

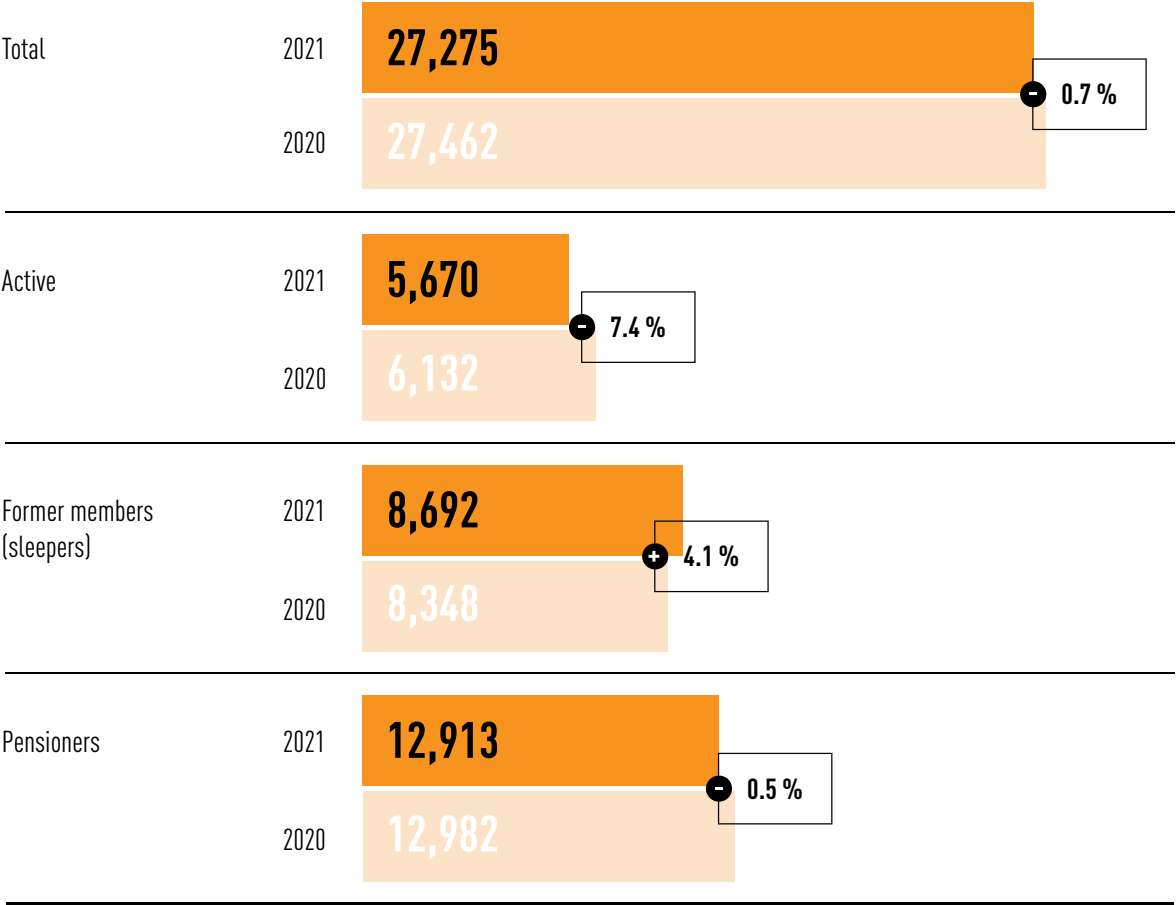
Welcome to the PDN 2021 Annual Report

We've made a visual summary of 2021 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 2021, please see the full annual report (only in Dutch), which can also be downloaded from PDN's website: www.pdnpensioen.nl.

The year 2021 in key figures

Members

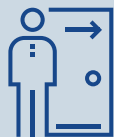


Pension liabilities PDN

Pension liabilities PDN at year-end 2020

7,741 MLN euro

Changes in pension liabilities in 2021



Benefit payments to pensioners

-231 MLN euro



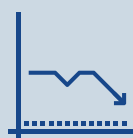
New pension entitlements accrued by members

+111 MLN euro



Increase in liabilities due to lower interest rate

-480 MLN euro



Other

-41 MLN euro

Pension liabilities PDN at year-end 2021

7,111 MLN euro

Invested capital PDN

Invested capital PDN at year-end 2020

7,718 MLN euro

Changes in invested capital in 2021



Pension benefit payments

-231 MLN euro



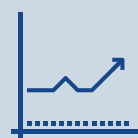
Pension contributions received

+101 MLN euro



Income from investments

+623 MLN euro



Other

+4 MLN euro

Invested capital PDN at year-end 2021

8,215 MLN euro

PDN FUNDING LEVEL 2021

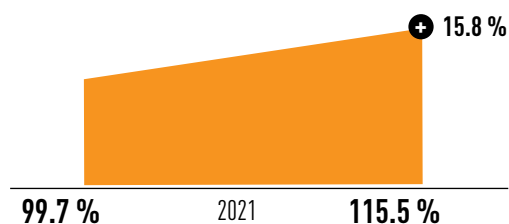
115.5%

The financial position of PDN

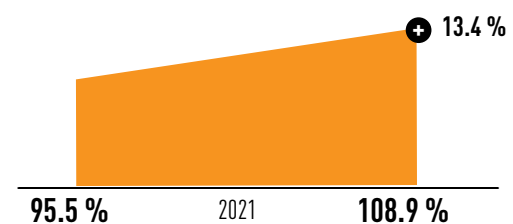
The funding level is an important yardstick for judging the pension fund's financial situation. It indicates to what extent the pension assets are high enough to meet all future pension obligations (including, in particular, the pension benefit payments).

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



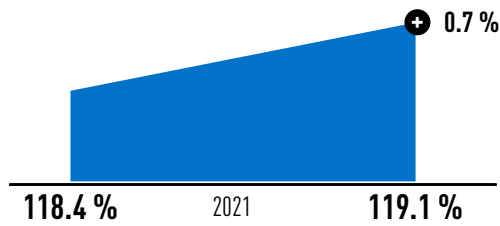
Policy funding level



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%).

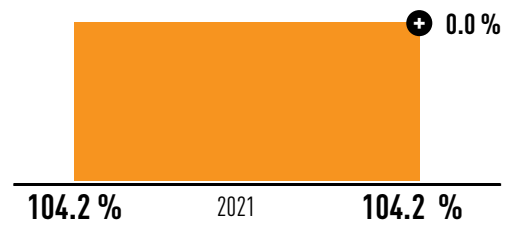
The policy funding level can be used to determine whether a pension fund needs to curtail accrued pensions and pensions that have commenced payment. The policy funding level can also be used to determine whether a pension fund is in a deficit situation, in which case the pension fund would be required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



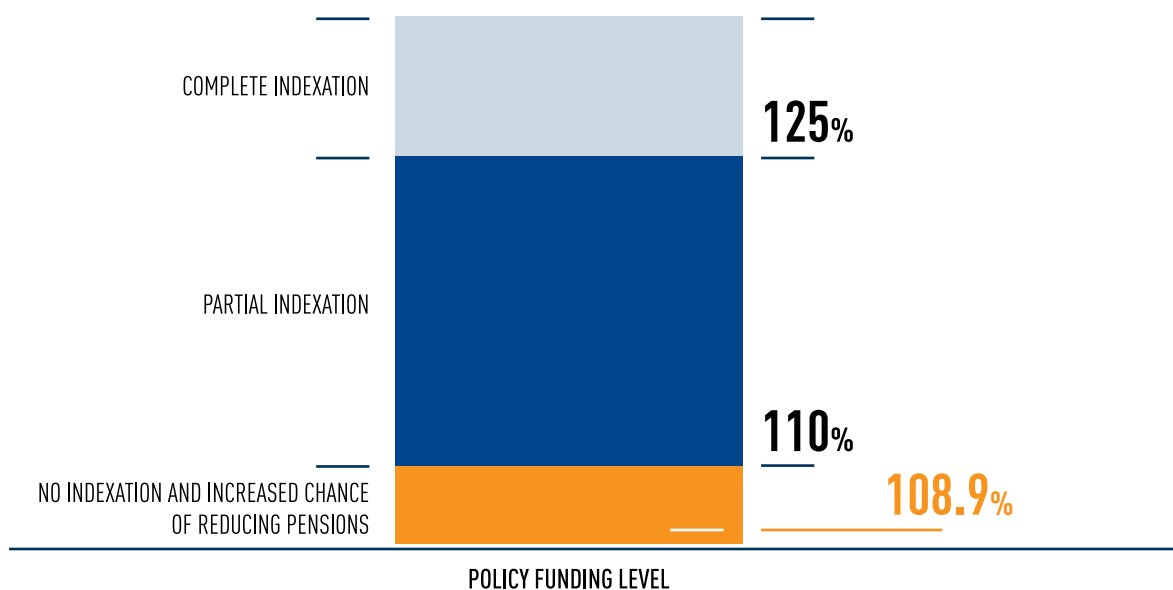
The required funding level indicates the legal level of PDN's policy funding level. If the policy funding level falls below the required funding level, PDN must submit a recovery plan.

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

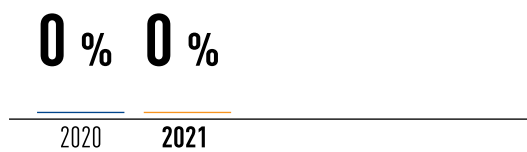


Fortunately, the policy funding level did not necessitate any curtailment in 2021, but unfortunately neither did it allow any indexation.

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 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 2021. It will not have to do this in 2022 either. 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.

	2021	2020
Total invested assets (in mln €)	8,215	7,725

Composition of investments 2021	mln. €	weighting
Matching portfolio	3,574	43.5%
Interest overlay	-4	-0.1
Nominal government bonds	897	25.1%
Inflation-linked bonds	830	23.2%
Investment grade credits	558	15.6%
Mortgages	1,163	32.5%
Ground lease	130	3.6%
Return portfolio	4,622	56.3%
Valuta overlay	-5	-0.1%
Shares	2,326	50.3%
Bonds	808	17.5%
Real estate	561	12.1%
Alternative investments	932	20.2%
Cash	19	- 0.2%
Total	8,215	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 €)	2021	2020	
Assets invested in the Netherlands	1,831	1,973	
Impact investments	246.0	217.7	

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.

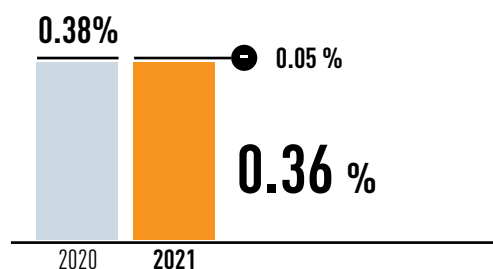
The complete list of the companies in which PDN invests can be found on PDN's website.

Investment return (in %)	2021	2020
Total portfolio (excl. PPS)	8.3%	4.0%
Matching portfolio	0.7%	6.2%
Return portfolio	15.8%	1.3%

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.

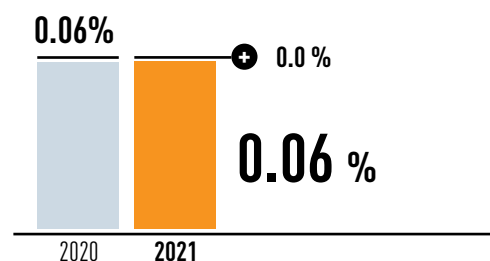
Asset management costs

in % of average invested assets



Transaction costs

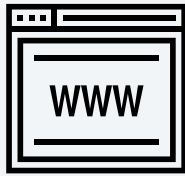
in % of average invested assets



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



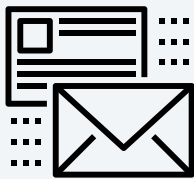
Number of visits	56,911
Visits per day (average)	151

PDN Magazine



2 edities: mei en november	oplage
	20.000

Digitale nieuwsbrief



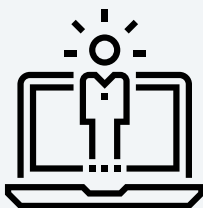
Number of subscribers	4,077
Sent → Opened	2 → 68%

E-cards ter attentie van 40-jarigen



Total sent	156
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My PDN Pension

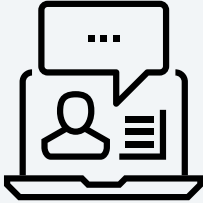


Number of users	95.5 %
Number of visits (average)	70,651
Number of visits per day (average)	194
Number of users of Digital Mail	69.8 %

Evaluation

NL planner	8.2
My PDN Pension	8.3

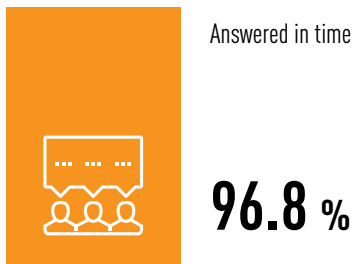
Pension journeys



Q4 Pension journey Employed
58 sent, number of visits 21

Q4 Pension journey 60-year olds
227 sent, number of visits 129

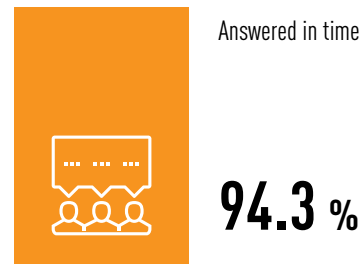
1st line questions



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

Evaluation 1st line questions: **8.2**


2nd line questions



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

Evaluation 2nd line questions: **8.0**

Appreciation



Granting of retirement pension	8.0
Granting partner's pension	8.5
Value transfer	7.7
171 personal conversations	9.8

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 June 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 2021

The AC noted that the recommendations for 2020 and the priorities for 2021, as identified in the 2020 AC report, have only been partly implemented. The discussion about the fund's future positioning, the related governance, and the pension administration organization's robustness study are still ongoing. The development of the communication policy plan into a more strategic communication policy plan also did not materialize in 2021. All outstanding issues have been included in the 2021 recommendations and 2022 priorities.

Summary evaluation

In the AC's opinion, the policy adopted by the Board and the decisions taken by the Board in 2021 were in the interests of members, deferred members, and pension beneficiaries. 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

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

Future Pensions Act transition

- Keep the AC involved in the transition process (and the distinct phases of orientation, employment conditions, transfer, and implementation).
- Finalize the roadmap in the short term, including the points on which action is expected from the AC, and indicate clear timelines and deadlines to prevent the AC running out of time at the end of the process.
- Facilitate timely and effective knowledge building within the AC so that it can fulfil its role.
- Finalize phase 2 of the robustness study and share the outcomes with the AC.
- In view of the time required for the transition process, exert pressure on the employer to take a position on how the pension employment conditions will be organized in the future and make an inventory of the developments at the employer, DSM, the affiliated companies, and the Sabic pension fund, and identify the possible consequences and risks of this for PDN.

Governance

Follow our 2021 recommendation regarding evaluating the current governance model to determine the desired future governance structure, specifically taking the transition process into account.

Pensions

- Make a realistic estimate of the indexation possibilities for the coming years and provide members with clear information on the anticipated actual development of their rights in the coming years.
- Account for the failure to achieve the indexation ambition and the factors that influenced this in an easy to read annual report and other publications.
- Ensure that members really understand how their rights will develop (in a positive, negative, and most probable scenario) and what this means for their income now (pension beneficiaries) and in the future (members and deferred members). Encourage members to think about outcomes and the opportunities they have to take additional measures themselves.
- The AC advocates including funding level projections in the future section of the Management Report as well as the impact that realizing these projections may have on possible indexation.

Communication policy

- As Board, define communication beliefs and anchor these in the strategic communication vision.
- Produce transparent, easily to understand, timely, and proactive communications based on social partner agreements regarding contributions with respect to accrual of new rights and the consequences for members' future income situation.
- Ensure that members are stimulated to read the communicated message and act on this, if necessary.

Investments

- Explain to PPS members the consequences of the risk aversion policy for adjustments to their accrued capital.
- A greater focus in the annual letter on how Net Pension Scheme yield impacts individual pension payments.
- Inform members more intensively about sustainability agenda steps the fund has already taken and planned further developments. Also inform them of the relationship between sustainability and yield.

Priorities for 2022

The most important priorities on which the AC aims to focus in 2022 are:

- Planning (roadmap) and progress of the Future Pensions Act transition process, including specific knowledge acquisition within the AC. Partly in relation to this, the fund's future strategic vision and governance structure, taking the pension administration organization's robustness study into account;
 - The current administration agreement, which has a term of two years and ends at the end of 2022. The agreement includes the option to extend the agreement one time for a year. The AC will closely monitor developments in this respect, particularly compliance with the agreement that the negative funding level impact of the new accrual of rights must not exceed 1% over the 2021-2025 period;
 - The development of actions foreseen in the members' own risk assessment (ERB) and, where appropriate, addressing trigger points;
 - Communications regarding how and to what extent the fund's ambition (full compensation for wage or price inflation) will be realized;
 - Monitoring the development of a strategic vision on communications.
-

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



RAJESH
GROBBE



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.

During 2021, Jac Kragt left the Supervisory Board because he had reached his maximum term of office. Rajesh Grobbe was appointed as his successor on January 1, 2022.

In consultation with the Board, the Supervisory Board formulated an annual plan for 2021 including the specific priorities for the Supervisory Board, alongside its statutory tasks. In this reporting year, these were:

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

Summary conclusion

The Supervisory Board would like to compliment the Board on the results of its efforts and all activities that were addressed and implemented in 2021, certainly considering the Covid-19 restrictions and additional actions required because of these. Fortunately, it was possible to hold a joint study day with the Board, the AC, the Supervisory Board and some DPS employees at a beautiful outdoor location, during which the results of the self-evaluation were also shared. After all the video meetings, this meeting was experienced as being extremely useful, pleasant, and very welcome.

2022 priorities

In addition to the statutory minimum tasks, the Supervisory Board will focus on the following priorities in 2022:

1. Governance in the context of time constraints and progress of the Future Pensions Act (WTP) process;
2. Outsourcing/IT; control of the chain;
3. ESG risk management

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.

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.

The Board wishes to express its gratitude to the Supervisory Board and the AC for their findings, recommendations, and constructive meetings in 2021. The Board is looking forward with confidence to continuing the open and close cooperation.

The Board's full response to the Review Committee's and Accountability Council's evaluations, as well as the text of the evaluations, can be read in PDN's full 2021 annual report.

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 2021 Sustainability Report, PDN explains its sustainability policy and accounts for the most significant results over the reporting year 2021.

The complete sustainability report (PDF) can be found on the PDN's website under downloads and it is also included in the 2021 annual report.

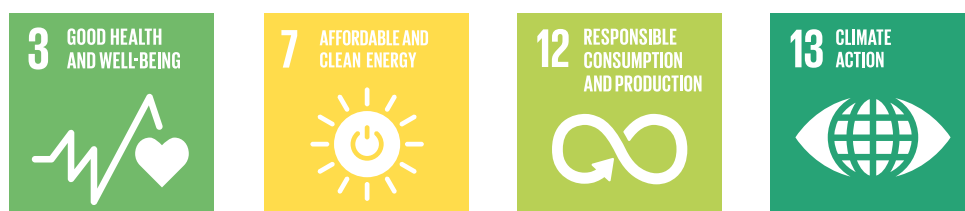
For PDN, it's not only important that our members can enjoy a good retirement. We also want them to be able to do that in a world that is livable for everyone. We have observed that companies and countries that treat people, society, and the environment well are usually better managed, achieve better results, and have a better chance of survival.

Our sustainability policy currently focuses specifically on three themes: **health and well-being, climate and energy, and 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: Responsible consumption and production
- SDG 13: Climate action

These goals match perfectly with DSM's focus areas. We are particularly committed to making a positive contribution to these four focus SDGs through our sustainability policy.



PDN's sustainability policy is built around the following six policy instruments:

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 the carbon emissions of our investment portfolio by means of a CO₂ 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.

In 2018, PDN set a CO₂ reduction target for the American and European share portfolios: the target

was to achieve a 20% reduction in the level of CO₂ in these two portfolios, as measured at the end of 2017, by the end of 2020. This target has been achieved. In 2021, we set a new CO₂ reduction target to further reduce the CO₂ emissions of our investment portfolio; we will work towards this target as of 2022. With this new CO₂ reduction target, PDN is aiming to achieve a CO₂ reduction of 55% by 2030 compared with the benchmark and carbon data as at 2016 for the investment categories shares, investment grade credits, and high yield US, and a reduction to net zero (100% reduction) by 2050 (based on WACI Scope 1 and Scope 2 emission numbers). From 2022 onwards, we will start steering towards this new target and monitor our asset managers accordingly.

Outcome of the objectives for CO2 Reduction

KPI 2021	Carbon Footprint Reduction
Description	The fund measures and publishes the CO ₂ intensity (WACI) of the European and American share portfolios managed by DPS at the end of the year
Measurement method	The CO ₂ intensity (WACI) of the portfolio is the weighted CO ₂ intensity based on the portfolio weightings, where the CO ₂ intensity per company is equal to the level of emissions (in metric tons) per million turnover. Scope 1 emissions, those resulting from direct business activities, and scope 2 emissions, indirect emissions based on purchased energy, are used.
Source	Sustainalytics & DPS
Target	21% reduction in European shares and 37% reduction in US shares (compared with end of 2017)
Outcome	Europe: 23% reduction, America: 48% reduction

2. Impact Investing

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. In order to increase our impact, in 2021 we decided that we wanted our impact investments to focus on making a positive contribution in helping create a stable and resilient climate for everyone worldwide, as well as good health and well-being for people of all ages.

Examples of impact Investments and sustainable investments:

In 2021, we expanded our infrastructure portfolio with an investment in Mirova’s renewable energy fund, the MET5 fund. Mirova is an asset manager that operates according to the highest standards in the field of sustainability and is particularly committed to providing affordable and clean energy as well as making a positive contribution to the climate.

Investment in the Northern Horizon Healthcare Real Estate Fund. This fund is committed to creating safe and affordable housing with good basic services.

We also pay attention to sustainability as part of our mortgage investments. Consumers receive support if they have payment problems, and affordable housing is financed through mortgages with a National Mortgage Guarantee. Consumers are also actively contacted if their homes are very energy inefficient. This not only saves the consumer money, but it also makes a positive contribution to the

climate. By way of a sustainability deposit, a consumer can borrow a percentage of the value of their home to improve the sustainability of their home. In addition, following the floods in the Netherlands during the summer of 2021, our mortgage provider Munt shared its knowledge and experience of flooding risks.

The total volume of impact investments was €246 million at the end of 2021, an increase of €28 million compared with the end of 2020.

Outcome of the objectives for Impact Investments

KPI	Impact Investments
Description	The fund identifies its investments with a clear social impact as Impact Investments'
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	✓

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 encourage companies to effect positive developments in the field of social issues and sustainability.

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.

In 2021, Columbia Threadneedle Investments addressed 209 companies in eighteen countries within the share portfolio. A total of 113 milestones have been achieved. Within the corporate bond portfolios, dialogue was conducted with 88 companies in thirteen countries. A total of 62 milestones have been achieved. In addition to company-specific engagements, Columbia Threadneedle Investments has made the following thematic engagements: diversity of Executive Boards, balanced remuneration policy, auditor accountability, environmental and social factors of climate risk, and Accountability of Executive Boards.

Climate Action 100+

PDN, through Columbia Threadneedle Investments, 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 615 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. In 2021, Climate Action 100+ achieved significant progress among participating companies. Over 43% of the 160 participating companies have set themselves the target of achieving net zero emissions by 2050 or earlier.

Phasing Out Coal

There was mixed progress on phasing out coal in 2021. The large diversified mining companies did make several major commitments. Investments in clean energy are becoming increasingly financially attractive. This has driven the electricity sector to invest more and more in clean energy and storage. Many European and American companies in the sector have set themselves net zero targets. PDN's engagement efforts, undertaken by Columbia Threadneedle Investments on PDN's behalf, focus in particular on the United States, China, and India as major coal users.

Sustainable Food Systems

The impact of agriculture on biodiversity is becoming increasingly severe, especially in some of the world's most vulnerable habitats. Since the start of the engagement program, Columbia Threadneedle Investments has approached 52 companies to promote more sustainable practices in food production and consumption. Since then, Columbia Threadneedle Investments has conducted a total of 103 engagement activities on issues such as deforestation, climate adaptation strategies, water management, and alternative proteins. However, most companies are still struggling to implement changes that would significantly combat environmental degradation.

Expansion of the Engagement Policy

In 2021, we increased the number of companies with which we conduct engagement in view of our desire to step up our ambitions through engagement. We now conduct engagement with respect to all of our share and corporate bond portfolios. In 2021, we also decided that we wanted to use engagement to promote positive change with respect to our four focus SDGs. Our goal is for at least 25% of the total number of engagements to focus on SDGs 3, 7, 12, and 13. We also want to reach a milestone with at least 50% of the total number of engagements each a year.

Outcome of the objectives for Engagement

KPI	Progress on objectives for which engagement is deployed
Description	The fund conducts active and reactive engagement on the share portfolios and corporate bond portfolios.
Measurement method	Number of engagements with sufficient progress as % of the total number of implemented engagements.
Source	BMO
Target	At least 75%.
Outcome	✓

In 2021, 71% of the total number of engagements implemented showed sufficient progress. This means that, in 2021, we did not meet the target we had set for ourselves regarding engagement; more than 75% of the engagements carried out had to show sufficient progress.

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.

PDN voted at nineteen meetings in 2021; this concerned all shareholder meetings of Dutch listed companies. A total of 204 agenda items were discussed. PDN voted against fourteen agenda items. These proposals primarily related to anti-takeover measures, remuneration policies, and Director appointments.

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.

Expansion of the Voting Policy

In 2021, we decided that — in order to fully leverage the influence we can exert by voting at shareholders' meetings — we would not only vote at the shareholders' meetings of Dutch listed companies in which we invest, but also vote at the shareholders' meetings of all listed companies in which we invest worldwide.

Outcome of the objectives for the Voting Policy

KPI	Percentage of shareholder meetings at which votes were cast
Description	The fund votes in accordance with its Corporate Governance and voting policies, and offers transparency in this respect. Votes are only cast in the Netherlands.
Measurement method	Number of shareholders' meetings in which a vote was cast as a percentage of the total number of meetings.
Source	ISS
Target	100%
Outcome	✓

KPI	Percentage of votes cast on proposals
Description	The fund votes in accordance with its Corporate Governance and voting policies, and offers transparency in this respect. Votes are only cast in the Netherlands.
Measurement method	The total number of proposals that the fund voted on as a percentage of the total number of proposals.
Source	ISS
Target	100%
Outcome	✓

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. We set clear limits on investments based on our identity and standards, and values. This is not merely a matter of balancing returns against risk, but a hard bottom line. We do this by not investing in companies that are engaged in serious and structural violations of the Ten Principles of the United Nations Global Compact. Furthermore, we do not invest in producers and key suppliers of controversial weapons (legal

and other), and government bonds of countries that are subject to sanctions by the UN Security Council, the Netherlands, and/or the European Union. At the end of 2021, PDN's list of exclusions comprised a total of 139 companies and fourteen countries in the investment universe. This represents an increase of 47 companies and roughly the same number of countries compared with the end of 2020.

Expansion of the Exclusion Policy

In 2021, we decided that we no longer wish to invest in companies that derive at least 25% of their turnover from coal and tar sands mining. This limits our allocation to the most polluting fossil fuels. We will continue to invest in oil and gas companies provided the companies in question are willing to make the transition and take concrete steps. PDN believes that continuing to invest in these companies is necessary in order to realize the energy transition. We are committed to using engagement and voting to encourage companies in this sector to phase out their dependence on fossil fuels, and move to other, more sustainable sources of energy. Since smoking seriously damages people's health and we are unable to contribute to making tobacco less harmful to people through engagement and voting, we have also decided that we will no longer invest in tobacco products.

Some examples of companies excluded in 2021:

- British American Tobacco.
- CONSOL Energy Inc. The majority of this company's turnover is achieved through the production and export of thermal coal.
- Adani Enterprises. This company has been found responsible for serious and long-term environmental damage, and regulatory violations in India.
- Raytheon Technologies. The weapons manufactured by Raytheon Technologies have been linked to alleged illegal attacks on civilian targets in Yemen, which have resulted in a large number of casualties.

Outcome of the objectives for Exclusion

KPI	Assets invested in excluded companies
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 of assets invested in excluded individual companies at year-end excluding fund investments.
KPI	Assets invested in excluded countries
Description	The fund does not invest in countries that are excluded in accordance with its exclusion policy and laws, and regulations.
Measurement method	Percentage of assets invested in excluded countries at year-end excluding fund investments.
Source	Sustainalytics & DPS
Target	0%
Outcome	✓

6. Transparency

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 website also regularly feature items on PDN's sustainability policy.

Outcome of the objectives for Transparency

In the area of transparency, we have formulated a number of KPIs with accompanying targets. These indicators relate to the publication of the Sustainability Report and the sustainability policy on PDN's website, participation in the VBDO Benchmark on Responsible Investment and, lastly, the publication – by March 31 of the following year – of a list of holdings within the listed share portfolio, credit portfolio, and nominal state portfolio in which PDN has invested as of the end of the year. In 2021, PDN met all the transparency KPIs.

Climate Objectives

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

In 2021, a great deal of effort went into implementing new European sustainability legislation and the IMVB covenant. IMVB stands for International Socially Responsible Investing and includes standards on how to handle issues such as supply chain responsibility, human rights, child labor, the environment, and corruption.

EU Sustainability Finance Disclosure Regulation

In 2021, we implemented the obligations set out in the EU Sustainability Finance Disclosure Regulation (SFDR), level 1. Under this legislation, an "Article 8 classification" has been chosen. This means that PDN realizes sustainability characteristics within its investment portfolio and also reports on them transparently.

Taxonomy

PDN believes it is important to also invest in economic activities that contribute to these ecological objectives. Through the Taxonomy Regulation, the European Union has established criteria for determining whether each economic activity is carried out in a sustainable manner. 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 2022

We will implement the tightened sustainability policy further in the coming period. In 2022, we will start measuring various sustainability scores and Sustainable Development Goals in the investment

portfolio. This will give us a better understanding of how our portfolio is performing and how it contributes to sustainability. This year, we will also investigate possible new impact investments. Implementing our tightened ambition and our sustainability policy is an ongoing process. Looking ahead, here are a few examples of actions we have already identified for ourselves in 2022 in the area of sustainability. You can find more information on our approach and actions in the complete 2021 Sustainability Report on the Downloads on our website under the heading Sustainability.

- PDN was already not investing in Russian government bonds due to EU sanctions legislation. In view of the specific war situation in Russia, PDN has decided to reduce its existing investments in Russian companies and to make no new investments in Russian companies.
- Start measuring the liquid portfolio using various sustainability scores (including sustainability risks). This will give us a better understanding of how our investment portfolio is performing and how it contributes to sustainability. We will use this to determine how and with which objectives we can further integrate sustainability in our investment categories.
- Evaluate how corporate bonds in the emerging countries category aligns with our sustainability ambition and policy.
- Provide clarity on the positive and negative impact of the share and corporate bond portfolios on Sustainable Development Goals 3 (good health and well-being), 7 (affordable and clean energy), 12 (responsible consumption and production), and 13 (climate action).
- Evaluate the engagement policy and tighten it up where necessary.
- Increase support for sustainable and responsible investment among members by reporting more on our sustainability activities and results

Looking ahead to 2021

Future of pensions

Both the Future Pensions Act (WTP) and the intended transition to a new pension scheme are again undoubtedly the most important underlying, direction-determining dossiers for the Board in 2022. More will become clear in 2022 when employer DSM shares its future pension vision with PDN, and when social partners make concrete choices within the framework of the WTP. With respect to the WTP, the steering committee will manage the overall process. The committee will comprise a delegation of the PDN Board and social partners. The PDN Board will also continue to direct the fund itself, taking decisions in a timely manner, with the fund bodies and stakeholders remaining well connected. The financial assessment framework (FTK) transition and the Van Dijk motion are topics that affect the pension agreement. This concerns the possible application of an adjusted financial assessment framework, as a growth track toward the new pension scheme, which enables earlier indexation and discounting. This requires sound preparation for decision-making by the Board, in which the interests of all stakeholders will need to be carefully considered. The implementation aspects will also remain a priority in 2022 to safeguard robust future implementation. As well as continuing the robust implementation of the current pension scheme, preparations for implementing the future pension schemes as a consequence of the WT will be prioritized.

Communication

Communication will play a more important role than ever in 2022. There will be a major focus on involving members in the envisaged pension scheme change and the Future Pensions Act transition process. What will change and why? How will the changes affect me? We will also be using new media, such as podcasts. An additional priority will be to manage member expectations of pension provision and payments in the existing pension scheme, particularly relating to indexation. The 2022-2025 Communication Strategy is being rolled out in 2022, with a clear PDN positioning. This communication strategy will also focus on a broader target group than the members, deferred members, and pension beneficiaries so that it also reaches other fund stakeholders.

Sustainable investment

The sustainability policy for investments will be a priority for the Board again in 2022. Following the detailing of the policy, which took place in 2021, further steps can be taken in 2022 to introduce the tightened ambitions. Stakeholders will also receive more information on the PDN sustainability policy and its actual impact. 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 is not only in line with fund member expectations, but is also a good match for the sustainability vision of DSM, the biggest employer.

The invasion in Ukraine

In early 2022, the world was shocked by Russia's invasion in Ukraine. The pension fund is deeply concerned about this situation. In addition to the humanitarian ramifications, the conflict in Ukraine is also having an economic impact. The pension fund does not invest in bonds issued by the Russian State. The pension fund has invested (as of Q1 2022) a very small part of its portfolio (less than 0.02%) in Russian and Ukrainian companies. This means that the direct impact on the portfolio is small. The pension fund has tightened its exclusion policy on this by also excluding all Russian companies. Russian government bonds were already excluded on the basis of EU sanctions.

Future vision

The fund has conducted various internal strategy studies over the past decade. The anticipated Future

Pensions Act has resulted in a renewed focus on strategic reorientation. The PDN initiatives took on a new dimension in late 2021 when DSM, PDN's biggest affiliated company and owner of DPS, informed the fund that a strategic reorientation had started and asked the fund whether it could collaborate in this or in parts of this. It is expected that PDN's future vision will demand a lot of attention and priority in 2022.

Contact

**If you have any questions about your pension, visit www.pdnpensioen.nl
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Colofon

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