

Pension liabilities PDN at year-end 2019

7,253 MLN euro

Changes in pension liabilities in 2020



Benefit payments to pensioners

-228 MLN euro



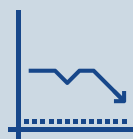
New pension entitlements accrued by members

+144 MLN euro



Increase in liabilities due to lower interest rate

+839 MLN euro



Other

-267 MLN euro

Pension liabilities PDN at year-end 2020

7,741 MLN euro

Invested capital PDN

Invested capital PDN at year-end 2019

7,541 MLN euro

Changes in invested capital in 2020



Pension benefit payments

-228 MLN euro



Pension contributions received

+101 MLN euro



Income from investments

+288 MLN euro



Other

+16 MLN euro

Invested capital PDN at year-end 2020

7,718 MLN euro

PDN FUNDING LEVEL 2020

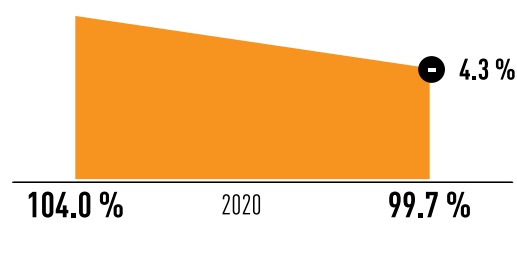
99.7%

The financial position of PDN

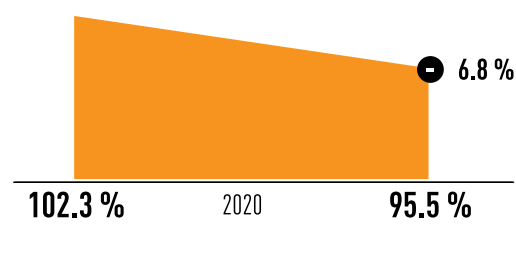
The funding level is an important yardstick for judging the pension fund's financial situation. It indicates to what extent the pension assets are high enough to meet all future pension obligations (including, in particular, the pension benefit payments).

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



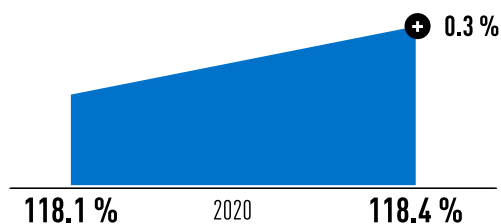
Policy funding level



We have been confronted with low interest rates for many years. Despite this, the fund did not have to reduce the pension entitlements for current employees or the pension payments for pensioners in 2020. At the end of 2020, the funding level was 99.7%, which was 4.3% lower than the funding level at the beginning of the year (104.0%). 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 2020 the policy funding level was 95.5%, which is 6.8% lower than at the beginning of the year (102.3%).

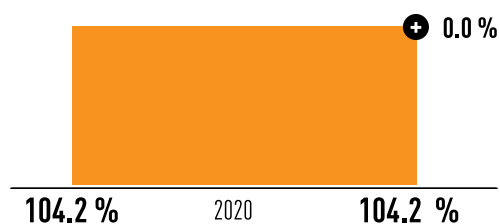
The policy funding level can be used to determine whether a pension fund needs to curtail accrued pensions and pensions that have commenced payment. The policy funding level can also be used to determine whether a pension fund is in a deficit situation, in which case the pension fund would be required 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



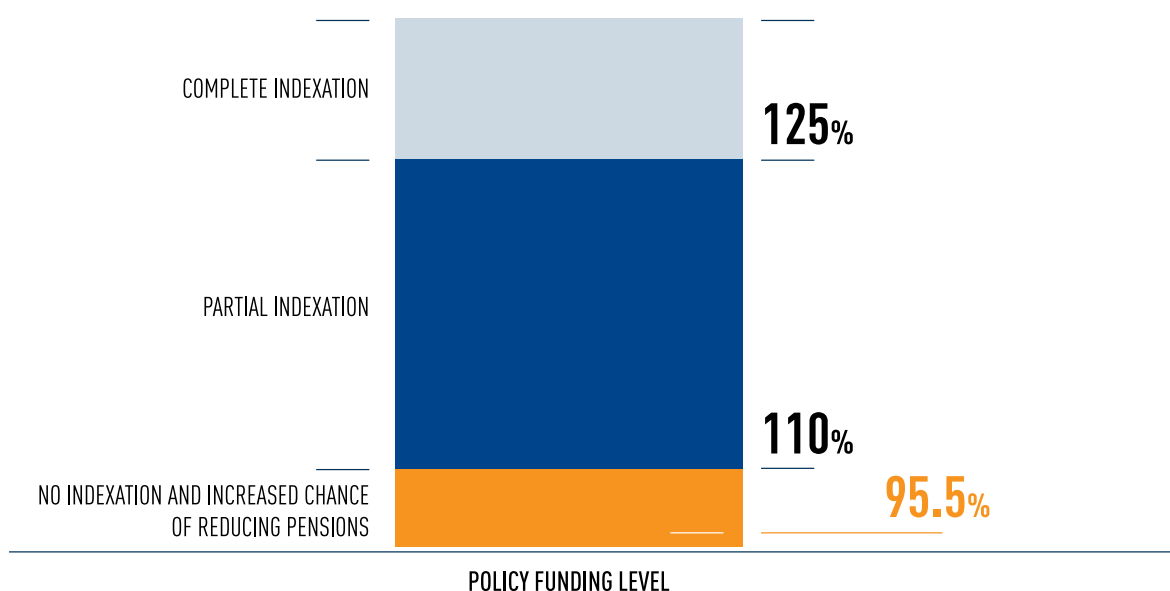
The required funding level indicates the legal level of PDN's policy funding level. If the policy funding level falls below the required funding level, PDN must submit a recovery plan.

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

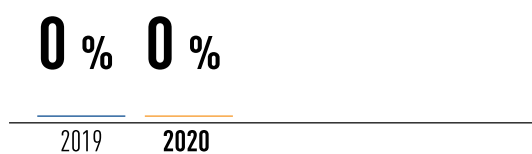


Fortunately, the policy funding level did not necessitate any curtailment in 2020, but unfortunately neither did it allow any indexation.

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.

Because we are subject to specific legal requirements and required buffers in relation to this area, as things look now the chances of increasing the pensions in any of the coming years are remote. If PDN's financial situation improves, 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. Despite the fact that 2020 did not necessitate any curtailment, the risk of doing so cannot be ruled out. If the funding level at the end of 2021 is lower than around 92%, the Board may decide to reduce pensions and the accrued pension entitlements. More information about indexation is available on PDN's website.

Indexation



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.

	2020	2019
Total invested assets (in mln €)	7,725	7,560

Composition of investments 2020	mln. €	weighting
Matching portfolio	4,409	57.1%
Nominal government bonds	1,805	40.9%
Inflation-linked bonds	780	17.7%
Investment grade credits	683	15.5%
Mortgages	1,026	23.3%
Ground lease	115	2.6%
Return portfolio	3,360	43.5%
Valuta overlay	26	0.8%
Shares	1,756	52.3%
Bonds	582	17.3%
Real estate	365	10.9%
Alternative investments	631	18.8%
Cash	- 44	- 0.6%
Total	7,725	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 €)

	2020	2019	
Assets invested in the Netherlands	1,973	1,372	
Impact investments	217.7	223	

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.

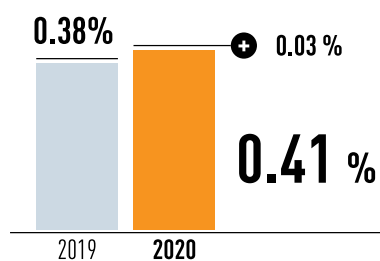
Investment return (in %)

	2020	2019	
Total portfolio (excl. PPS)	4.0%	12.7%	
Matching portfolio	6.2%	7.3%	
Return portfolio	1.3%	20.2%	

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.

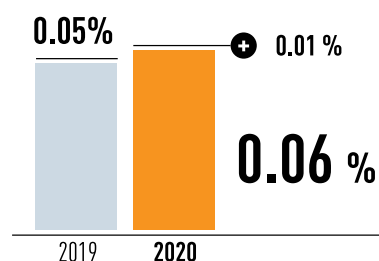
Asset management costs

in % of average invested assets



Transaction costs

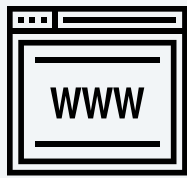
in % of average invested assets



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

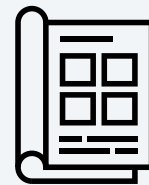
Our means of communication in figures

www.pdnpensioen.nl



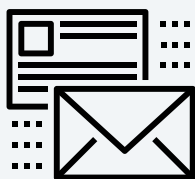
Number of visits	48,304
Visits per day (average)	132

PDN Magazine



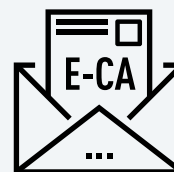
2 editions: May and November	oplage 20,000
---------------------------------	--------------------------

Electronic newsletter



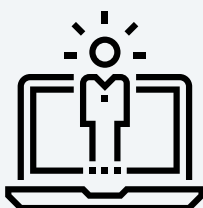
Number of subscribers	4,615
Sent → Opened	2 → 65%

E-cards for 40th birthday



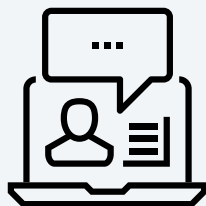
Total sent	156
------------	------------

My PDN Pension



Number of users	53.2 %
Number of visits (average)	80,438
Number of visits per day (average)	220
Number of users of Digital Mail	70.8 %
Evaluation	
NL planner, active members	8.2
My PDN Pension, active members	8.4
My PDN Pension, non-active members	8.2

Pension journeys



Q4 Pension journey Employed

58 sent, number of visits 21

Q4 Pension journey 60-year olds

227 sent, number of visits 129

1st line questions

2,568



Tijdig beantwoord

97.5 %

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

Evaluation 1st line questions: **8.5**

2nd line questions

777



Tijdig beantwoord

89.7 %

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

Evaluation 2nd line questions: **8.4**

Appreciation



Granting of retirement pension

8.4

Granting partner's pension

8.6

Value transfer

7.7

171 personal conversations

9.7

The opinion of the Accountability Council

The Accountability Council (AC) is tasked with evaluating the actions of the Board and providing advice on a number of key areas. The Council is made up of eight members.

Composition as of May 2021



WIL BECKERS

Chairman
Elected from and by pensioners



HARRY GOVERS

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

AC's evaluation for 2020

The AC notes that the recommendations for 2019 and the key issues for 2020, as identified in the AC report for 2019, have been implemented to a significant extent. The various issues that have not been addressed or realized yet have been also included in the recommendations for 2020.

Summary evaluation

In the AC's opinion, the policy adopted by the Board and the decisions taken by the Board in 2020 were in the interests of deferred members and pensioners. In taking decisions, the Board acted in a balanced way and considered the interests of all stakeholders in its decision-making. The Board also effectively incorporated the AC's formal and informal advice and recommendations.

Recommendations for 2020

The AC has identified room for improvement in several areas:

- Evaluate the current management model to determine the best positioning and governance structure for the future.
- Make the benchmarking of pension administration organization, DPS, a part of the phase II robustness testing in 2021.
- Amend the various regulations based on current practice, taking into account the outcomes of evaluations by the fund's fora. Incorporate changes proposed by the VO in the VO regulations.
- Incorporate focus points proposed by the VO in the new communication policy.

2021 priorities

The most important priorities on which the VO aims to focus in 2021 are:

- Monitoring developments relating to the introduction of the new Future Pensions Act (Wet toekomst pensioenen [pensioenakkoord]) and developing the VO's role in this context.
 - Monitoring the Board's follow-up relating to the outcomes of part two of the robustness testing.
 - Monitoring the developments in the Board's actions relating to the fund's future positioning and governance structure.
 - Monitoring the contribution policy adopted in 2020 as well as monitoring compliance with the solidarity agreements included in this.
 - Evaluating the Communication policy 2021-2023 and monitoring the implementation of this.
 - Monitoring developments with respect to the sustainability policy.
-

The conclusion of the Supervisory Board

The Supervisory Board supervises PDN's Board and evaluates the Board's performance and the processes it uses. The Supervisory Board is made up of three members.

Members of the Supervisory Board



MARGREET
TEUNISSEN

Chairman



JAC
KRAGT



MILA
HOEKSTRA

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

In consultation with the Board, the Supervisory Board formulated an annual plan for 2020 including the specific focus themes and priorities for the Supervisory Board, alongside its standard tasks. In this reporting year, these were:

1. Governance, practice instead of policy.
 - A) In 2019, the Supervisory Board focused on the policy of how the Board arranges the necessary safeguards for high-quality continuity of suitable Board members. In 2020, the Supervisory Board focused on the practice of governance. This was particularly a focus in 2020 as, according to the schedule, three Board members were to stand down. This included what the Board does and how it does this to ensure that appointments are made in time.
 - B) Does the implementation of the key functions offer practical added value and is the way it is implemented workable and useful (particularly the combination of key function holder-Board member).
2. Balance sheet management.
 - A) Contribute to the fund objectives.
 - B) Phases in the balance sheet management chain.

Summary conclusion

The Supervisory Board compliments the Board with the results of its efforts and all activities that were addressed and implemented in 2020. Certainly considering the Covid-19 restrictions and additional actions required because of these. The implementation of the actions of the investment survey conducted by DNB, filling vacancies, clarifying the role division of board/committees and support, introducing key function holders, risk awareness, new pension scheme starting from 2021, and preparations for the new pension system were addressed dynamically and/or concluded. The Board functioned effectively as a team. The Supervisory Board has every confidence that the Board will also be able to handle the complexity of the transition to the new system.

2021 priorities

In addition to the statutory minimum tasks, the Supervisory Board will focus on the following priorities in 2021:

1. Own Risk Assessment (IORP II)
2. Preparations for the new pension system (from Action Plan, planning, to involving social partners and communication with members.)

Supervisory Board statement

Based on its observations, the Supervisory Board approves the decision made by the Board to adopt the 2020 Management Report and 2020 Annual Accounts.

Members of the board

PDN's Board is made up of 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.

Changes on Board in 2020/2021

- Wim Reinartz, appointed as Board member on December 7, 2020
- Piet Rennen, appointed as prospective Board member on December 16, 2020
- Rein Pikaart, appointed as Board member on January 21, 2021

The Board wishes to express its gratitude to the Supervisory Board and the AC for their findings, recommendations, and active commitment and involvement in 2020. Some of the findings and recommendations will inform the Board's actions in 2021. The Board's full response to the Accountability Council's and the Supervisory Board's evaluations, as well as the text of the evaluations, can be consulted in PDN's full 2020 annual report (only in Dutch).

Board composition as of May 2021



**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.



**MARLIES
VAN BOOM**

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



**JOS
OP HEIJ**

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



**TON
DE BOER**

Deputy Chairman
Elected from and by
pensioners



**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

PDN's Sustainability Policy

In the Sustainability Report 2020, PDN explains its sustainability policy and accounts for the most significant results over the reporting year 2020. The full sustainability report is included in the annual report and can be found on PDN's website.

PDN has a duty to continue to provide good pensions, in whatever circumstances the world finds itself. We invest our members' pension contributions in a responsible way to ensure that we can offer attractive pensions, now and in the future. And we take our social responsibility in this too. Numerous scientific studies have strengthened our conviction that sustainability does not need to be at the expense of return on investments. On the contrary, we can take more well-considered investment decisions by incorporating information about people, the environment, and good corporate governance in our policy and implementation framework. Certainly because we are investing for the long term.

PDN has translated its strategic vision on sustainability into the following seven policy areas:

1. Themed Focus Areas

With the signing of the IMVB covenant we decided to add one or more themed risk focus areas to our policy in 2020. Our choice for themed focus areas allows us to focus on specific societal developments that are important to our members and have been identified as high risk for our investment portfolio. In light of this we aim to focus in particular on two sustainability risks, namely climate change and controversial weapons. This concerns the prevention of negative societal and environmental impact in the investment portfolio. These two themes are also important when considering potential investments.

2. Exclusion

We exclude activities in companies and countries that the United Nations, the European Union, or the Dutch government deems unacceptable. We do not invest directly in shares or bonds of companies that act in direct contravention of the UN Global Compact's Ten Principles. Manufacturers of controversial weapons, including nuclear weapons, are also excluded even if they do not fall under the exclusion criteria of the Global Compact. Likewise, state bonds of countries that are under sanction by the United Nations or the European Union are excluded. For the most part, these sanctions relate to human rights and weapons issues.

3. Impact Investments

We use 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.

4. Transparency

We ensure total transparency in terms of pension capital investments. Our website features the names of all the companies the fund invests in.

5. ESG Integration

Where possible, investments are managed and evaluated according to Environment, Social, and Governance (ESG) factors.

6. Engagement & Corporate Governance

We encourage companies to effect positive developments in the field of social issues and sustainability. Broader engagement processes are also being initiated to appeal to entire sectors.

7. Voting Policy and Corporate Governance

We vote at Dutch listed companies in accordance with our voting policy. PDN casts votes at General and Extraordinary Shareholder Meetings of listed companies in the Netherlands.

Our members

The members are our foremost priority, and we exist for and because of them. The members agree with our sustainability vision. Within PDN's policy, the members consider an active approach to sustainability to be an important principle. Members consider it to be PDN's responsibility to take account of the consequences for people and the environment when making investments. We also regularly gauge members' stance towards sustainability. We will evaluate the results of this survey and will refine our policy and communication accordingly.

We are re-determining our ambition and sustainability basic principles in 2021 and will use these to assess whether and how we can focus even more in our sustainability policy and its implementation on our investments' impact on mankind and the environment, without making concessions on our risk-return profile.

We aim to provide our members with the best possible picture of the sustainability activities we implemented and the results we achieved. We do this via an extensive report in the annual sustainability report and via newsletters on the website and in PDN Magazine.

Sustainability in 2021

For PDN, 2021 is all about sustainability. We will reformulate and re-determine our sustainability vision and ambition for the coming years and will use these to further develop our sustainability policy. We are translating the policy into performance indicators and integrating these in our investment categories.

In 2021, we will also focus on the introduction of the IRBC agreement and EU sustainability initiatives such as the EU Taxonomy and the implementation of the Sustainable Finance Disclosure Regulation.

Our work to identify and manage sustainability risks in liquid and unlisted investments will also continue. We are also committed to cooperating with multiple parties to promote sustainability at all interfaces.

Looking ahead to 2021

Pension agreement

The pension agreement and the intended transition to a new pension scheme is expected to be the most important dossier for the Board in 2021. Together with DPS, we were closely involved in the policy processes in The Hague in 2020. PDN was one of the pension funds that made the calculations that form the basis for the proposed legislation. We were also represented in the pension federation working groups and other fora.

For us, the primary goal in 2021 is to reach a good alignment with the PDN stakeholders in this process, particularly with the social partners, including allied businesses, the fund bodies, the administration organization, and representatives of deferred members and pensioners. We can then use a collective knowledge base and project planning in our decision-making, which will contribute to a supported decision-making.

Communication policy

Communication with members is an important priority in 2021. Considering the major changes in the pipeline for members, the fund's focus is to keep members up-to-date in time. Members have encountered challenges in their current pension provision for many years and they regularly hear about the proposed review of the pension system. In 2021, the fund will provide an explanation of the changes, how the fund will prepare itself for these, and the potential changes this will entail for members.

Operations

In conjunction with the pension agreement, the Board will conduct an extensive check in 2021 on the robustness of the administrating organization, DPS. This focuses on determining potential loopholes with respect to being able to act successfully in the coming transition process and identifying and then realizing the required solutions. As part of the robustness testing, a decision was taken in early 2021 to make substantial investments in the IT investment infrastructure. This will be implemented in 2021 and subsequent years.

Risk management

The Own Risk Assessment (ORA) will also take place in 2021, the launch of which took place in 2020 via the Risk Vision and the RCA. The ORA will answer key questions regarding the scale and future viability of the pension fund. This is related to the pension agreement process, the robustness testing and the investments made by the fund. This will ensure that the ORA has a strict focus and clear added value in the pension agreement process.

Sustainable investment

Another priority for the Board in 2021 is the sustainability policy for investments. Additional steps will be taken, including further implementing our compliance with the requirements from the 'Sustainable Finance Disclosure Regulation' (SFDR legislation). The Board believes in the added value that pension funds can create in this area, by investing the considerable sums entrusted to them in a socially responsible and sustainable way. This also connects to the demands made on the fund by members, DSM as most important employer, the Dutch government, and the EU. The Board will also critically examine how investment risk and the expected investment returns align with this policy. An action plan has been formulated including milestones and space for knowledge sharing and coordination.

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



Disclaimer

The information provided in this annual report by Stichting Pensioenfonds DSM Nederland, domiciled in Heerlen ('the pension fund') is of a general nature, only indicative, and subject to change. The report is solely intended to provide members with general information. While the information given is assumed to be reliable, the use of this information is entirely at the user's risk. Neither the administrator ('DSM Pension Services BV') nor the pension fund accepts any liability for loss as a result of the inaccuracy or incompleteness of information or for loss arising from the use and distribution of and reliance on this information. Rights may only be derived from the pension scheme applicable to the member.

Colofon

Production & Text: DSM Pension Services
Concept & Realisation: Perron 9, Maastricht
Photography: Annemiek Mommers among others