

pensioenfonds



ANNUAL REPORT ON SUSTAINABLE INVESTMENTS 2022

Figures,
facts &
stories



PREFACE

A pension fund is not stand-alone and is constantly affected by what is happening in the world. World events are reflected in our investments but also the other way around: our investments affect the world. Everything is connected.

For example, the war between Russia and Ukraine, which broke out early 2022, mainly caused a lot of human suffering but it resulted in economic unrest as well. This was reflected in our investments. It also resulted in an energy crisis, causing energy prices to rise and triggering unprecedented inflation. We were all hit by it financially, including our pensions. Fortunately, the increased interest rates allowed us to increase pensions for the first time in years, which somewhat dampens the effect of inflation.

But as said earlier, we influence the world around us with our investments. And that is exactly the reason behind our sustainable investments. It generates fewer risks, yields a better return in the long run and also contributes to a better world. And that's what our participants want: a good pension, but also the ability to enjoy it in a liveable society.

Plus, sustainable investing is not a luxury but a pure necessity. We can no longer ignore global warming, for example. That is why we drew up a climate plan, with specific goals. In this plan, we work together with other Dutch pension funds, because obviously, we cannot do it alone; we have to do it together.

Sustainable investing is not only about the climate, for that matter, but also about human rights, labour rights, social inclusion, equality and dignity. About fair governance and biodiversity. These are all themes we want to pay attention to in our sustainable investment policy. And this year, we will ask our participants again what they consider important sustainability themes. These opinions are also taken into account in our considerations.

But the choices are complex; there are no simple answers. For example, to the question: 'do we or don't we invest in the fossil industry?' If we opt out, it will immediately make our investment portfolio a lot greener. It looks good on paper, but have we really made the world more sustainable by doing so?

We believe we should use our influence as an investor to encourage the sector to switch to more sustainable energy sources. The current energy crisis has brought that closer to home even more. But then the question arises: 'how do we check if our influence has the right effect and if the transition is going fast enough?'

These are questions we must continue to ask ourselves. And we also want to put these questions to you. Because as mentioned earlier: we have to do this together. Pensioenfondsb PGB manages pensions for a staggering 16 different sectors. This sets us apart from other pension funds, and it's something we are proud of. We have the world 'at home'. When we look inside, we look outside at the same time. And vice versa.

Everything is connected. We and the world and the world and us. Together we work hard to realise a good pension in a liveable society, today, tomorrow and the day after.



Jochem Dijckmeester, Chairman of the Board of Pensioenfondsb PGB

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



"The English version of the Annual Report on Sustainable Investment 2022 of Stichting Pensioenfonds PGB is a translation of the original Dutch version. In case of doubt or differences of interpretation, the Dutch version shall prevail over the English language version."

1 Reflection on 2022 and our focus for 2023

“Frans van de Veen joined our board early 2022. The board translated the participants’ wishes into an investment philosophy for sustainable investing (see Chapter 2). The ambition that emerges from this is the starting point for our sustainable investment policy.

It was also the year that the auditor provided the 2021 annual report on sustainable investment of Pensioenfondsen PGB for the first time with a limited degree of certainty on 6 objectives of the sustainable investment policy. This way, we want to increase the credibility and reliability of our accountability for sustainable investment policy. In the future, Pensioenfondsen PGB wants to publish an integrated annual report, bringing together financial accountability and sustainable investment policy accountability. This annual report on sustainable investment 2022 is another step in that direction.

“In the future, Pensioenfondsen PGB wants to publish an integrated annual report, bringing together financial accountability and sustainable investment policy accountability.”

Our efforts in the field of sustainable investing have not gone unnoticed. For example, Pensioenfondsen PGB rose three places on the VBDO Benchmark of Dutch Pension Funds, and now holds the 14th spot. Each year, the Dutch Association of Investors for Sustainable Development examines the sustainable investment policy and performance of the 49 largest pension funds in the Netherlands.

We have also made progress with the Dutch Pension Federation’s Climate Commitment. In 2022, like all other participating pension funds, we published a climate plan containing a concrete action plan to meet the goals of the United Nations Climate Change Convention.

Lastly, in 2022, Pensioenfondsen PGB approved a country policy for sustainable investing in government bonds and state-owned companies. We will implement these two elements in our sustainable investment policy in 2023.

One of the most significant plans for 2023 is to translate our investment philosophy and risk appetite into principles and specific, additional objectives for our policy. This policy consists of 3 pillars, namely limit, strengthen and utilise. The first pillar is now well embedded. That is why this year, we want to pay more attention to strengthening the pillar (using our influence as a shareholder through voting and engagement) and utilising it (investing for positive impact).

In 2023, we also want to further align our annual reports with the requirements of the Sustainable Finance Disclosures Regulation (SFDR). This European Commission regulation attaches high requirements to sustainability reporting for financial institutions to combat *green washing*.

“The pension money we manage does not belong to us, but to our participants, and we want to handle it with care, now and in the future.”



Yvonne Janssen
Sustainable Investment Team Lead
for Pensioenfondsen PGB

Naturally, in the new year, Pensioenfonds PGB will continue to engage with its stakeholders. New contacts will be established to gather the wishes of our participants, employers' organisations, the Supervisory Board and the accountability body for sustainable investing. This way, we make sure Pensioenfonds PGB's sustainable investment policy continues to reflect the preferences of our stakeholders and the standards in the sector. After all, the pension money we manage does not belong to us, but to our participants, and we want to handle it with care, now and in the future.

This way, everyone at Pensioenfonds PGB is committed to a sustainable pension, also in 2023."

2 OUR SUSTAINABLE INVESTMENT POLICY IN BRIEF

The framework of our sustainable investment policy

In determining the sustainable investment policy, it is first and foremost important to us that our participants and employers feel heard in the choices we make. In other words: we want support for the choices we make in this regard. That is why we regularly conduct studies into the preferences of our stakeholders in the field of sustainable investing. Secondly, we also have to deal with laws and regulations in the field of sustainable investing and there are external guidelines we must and want to take into account. And then there is our own investment philosophy, which is the fourth key factor underpinning our sustainable investment policy.

The framework for our policy is, therefore, made up of these four factors, as captured in the figure to the right.



The objective

Our main duty is to ensure a good pension in a liveable world. We do not see sustainable investments and a high return as a contradiction. They actually reinforce each other. We believe that sustainable investments in the long term contribute to a better return-risk profile of the investments in the fund. That is why sustainability is fully integrated into our investment process. This means that in all our investment decisions, we weigh up return, risk, costs and sustainability.

Investment philosophy for sustainable investing

As stated above, our stakeholders' preferences are very important to us. After all, not a single euro is ours, we invest the pension capital of our participants. Talks with participants, employers, the Supervisory Board, and the accountability body held in 2021 are, therefore, the basis for our investment philosophy, risk appetite and derived principles of sustainable investing, as adopted by the Board in early 2022. We have reproduced them in full in the following.

Investment philosophy for sustainable investing

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

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



Risk appetite for sustainable investing

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

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

Sustainable investing principles

- We make a difference through sustainability.
- The investment quadrangle of return, risk, costs, and sustainability is applied in full to the entire investment portfolio, within each investment category, and within each mandate or investment fund.
- We monitor and manage based on sustainability.
- We do not exclude any industries, geographic regions, or governments offhand, unless products and/or services systematically do major harm to people and/or the planet.
- We invest in companies that can and want to make the transition to a sustainable society and economy and that are actually and demonstrably doing so.
- We select sustainability topics to apply focus to our efforts.
- Active shareholdership delivers better results for long-term value creation in a broad sense.
- When it comes to utilisation, a significant adverse impact on sustainability aspects will lead to us not going ahead with an investment.

Three pillars

Our sustainable investment policy rests on three pillars: limit, strengthen, and utilise. These pillars provide a good summary of what we want to achieve with our sustainable investment policy: limiting sustainability risks, strengthening the sustainability performance of companies in which we invest, and utilising opportunities to contribute to a sustainable future for our participants. Chapters 4, 5 and 6 detail the implementation of the pillars in 2022.

3

SUSTAINABLE INVESTMENTS IN 2022 AT A GLANCE

TOTAL INVESTED ASSETS

€28.8 billion



Pillar 1

LIMIT

The highest possible return on our investments at the lowest possible risk

INSTRUMENTS:

Climate



Percentage of CO₂ reduction compared to base year:
Equities: -54%
Corporate bonds: -32%
Total: -48%*

Exclusions



There are 495 companies and 17 countries we do not invest in based on our exclusion list*

Pillar 2

STRENGTHEN

Strengthening the sustainability performance of companies in which we invest

INSTRUMENTS:

Engagement



A total of 1,333* engagements conducted with 569 companies

Voting



Total votes: 3,862*.
Voted at 2,593 companies on 41,461 topics

Collaborations



Dutch Pension Funds' International Socially Responsible Investment covenant, VBDO membership, TCFD, UNPRI, Climate Commitment and Climate Action 100+

Pillar 3

UTILISE

Utilising opportunities to contribute to a sustainable future for our members

INSTRUMENTS:

Utilisation investing



Almost € 4.6 billion*
(2021: € 4.3 billion)

Explanation pillar 1: Limite

Climate

1. Pensioenfond's PGB uses 2018 as the base year to measure the evolution of the WACI (Weighted Average Carbon Intensity) and to give direction in case specific objectives have been agreed.
2. The number of companies reporting emissions has risen sharply in recent years.
3. Between 2018 and year-end 2022, the invested assets of Pensioenfond's PGB increased from €26 billion to 28.8 billion euros (12%).

Exclusions

At least 87%* of the market value of the portfolio complies with our exclusion policy. This percentage is not 100%, mainly because compliance with our exclusion policy cannot be fully enforced at investment funds.



4 LIMITE (pillar 1)

This pillar stands for limiting sustainability risks in the investment portfolio.

We want the highest possible return on our investments at the lowest possible risk, including sustainability risks. We do this by not investing in companies that do not meet various minimum sustainability criteria. We exclude these investments. In addition, we invest in line with the Paris Climate Agreement to reduce our CO₂ footprint. Below is an explanation of our exclusion policy and our CO₂ footprint, with an overview of the key figures for 2022.

Exclusion policy

Pensioenfonds PGB applies an exclusion policy for companies and governments that do not meet the criteria for sustainable investments. Our exclusion policy is based on the 'UN guiding principles for business and human rights', UN guiding principles for business and human rights supplemented by statutory prohibitions on investments in certain controversial weapons and sanctions imposed by the UN or the European Union (EU).

In addition, Pensioenfonds PGB itself has excluded several categories from investments, partly based on member surveys or risk analysis. Namely from companies that:

- get more than a quarter of their turnover from tobacco products;
- are involved in production or trade in controversial weapons other than nuclear weapons covered by the Non-Proliferation Treaty;
- produce or sell firearms to civilians;
- derive more than a quarter of their turnover or electricity production from thermal coal, shale gas and/or tar sands oil.

Every quarter, an independent research agency (Sustainalytics) checks which companies violate one or more of the UN guiding principles for business and human rights¹, do not (or no longer) comply with international rules or do not (or no longer) meet the additional requirements of Pensioenfonds PGB.

If Pensioenfonds PGB owns equities or bonds of these companies, these will be sold. In the interest of the fund, the board of the pension fund may decide to first enter into dialogue with a company before deciding to sell the investments. Pensioenfonds PGB can also in incidental cases decide to anticipate an expected exclusion.

Exclusions in 2022

Pensioenfonds PGB has excluded government bonds and state-owned companies in 17 countries* and 495 companies* from investing because they do not meet the minimum requirements for sustainable investments. A total of 87%* (2021: 86%) of the market value of the entire investment portfolio complies with our exclusion policy. Not quite 100%, and that is because for certain investments - especially for investments with external funds - the board has allowed a deviation.

Note: the complete list of exclusions can be found [here](#).

¹ The Ten Principles of the UN are also known as the UN Global Compact Principles.

Company exclusions



Note: There are companies that are excluded for more than one reason. As a result, the total number of excluded companies (495)* is not equal to the number you get when you add up the various exclusion criteria (522).

Country exclusions



Pensioenfond's PGB follows the sanctions lists of the EU and the UN. This means that government bonds in those countries are excluded. At the moment, we only have government bonds in the Netherlands and Germany.



CO₂ footprint

We have the ambition to be climate neutral by 2050, in line with the objectives of the Paris Climate Agreement (see also Chapter 7). See the development of our CO₂ footprint in the table below.

	CO ₂ footprint (WACI)			Data quality ²	
	In base year 2018	In 2022	Change compared to base year	In base year 2018	In 2022
Corporate bonds	209	142	-32%	96%	81%
Equities	201	92	-54%	96%	98%
Total ³	205	107	-48%*	96%	87%

Reduction of absolute CO₂ emissions

The pension fund uses the WACI or CO₂e intensity of the listed companies in which investments are made as a benchmark for the objective. The basis of this benchmark is the CO₂e emissions per million USD company turnover. The underlying idea is that focusing on CO₂e intensity leads to a reduction in absolute CO₂e emissions. By investing relatively more in companies that are at the forefront of climate change within their sectors, climate-friendly products and services within the sector are encouraged and the CO₂e intensity of the sector decreases.

IN PRACTICE

Practical example: Pensioenfonds PGB climate plan
Interviewed: Erwin Houbrechts, sustainable investment manager for Pensioenfonds PGB

Background:

We published our climate plan at the end of 2022. This also includes our climate goals such as a 50% CO₂ reduction on our listed investments between 2020 and 2030. This is in line with the goal of the Paris Climate Agreement. The plan also indicates the specific actions we want to use to realise that goal. Erwin Houbrechts was closely involved in drawing up the climate plan. He explains why this is such an important milestone for us and the sector.



Are pension funds obliged to draw up a climate plan?

"No. But everyone's familiar with global warming and the ensuing climate crisis. The main cause: fossil fuels as the largest source of energy for everything we do. Investors, such as pension funds, therefore run significant risks because the value of investments may drop due to storm damage, floods, drought, legislation (such as a CO₂ levy) and changes in consumer behaviour. At the same time, there are now opportunities by investing in new technologies and clean, sustainable energy sources. That's important because there's no Planet B. And our participants want a good pension, but also the ability to enjoy it in a liveable society. With our climate plan and sustainable investments, we want to contribute to both."

Please continue on the next page.

² The percentage is calculated as follows: (number of reported values + number of estimated values) / (number of reported values + number of estimated values + number of unavailable values). Within the percentage of data quality, the percentage for reported has increased significantly compared to estimated. For corporate bonds and equities together, the reported percentage increased from 42 percentage points in the base year to 69 percentage points in 2022.

³ Total WACI is calculated excluding the portfolios for which no data has been received.



Why did we sign the climate commitment? Not all pension funds did...

"In 2021, we consciously chose to sign the climate commitment. This allows us and several other Dutch pension funds to contribute ideas about practical guidelines that comply with international standards for climate plans and reporting. Such a common set of guidelines is useful, because it provides guidance and contributes to standardisation. This in its turn ensures the plans remain accessible, can be compared and followed up. Our climate plan complies with these guidelines."

What are our main goals for the coming years?

"First of all, we want to halve our CO₂ emissions. That's on top of the reduction we already achieved at the end of 2020 compared to 2018. And we also want to invest more in climate solutions. We're focusing on green bonds. They're bonds that are used to fund environmentally friendly projects.

And of course, we continue to encourage the companies and sectors in which we invest to make the transition to a sustainable economy and society. We do this by actively engaging with them, or by voting at shareholders' meetings. We believe that this way, we can have the greatest influence on the socially responsible behaviour of these companies."

Are we in line with other pension funds that have drawn up a climate report? Are we more ambitious? Or more cautious?

"In terms of objectives and approach, we are in line with other pension funds. We believe that at our level, as a Dutch pension fund, we have set achievable goals that contribute to the Paris goals and that are in the interest of our participants. A good pension in a liveable society means that our investments must deliver good returns *and* contribute to the transition to a sustainable society and economy. That's why from now on, we always assess our investments based on risk, return, costs *and* sustainability."

How does this climate plan fit into our ambitions for sustainable investing in the coming years?

"This plan forms an important part of our sustainable investment policy. But it's only part of the puzzle. The climate plan aims to reduce greenhouse gases in the atmosphere, because *they* cause global warming. But apart from climate risks, there are other risks that can negatively affect the value of investments and the quality of life in our society. Examples include the way in which companies are managed, or the extent to which human and labour rights are being respected. Or how we deal with discrimination, or the effects of industrial pollution and declining biodiversity. These too are issues we, as a pension fund, have to work on, by analysing the risks, assessing opportunities and taking appropriate action. We aren't doing this alone, but together with other, like-minded parties. That gives energy, yields better ideas and the confidence that we're heading in the right direction together."

How did the climate plan come about and what was your role in it?

"The plan is primarily the result of intensive internal collaboration. For example, together with the portfolio managers of PGB Pensioendiensten, we examined what, based on today's knowledge, is feasible by the end of 2030 and how we will achieve those objectives. The risk management department and the policy consultant of Pensioenfonds PGB also had a critical look at things. Of course, during the process we also had healthy discussions in the board and with the members of the balance sheet management committee about the climate objectives, the actions required to achieve them, and the roles and responsibilities of all parties involved. We were also actively involved in drawing up the Dutch Pension Federation's guidelines."



5 STRENGTHEN (pillar 2)

This pillar stands for strengthening the sustainability performance of companies in which we invest.

As an investor, we can influence the sustainable behaviour of companies in which we invest. That is why we have an engagement policy, which means we enter into discussions with companies (engagement) or vote at shareholders' meetings. Below is an explanation of our engagement policy and an overview of the main developments for 2022.

Engagement policy

Pensioenfonds PGB wants to be able to rely on the fact that the companies in which we invest deal well with our sustainability requirements and objectives. That is why, if necessary, we enter into active discussions with the companies in which we invest. That's called engagement. Another way to exert influence is to vote at shareholders' meetings.

Because we invest in many companies, we partner with other investors to increase our influence. We also work together with a specialised agency: Columbia Threadneedle Investments (CTI). We have structured the engagement and voting programmes around seven themes that are determined by the board of Pensioenfonds PGB and CTI in consultation each year. In 2022, they were:

- Climate change
- Environmental stewardship
- Business conduct
- Human rights
- Labour standards
- Public health
- Corporate governance



Instrument: voting at shareholders' meetings

By voting at shareholders' meetings, we encourage listed companies in which we hold equities to engage in sustainable business practices and draw attention to social investment topics.

Voting in 2022

On behalf of Pensioenfonds PGB, votes were cast at 3,862* shareholders' meetings of 2,593 different companies in 2022. We approved 32,925 of the 41,461 (79%) of the proposals voted for.

In 21% of the cases, we voted against or abstained from voting. In more than 48% of the cases, this concerned a proposal about the composition of the board. In almost 12% of the cases, it was about remuneration.

Instrument: active dialogue with companies (engagement)

Exclusion, as stated under the 'limite' pillar, is a big deterrent, but we often first discuss malpractice with a company. This allows you to exert your positive influence as an investor. We therefore consider our engagement programme very important. It provides the opportunity to enter into discussions with companies and sectors about how they can do business more sustainably. In this way, we strengthen the sustainability performance of companies in which we invest. That's the goal.



In consultation with our partner CTI, we have divided engagement into two categories:

- 1. Priority engagement:** entering into discussions with companies that score poorly on environmental, social and good corporate governance standards. We have included a practical example of this category in this chapter.
- 2. Theme engagement:** drawing attention to sustainable entrepreneurship through a thematic approach. This form of engagement focuses on groups of companies, for example, within sectors or regions where social improvements can be achieved. Examples include the fossil fuel industry. Every year, sustainability themes, trends and risks are identified that affect these groups. These themes are elaborated in projects that usually run for 2 to 3 years.

Important theme: talking about fossil fuels

A broad public debate is taking place about the use of fossil fuels. As a pension fund, we have excluded the most polluting fossil fuels, to reduce the risks to the pension capital of our participants. We still invest in equities and bonds in oil and gas companies, such as Shell. We choose to enter into dialogue in order to use our influence at the table, together with other shareholders. We currently believe this is more effective than ruling it out: we want to continue discussions to try to persuade the company to make a bigger contribution to the energy transition. For example, in 2022, Pensioenfonds PGB voted in favour of the Follow This shareholder resolution and against Shell's energy transition progress report, because it was not in line with the Climate Convention.

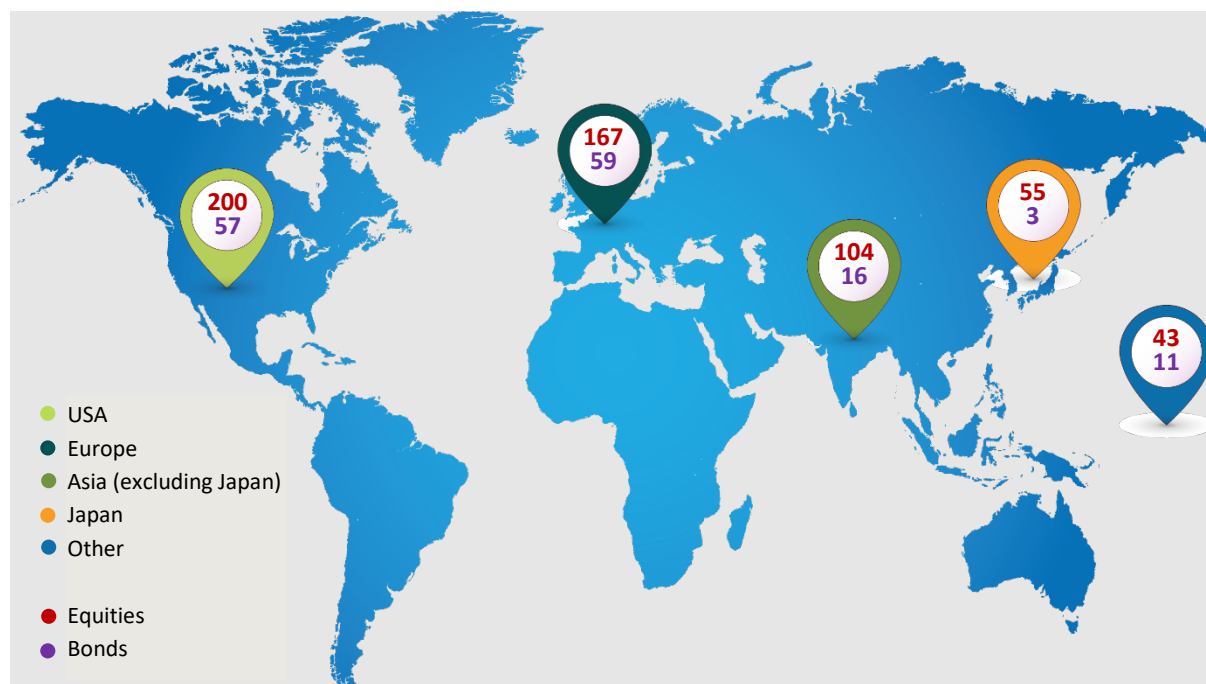
More information?

Want to find out more about engagement? Go to 'News on engagement results' at [this page](#).

Engagement in figures in 2022

In 2022, a total of 1,333 engagements* occurred. Within our equity portfolio, 569 companies in 40 countries were approached. Within the corporate bond portfolio, dialogue was held with 146 companies in 32 countries.

Number of companies per region



IN PRACTICE

Practical example: Osmosis Investment Management
Theme: Climate integration equities
Interviewed: Jeroen Huijgens, portfolio manager
external mandates for
Pensioenfonds PGB



Background

Osmosis is a company that selects equities of companies that deal with the consumption of energy, water and waste efficiently. This is measured for approximately 1,000 listed companies and compared with peers in the sector. The collection, validation and interpretation of this data is an intensive and meticulous process. Based on that, Osmosis composes an equity portfolio. Companies that deal efficiently with emissions, water consumption and waste creation are rewarded by us investing more than average in them. Inefficient companies are not immediately excluded, but receive a lower than average weight. Pensioenfonds PGB has invested approximately 35% of its equity investments in the Osmosis portfolio. That's a substantial part of the investments in North America, Europe and Asia-Pacific.

What is so special about Osmosis?

"Osmosis demonstrates that sustainable investing offers opportunities. The efficient use of valuable resources is a benchmark of the quality of a company that has yet to be appreciated. If everyone starts seeing it this way, sustainable investments will become mainstream. This way, you encourage companies to operate more efficiently, and the ecological footprint can be reduced. We prefer this over excluding companies in advance that are not yet sustainable."

How does this contribute to our sustainable investment policy?

"An integrated part of the sustainable investment policy is managing climate risks. We do this by halving the CO₂ footprint of our investments by the end of 2030. The switch to the Osmosis portfolio makes a direct contribution to this objective. Osmosis' sustainable approach results in a 50% reduction in CO₂ emissions, water consumption and waste creation. That's how we implement our climate plan."

Which development goals (SDGs) does this fit in with?

"In addition to limiting climate risks, Pensioenfonds PGB focuses on the opportunities created by the energy transition. For example, by making a social contribution to affordable sustainable energy and combating climate change. The Osmosis portfolio fits in well with this."

Is Pensioenfonds PGB the first to do something like this?

"Concerns about sustainability and climate risks influence how pension funds invest. They more and more opt to make active choices about the companies in which they invest. Still, there are few funds that make active choices based on water consumption and waste creation. Pensioenfonds PGB sets itself apart by using a broader environmental perspective with Osmosis than just the amount of CO₂ emissions."

Please continue on the next page.



How will it affect our portfolio in the long term?

In order to achieve our long-term investment objective, we assess our investments on the elements of return, risk, costs, and sustainability. An improvement in the sustainability profile should not have a negative effect on the other elements, but we expect efficient companies to perform better in the long term. After all, these companies can use precious resources more efficiently to create economic value. That's not only beneficial for the environment, but also for the financial results of those companies, and therefore our investment results."

What do our participants notice about this?

"This ensures a more sustainable return, so our participants can enjoy a good pension in a liveable society."

Will there be more initiatives of this kind?

"Pensioenfonds PGB's equity portfolio continues to develop and follows the ambitions of the sustainable investment policy. The switch to the Osmosis portfolio now only concerns our equities in developed markets. Pensioenfonds PGB is examining whether a similar portfolio can be created for investments in emerging markets. This means measuring climate action over intention. Reported and reliable data is an important condition for this."

Why are you proud of this initiative?

"I'm proud of the fact that the intensive collaboration with Osmosis has resulted in a tailor-made product. The portfolio contributes directly to Pensioenfonds PGB's sustainability ambitions, but also fits in perfectly with our beliefs and long-term investment objectives."

What was your contribution?

"I was involved in the selection of Osmosis and its implementation. It was an interesting challenge. The market is flooded with solutions to integrate sustainable investing into investment portfolios. There are many alternatives available, often based on varying ambitions and methodologies. That requires a lot of research, but also attention to the wishes of the board of Pensioenfonds PGB. This has all led to this suitable investment product."



6 UTILISE (pillar 3)

This pillar stands for utilising opportunities to contribute to a sustainable future for our participants.

We would like to work specifically towards a better world. We do this by seizing opportunities to achieve a good return with direct investments and to make a positive contribution to society. We want to focus primarily on increasing utilisation investments in our portfolios. This enables us to contribute to achieving the [Sustainable Development Goals](#) (SDGs) of the United Nations that together should lead to a better world by 2030.



Knowledge is power: on course for an SDG taxonomy

Investments with a positive impact are important for the transition to a sustainable society and economy. In 2021, Pensioenfondsgroep (PGB) joined the SDI Asset Owner Platform. This is an international platform working on a global standard to measure the contribution of investments to SDGs (an SDG taxonomy). Using this platform enables us to better specify which SDGs within the listed equity portfolio have contributed to a better world and by how much. Over the course of 2022, the SDI platform also added SDG scores for fixed-interest securities and negative contributions to SDGs by companies. We are examining whether and how we include these in reports and policymaking.

What suits Pensioenfondsgroep (PGB)?

In 2023, the policy to utilise opportunities will be fleshed out in detail and participants and employers will once again be involved in the question: 'what suits Pensioenfondsgroep (PGB) when it comes to investments with a positive impact on the world around us?'.

Utilisation investments in 2022

In 2022, Pensioenfond PGB had various investments with a positive social impact. In total for almost € 4.6 billion *.

Sustainable equities:	€ 2,150 million *
Sustainable alternative fixed-income securities:	€ 25 million *
Sustainable infrastructure:	€ 347 million *
Sustainable bonds:	€ 1,103 million *
Green bonds:	€ 791 million
Social bonds:	€ 93 million
Sustainable bonds:	€ 219 million
Sustainable property:	€ 938 million *

Explanation

- Sustainable equities consist of investments in companies that, based on the taxonomy of the [SDI Asset Owner Platform](#) contribute to one or more SDGs through their products and services.
- Sustainable alternative fixed-income securities consist of investments in the ACTIAM Institutional Microfinance Fund.
- Sustainable bonds consist of green, social and sustainable bonds. Sustainable bonds are a combination of green and social bonds. Like green and social bonds, sustainable bonds can be used to finance and refinance all or part of new and/or existing projects. These projects yield measurable environmental and social benefits for the identified target group.
- Only the sustainable property and sustainable infrastructure that have achieved four or five stars out of the maximum five stars on the [GRESB Benchmark](#) - the global ESG benchmark for property and infrastructure - are considered a utilisation investment because of the positive social contribution of this property and infrastructure to their environment. More than 170 institutional and financial investors use GRESB data and benchmarks to monitor their investments and make decisions that lead to a more sustainable property industry and sustainable infrastructure.
- Pensioenfond PGB is currently working on a utilisation policy that aims for more investments with a positive social impact across all investment categories.

IN PRACTICE

Practical example: Rezolv from the Actis Energy fund
Theme: Climate integration infrastructure
Interviewed: Peter Dietvorst, Private
Real Assets team lead for Pensioenfond PGB

Background:

Actis is one of the asset managers through which Pensioenfond PGB invests in infrastructure funds. We have invested approximately 10% of our infrastructure portfolio in Actis. Actis has a long history as part of the British Development Bank. Since 2004, Actis has been an independent organisation, focused on private investments in infrastructure, private equity and property, especially in emerging markets. The Actis infrastructure funds focus on the electricity sectors in Africa, Latin America, Asia and Europe. In many cases, the fund acquires a company in combination with rights to develop new infrastructure. In July 2022, Pensioenfond PGB acquired the portfolio company Rezolv Energy through Actis.



Please continue on the next page.



What is Rezolv Energy (Rezolv)?

“Rezolv Energy is a company through which Actis will build approximately 2 gigawatts of renewable energy over the next 5 years with both solar panels and wind turbines. Rezolv also focuses on energy storage. The project means clean energy for almost 900,000 households. It’s expected to include more than 1.6 million solar panels. The company is located in Romania and its facilities are spread across Central Europe, in countries such as Romania, Croatia, Bulgaria and the Czech Republic. Apart from supplying green energy, this also reduces dependence on Russian gas in that region.”

What’s so special about this case?

“Actis shows they can generate attractive returns on investment in combination with a cleaner society. Thanks to their extensive network and years of experience, they can buy or build large companies. That’s how they achieve true impact in emerging markets. Because they work in emerging countries, the impact on the local population is also local. People gain access to more reliable and cleaner energy. They also often work with locals, which is also good for employment there. During the prolonged construction phase, 500 jobs will be created at Rezolv. After that, we expect them to need another 30 people.”

How does this contribute to our sustainable investment policy?

“With this investment, and also the other investments from the Actis Energy funds, we reduce the global CO₂ footprint and as such reduce climate risk. That’s how we specifically implement the Pensioenfonds PGB climate plan.”

Which development goals (SDGs) does it fit in with?

“In addition to limiting climate risks, Pensioenfonds PGB focuses on the opportunities created by the energy transition. For example, by making a social contribution to affordable sustainable energy and combating climate change. These are development goals that our participants believe are important. This investment and the investments in the Actis funds fit in well with this. SDGs that are affected are 7.8 and 1.”

How will it affect our portfolio in the long term?

“In addition to the sustainability contribution, the investments in the Actis funds achieve an expected good return of 10 to 15%. So this contributes to a better environment and to a good financial result for Pensioenfonds PGB.”

Will there be more initiatives of this kind?

“Pensioenfonds PGB’s infrastructure portfolio continuously looks for opportunities to shape the ambitions of the sustainable investment policy. Every new investment is examined to see how it fits within the factors of risk, return, costs and sustainability.”

Why are you proud of this initiative?

“I’m proud of the fact that these investments can make a direct impact for a cleaner world in combination with a good return. On top of that, we contribute to economic growth in those regions through the creation of jobs.”

What was your contribution?

“I was involved in the selection and implementation of the Actis funds. It has been an interesting challenge to find an experienced party that offers this and to gain access to it. It requires a lot of research and, of course, coordination with Pensioenfonds PGB’s board. I think it’s great this has resulted in this investment.”



7 COLLABORATIONS

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

Climate Action 100+

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

Dutch Pension Funds' International Socially Responsible Investment Covenant

Pensioenfond's PGB invests in internationally operating companies and may be able to exert influence on those companies by means of those investments. Especially if we work together with other investors. Pensioenfond's PGB therefore joined the covenant for International Socially Responsible Investment for pension funds in 2018 ([Dutch Pension Funds' International Socially Responsible Investment Covenant](#)). This is a covenant in which pension funds work together to identify malpractices at companies in the investment portfolios on the basis of the OECD guidelines for multinational companies and the UN guiding principles for business and human rights or companies and human rights. The Dutch Pension Funds' International Socially Responsible Investment Covenant expired at the end of 2022. The collaboration with other pension funds in the context of this covenant was instructive. In addition, the instruments presented for responsible investments remain relevant for the future because they are seen as a supplement to the 'Responsible Investment Service Document' of the Dutch Pension Federation.

Investment Leaders Group of the University of Cambridge Institute for Sustainability Leadership

To collaborate with global *thought leaders* in the field of sustainable investments, Pensioenfond's PGB became a member of the [Investment Leaders Group](#) of the Cambridge University Institute for Sustainability Leadership (CISL) in 2022. Within that framework, we actively participate in research into the importance of and approach to biodiversity.

CISL is a globally influential institution that believes the economy can be made more sustainable through targeted collaboration between the business community, the government and financial institutions to achieve positive results for people and the environment.

The Investment Leaders Group (ILG) is a global network of pension funds, insurers and asset managers, with over USD 12 trillion under management and advice, committed to promoting the practice of sustainable investing. It is a voluntary initiative, driven by its members, facilitated by the CISL, and supported by academics from the University of Cambridge.

CISL aims to assemble a small but influential group of leading investors, with a shared belief in the need for bold leadership in advancing the practice of sustainable investing.

Climate commitment from the Dutch Pension Federation

We embrace the Paris Climate Agreement and align with the ambitions of the Netherlands and the EU. This means that we measure the CO₂ footprint of our investments and show each year what our CO₂ footprint is. We also take action to reduce our CO₂ footprint. To that end, we have drawn up an action plan. Under the banner of the [Dutch Pension Federation's Climate Agreement Commitment](#) we are working together with other pension funds to translate the agreements from the Paris Climate Agreement into a climate plan with specific objectives for various investment categories to be climate neutral by 2050. In 2022, Pensioenfond's PGB, like all other participating pension funds, presented a [climate plan](#).

Task Force on Climate-Related Financial Disclosures

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

Dutch Association of Investors for Sustainable Development and United Nations Principles for Responsible Investment

Pensioenfonds PGB has joined the Dutch Association of Investors for Sustainable Development ([VBDO](#)) and the United Nations Principles for Responsible Investment ([UNPRI](#)). Both are partnerships between investors to take the development of sustainable investing to a higher level. The VBDO does this in the Netherlands and the UNPRI internationally. Both partnerships conduct research into the extent to which participating investors meet the standards they set in the field of sustainable investing. The [VBDO Benchmark for sustainable investments by the 50 largest Dutch Pension Funds](#) is published each year, along with the results thereof. In 2022, we rose three places on that ranking, and are now 14th.





TALKING TO OUR STAKEHOLDERS

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

Sticking together

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

Employees, employers and pension recipients

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

Investment philosophy for sustainable investing

Based on our discussions in 2021 with participants, employers, the Supervisory Board and the accountability body, the board adopted the sustainable investment philosophy was adopted at the beginning of 2022. The board has also established a sustainability risk appetite principle. Together, this formed the basis for formulating specific principles for the sustainable investment policy, which were drawn up by the board at the end of 2022. More details about the investment philosophy, the risk appetite principle and the principles can be found in Chapter 2.

In 2023, Pensioenfonds PGB's board will determine the (reinforced) objectives of the sustainable investment policy based on the principles. In 2023, we will again notify our stakeholders of the themes that underlie our sustainable investment policy. An educational meeting on sustainable investing is also on the agendas of the board, the Supervisory Board and the accountability body.





A retrospective and preview with Frans van de Veen

The world around us

“In 2022, I was primarily working on a transparent storyline for our sustainable investment policy. What do we stand for, what do we want to achieve? We can implement that policy properly, assess the results and communicate about it clearly only when we are clear about this. Those are the next steps. But in the meantime, the world is constantly changing: legislation is changing, the climate appears to be worse than we thought, a war has broken out; all of this affects our sustainable investments. It's not a smooth path we're on, you have to keep adjusting your goals constantly. Fortunately, we're not alone and we learn from each other: other pension funds, other investors. That's how we keep each other on our toes. And together, we can achieve and realise more.



I'm really looking forward to that: that we no longer need a separate annual report on sustainable investing. That it's so obvious that it blends in with everything else.

Limited assurance

Last year was also the first time we received an assurance report on parts (with 6 KPIs) of our 2021 annual report on sustainable investments. This process required a bigger effort but it paid off. We'll do this again for this 2022 annual report, in order to expand further to approval on more and more points. After that, we want to integrate this report with the regular annual report. I'm really looking forward to that: that we no longer need a separate annual report on sustainable investing. That it's so obvious that it blends in with everything else. But we're not there yet.

More impact investments

For example, we can do more within our 'Utilise' pillar, in other words: impact investments. The board has established the principle that any higher costs for impact investments should not be prohibitive in advance, for example, if the other three (return, risk and sustainability) sufficiently compensate the costs. Costs outweigh the benefits, and this certainly applies to direct investments in sustainable companies. But the result is presumed to be the same or better.

What suits PGB, as a multi-sector fund?

Another point of attention is to gain a better understanding of the strategic risks in our investments when it comes to ESG. For example, if sea levels rise, which of our investments will be under water? That's something else we take seriously, of course. We consciously invest in the oil sector, for example, because we don't want to exclude entire sectors in advance (except tobacco). This was partly inspired by the fact that we work for many different sectors, including the chemical industry, for example. So we also have to look at what suits us as a multi-sector fund. After all, we represent all our participants. But in the climate transition, there's a risk of *stranded assets*. This is possible because we still need oil and petrol, for example. But if that's no longer the case in the future, and you're still investing in a company that hasn't switched to other energy sources, those investments will no longer be worth much. And that's something we want to prevent, of course.



Frans van de Veen
board member Pensioenfonds PGB
(balance sheet management &
sustainable investment focus area)



It's not just about how much pension you get in euros, but also about the world in which you want to enjoy that pension.



Using influence positively

We believe that we can use our influence as an investor to encourage the oil sector (and other sectors that aren't sustainable yet) to make that transition soon. But we do of course have to keep an eye on things: are they indeed doing it and how do we check it? That's something we will focus on more closely in the next few years. That's also why we adopted a new climate plan, with specific action points, at the end of December 2022. This plan follows from our signing of the climate commitment in 2021. In December 2022, we published our climate plan and aligned it with the guidelines of the Dutch Pension Federation. One of the climate goals is a 50% reduction in CO₂ emissions for the 2020-2030 period, for all listed equities and corporate bonds.

Taking responsibility

We should be able to do that. Also because as a board, we have clearly stated that sustainability is just as important as return, risk and costs. After all, it is not just about how much pension you will receive in euros, but also about the world in which you can spend that pension, now and in the future. As investors we can influence both. True, our influence is modest. It will only work if we all sing from the same hymn sheet. But we want and have to take responsibility for our share. In the interest of our participants and our world."



APPENDICES

Appendix 1: Climate risks and opportunities

Appendix 2: Reporting criteria

Appendix 3: Limited assurance Mazars



Appendix 1: Climate risks and opportunities

The most recent report from the UN climate panel⁴, published in April 2022, once again demonstrated the magnitude of the consequences of climate change and the importance of the step towards sustainability. As a pension fund, we are well aware of and willing to take this step in the interest of our participants. The transition to a sustainable society and all the consequences of climate change bring new risks, but also new opportunities. This appendix describes how we deal with these climate risks and opportunities. We follow the framework of the Task Force on Climate-related Financial Disclosures (TCFD).

1. Governance

The board of Pensioenfonds PGB is responsible for the strategy regarding climate-related risks and opportunities. The administrator, PGB Pensioendiensten, has a policy-preparing task and a process-supporting role in decision-making within committees. The board is responsible for the implementation and monitoring of the sustainable investment policy. The pension fund's board and the investment committee are supported in this by, among others, two sustainable investment portfolio managers, who help shape the sustainable investment policy, evaluate existing strategies and initiate new strategies. Furthermore, the other investment teams of PGB Pensioendiensten also contribute to managing climate risks, among other things, within their strategies in public and private markets.

Every month, PGB Pensioendiensten reports on the progress of the sustainable investment strategies and evaluates the (financial) contribution of the excluded investments to the return on the basis of the sustainable investment policy. In addition, sustainable investing is an integrated part of the pension fund's investment policy. This means that return, risks, costs and sustainability aspects are taken into account in every investment.

2. Strategy

The main principle of our sustainable investment policy is two-tiered. On the one hand, we believe that sustainable investments can be used to limit climate risks. On the other, we believe that in this way, we can have a positive impact on our environment, with the aim of our participants enjoying their pension in a sustainable society in the future.

We limit climate risks in two ways. We try to measure, assess and, where desirable and possible, limit physical risks and transition risks. Physical risks are risks that are the result of climate change, such as heat waves, rising sea levels and changing precipitation patterns. Transition risks are risks that arise by limiting climate change, such as the transition from fossil energy to sustainable energy. In 2023, we will again perform a risk analysis of various sustainability risks in our investment portfolio. Attention will also be paid to climate risks.

To manage transition risks, we are, for example, working to reduce our CO₂ footprint by reducing the importance of relatively highly polluting companies in the portfolio. This is reflected in the climate goals described in our climate plan. To control physical risks, the pension fund takes steps to better identify those risks and then determine and implement appropriate actions. Examples include us and CTI entering into dialogue with companies that are at high risk, to better understand their impact analyses, plans and management measures in that area and to encourage targeted action.

In addition to risks, we also see that climate change brings opportunities to make a positive contribution to society. For example, we invest in green bonds with a positive risk-return profile, which is financially interesting, and encourage companies to invest in the energy transition. Furthermore, we measure the impact of our investments on the SDG. The utilisation policy will be further detailed in 2023. As part of this, we will consult the stakeholders of the pension fund about themes that appeal to and are in line with the fund.

⁴ The UN Climate Panel, also called the Intergovernmental Panel on Climate Change (IPCC), was established by the United Nations. Its goal is to map the available knowledge in the fields of climate, climate change and the consequences.



3. Risk management

Within PGB Pensioendiensten, portfolio managers are responsible for managing climate-related risks and opportunities within various investment categories. The risk management department ensures periodic assessment of the effectiveness of the climate-related control measures. We follow the three-lines-of-defence model.

Below are some examples of how we manage climate risks:

- Within the equity portfolio, we actively engage with companies. Pensioenfonds PGB has appointed CTI to structure its engagement and voting policy. The themes are prioritised every year, with climate as a specific component.
- We select property managers who are members of GRESB (Global Real Estate Sustainability Benchmark). Our current property portfolio consists of assets with a high GRESB rating, new property managers are selected on the basis of a high GRESB rating and existing managers are encouraged to make improvements, where possible.
- Pensioenfonds PGB has committed itself to various initiatives that help to limit climate change. For example, we have committed ourselves to the Paris Climate Agreement. This means we must reduce the CO₂ footprint of our portfolio by 50% by 2030.

4. Units of measurement for risks and opportunities

In the case of climate-related risks, we measure the CO₂ footprint of the equity and corporate bond portfolios, as far as it concerns listed companies.

In this annual report we provide feedback on the trend regarding carbon intensity. In line with the recommendations of the TCFD, we use Weighted Average Carbon Intensity (WACI) as a benchmark.

For climate-related opportunities, we measure the extent to which our impact investments have a positive social impact. Impact investments that we map out are sustainable infrastructure, alternative fixed income, sustainable property and our contribution to sustainable development goals (SDGs). We also measure the contribution of our equity portfolio and contribution to the SDGs through our membership of the SDI Asset Owner Platform.

Appendix 2: Reporting criteria

No.	KPI (Key Performance Indicator)	Reporting criteria
1	Company/country exclusions	<p>In its Annual Report on Sustainable Investments, Pensioenfondspgb reports on the percentage of the market value of the total investments, as at 31 December 2022, of which it has been determined that they are not investments that appear on the exclusion list, drawn up in line with its own exclusion policy. For example, investments in externally managed investment funds and derivatives fall outside the scope of the exclusion policy, so this percentage is not 100%. The most recent exclusion list can be found at pensioenfondspgb.nl/duurzaambeleggen and is periodically updated in line with our exclusion policy.</p> <p>The exclusion policy has been incorporated into the exclusion list and applies to companies and countries that do not meet the criteria for sustainable investments. Investments are excluded if they:</p> <ul style="list-style-type: none"> • Violate one or more of the UN guiding principles for business and human rights⁵ • Get more than a quarter of their turnover from tobacco products • Are involved in production or trade in controversial weapons other than nuclear weapons covered by the Non-Proliferation Treaty • Produce or sell firearms to civilians • Derive more than a quarter of their turnover or electricity production from coal, shale gas and/or tar sands oil • Do not (or no longer) comply with international sanctions imposed by the European Union (EU) or United Nations (in the case of government bonds). • If investments do not comply with the country policy of Pensioenfondspgb (part of the exclusion policy).⁵ <p>Every quarter, an independent research agency (Sustainalytics) examines for Pensioenfondspgb which companies and countries do not (or no longer) meet the exclusion criteria of Pensioenfondspgb. These companies and countries are then benchmarked against the portfolios that are viewed for exclusions. Pensioenfondspgb assesses the portfolios against these benchmarks on a daily basis. If an investment is made in an equity or country that is on the exclusion list, a <i>breach</i> occurs.</p> <p>If Pensioenfondspgb owns equities or bonds of these companies, these will be sold. The measurement is made on exposures in mandates. Since Pensioenfondspgb has no influence on the policy of externally managed funds, no look-through approach is applied. It is therefore possible that equities are held in investment funds that are on the exclusion list.</p> <p>Pensioenfondspgb follows the sanctions lists of the EU and the UN. This means that investments in companies (equities and bonds) and governments (bonds and public undertakings) on those lists are excluded.</p>

⁵ Our country policy was tightened in December 2022. The impact of this will not be visible until 2023.

No.	KPI (Key Performance Indicator)	Reporting criteria
2	Climate policy	<p>In the Annual Report on Sustainable Investments, Pensioenfonds PGB reports on the CO₂ emissions relative to the base year (as at 31 December 2018), for the equities and corporate bond categories.</p> <p>We do this by measuring the trend in carbon intensity. In line with the recommendations of the TCFD, the Weighted Average Carbon Intensity (WACI) is used as a benchmark. This benchmark shows CO₂ emissions weighted by turnover and expressed in ‘tonnes of CO₂ equivalents/million dollars of turnover’. The WACI for the entire portfolio is calculated by calculating a weighted average WACI based on market values.</p> <p>The formula for calculating the WACI per company is as follows: <i>WACI (company A) = tons (t) of CO₂ equivalents / million dollars in turnover</i></p> <p>The formula for calculating the WACI for the entire portfolio is <i>WACIA (PGB pension fund) = WACI (company A) * (market value PGB equities in company A / Market value total PGB portfolio) + WACI (company B) * (market value PGB equities in company B / Market value total PGB portfolio)</i></p> <p>This KPI relates to ‘t CO₂ equivalent’. The required ‘t CO₂ equivalent’ data is provided by Sustainalytics.</p>

No.	KPI (Key Performance Indicator)	Reporting criteria
3/4	<p>Commitment through engagement and voting</p> <p>Actively exerting a positive influence on companies by encouraging companies to act sustainably and to draw attention to socially responsible investment topics.</p> <p>Encouraging companies to act sustainably and promoting socially responsible investment topics by voting</p>	<p>As an investor, Pensioenfond's PGB can influence the sustainable behaviour of companies. That is why Pensioenfond's PGB has an engagement policy, which means it enters into discussions with companies (engagement) or votes at shareholders' meetings.</p> <p>Pensioenfond's PGB reports on its engagement and voting programmes in the Annual Report on Sustainable Investments. It reports on:</p> <ul style="list-style-type: none"> • The total number of engagements made in the portfolio in the year under review • The total number of votes cast in the portfolio in the year under review <p>Pensioenfond's PGB has outsourced the implementation of engagement and voting to Columbia Threadneedle Investments (CTI). CTI is one of the largest providers of engagement and voting. It has developed the Responsible Engagement Overlay programme especially for large institutional investors. The voting programmes apply to the companies in which Pensioenfond's PGB has equities. The engagement programmes apply to the companies in which Pensioenfond's PGB has equities and bonds.</p> <p>Each year, the board of Pensioenfond's PGB appoints a number of themes that it considers relevant to address. CTI tailors its voting and engagement programmes to these themes.</p> <p>When a shareholders' meeting is held, Pensioenfond's PGB as a shareholder receives an announcement that topics can be voted on. CTI prepares the voting instruction and custodian Northern Trust processes it through Broadridge. Broadridge is a global provider of <i>proxy voting</i> in the broad sense; in this case, it processes votes and reports on the results. CTI generates the data used in the annual report directly from Broadridge's reporting feature.</p> <p>If there is an opportunity to enter into dialogue, CTI will do so on behalf of Pensioenfond's PGB. This dialogue serves as a criterion for inclusion in the annual report. CTI reports to Pensioenfond's PGB each quarter. CTI has two types of engagement:</p> <ul style="list-style-type: none"> • Priority engagement • Theme engagement

No.	KPI (Key Performance Indicator)	Reporting criteria
5	<p>SDG</p> <p>Seizing opportunities to achieve a good return with direct investments and to make a positive contribution to society.</p>	<p>Pensioenfond PGB wants to increase the significance of sustainable investments, with the aim of contributing to achieving the United Nations' Sustainable Development Goals (SDGs). Pensioenfond PGB has focused on the following of the 17 SDGs:</p> <ul style="list-style-type: none"> • 3. Good health and well-being • 7. Affordable and sustainable energy • 8. Fair work and economic growth • 9. Industry, innovation and infrastructure • 13. Climate action <p>These focus SDGs are reflected in the voting and engagement programmes CTI implements for us.</p> <p>Pensioenfond PGB reports the market value of the investments as at 31 December, which, according to the criteria set by ourselves, count as a utilisation investment. We also state the percentage of those investments counted as utilisation investments, compared to the total market value of the investments.</p> <p>The criteria for SDG investments that are classified as utilisation investments are as follows:</p> <ul style="list-style-type: none"> • Listed equities: For listed equities, the criteria of the SDI AOP are followed. SDI-AOP (Sustainable Development Investments - Asset Owner Platform) is a platform, established by APG among others, that assesses companies on their contribution to SDGs. Via this platform, Pensioenfond PGB obtains a dataset with the contribution of companies to the 17 SDGs. The value of equities in companies that realise more than 10% of their turnover in one or more of the SDGs is reported in the annual report on sustainable. <p>For the following categories, criteria have been determined to classify the investment as a "utilisation investment".</p> <ul style="list-style-type: none"> • Infrastructure/Property: a GRESB score of at least four out of five stars. GRESB provides a dataset with ESG data for, among other things, illiquid fund investments. • Fixed-income investments: an indicator from Bloomberg is used for this. Bonds and loans marked YES in the GREEN_BOND_LOAN_INDICATOR field invest the proceeds of the bonds and loans in green projects or activities that mitigate the effects of climate change or other sustainable activities. Bloomberg is a global leading platform for obtaining market data.

No.	KPI (Key Performance Indicator)	Reporting criteria
6	<p>Compliance with stakeholder engagement policy:</p> <p>Creating and maintaining broad support for our sustainable investment policy.</p> <p>NB There were no developments in this field in 2022. Therefore, this KPI falls outside the scope of the assurance report of Mazars, our external auditor, to confirm that the content of this is correct, with a limited degree of certainty.</p>	<p>Transparency is provided as to whether during the year under review, there has been contact with participants, employers, the supervisory board and the accountability body about sustainable investments at least once.</p> <p>In addition, Pensioenfonds PGB reports on the committees and participants' meetings in which sustainable investments are discussed. The subject of sustainable investing must have been demonstrably raised in a consultation or meeting with the relevant stakeholder(s). This can be done, for example, by mentioning it in submitted agenda documents or shared minutes, by recordings of the meeting, or other correspondence about this.</p>

Appendix 3: Limited assurance Mazars

Assurance report of the independent auditor

To the board of directors of Stichting Pensioenfonds PGB

Our conclusion

We have reviewed the selected sustainability indicators in the Annual Report on Sustainable Investments 2022 (hereafter: the Report) of Stichting Pensioenfonds PGB (hereafter PGB). The review procedures performed are aimed at obtaining limited assurance.

Based on our review, nothing has come to our attention that causes us to believe that the selected sustainability indicators in the report included on page 8 are not, in all material aspects, have been prepared in accordance with the reporting criteria as explained in the 'Reporting criteria' section on pages 28 to 32 of the Report.

The selected sustainability indicators are as follows:

1. Percentage of the market value of the total investments, as at 31 December 2022, of which it has been determined that they are not investments that appear on the exclusion list
2. The reduction percentage in CO2 emissions realised compared to the defined benchmark;
3. The total number of engagements conducted in the portfolio in 2022;
4. The total number of votes cast in the portfolio in 2022
5. The amount of the market value of the investments as of December 2022, which, according to the criteria set by the foundation, count as utilisation

Basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 3000A 'Assurance engagements other than audits or reviews of historical financial information (attest engagements)'. A review of the report in accordance with the Dutch Standard 3000A is a limited assurance engagement. Our responsibilities under this standard are further described in the 'Our responsibilities for the review of the report' section of our report.

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

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

Reporting criteria

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

The reporting criteria used to prepare the information on selected sustainability indicators are explained in the 'Reporting Criteria' section on pages 28 to 32 of the Report.

Limitations in the scope of our review

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

Responsibilities of management for the Report and the selected sustainability indicators

Management is responsible for the preparation and fair presentation of the sustainability information in accordance with the reporting criteria on page 28 to 32 of the Report. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the Report that are free from material misstatement, whether due to fraud or error.

Our responsibilities for the review of the selected sustainability indicators

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

The level of assurance obtained in a limited assurance engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

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

Our review included among others:

- obtaining an understanding of PGB and its environment in terms of responsible investment;

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

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

The English version of the Annual Report on Sustainable Investments 2022 of Stichting Pensioenfonds PGB is a translation of the original Dutch version. In case of doubt or differences of interpretation, the Dutch version shall prevail over the English language version.

Amsterdam, 28 November 2023

Mazars N.V.

R.C.H.M. Horsmans RA

pensioenfonds



Annual Report on Sustainable Investments 2022
Pensioenfonds PGB

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Prof. E.M. Meijerslaan 2 - 1183 AV Amstelveen
Postbus 2311 - 1180 EH Amstelveen

 pensioenfondspgb.nl

 020 541 84 18

