

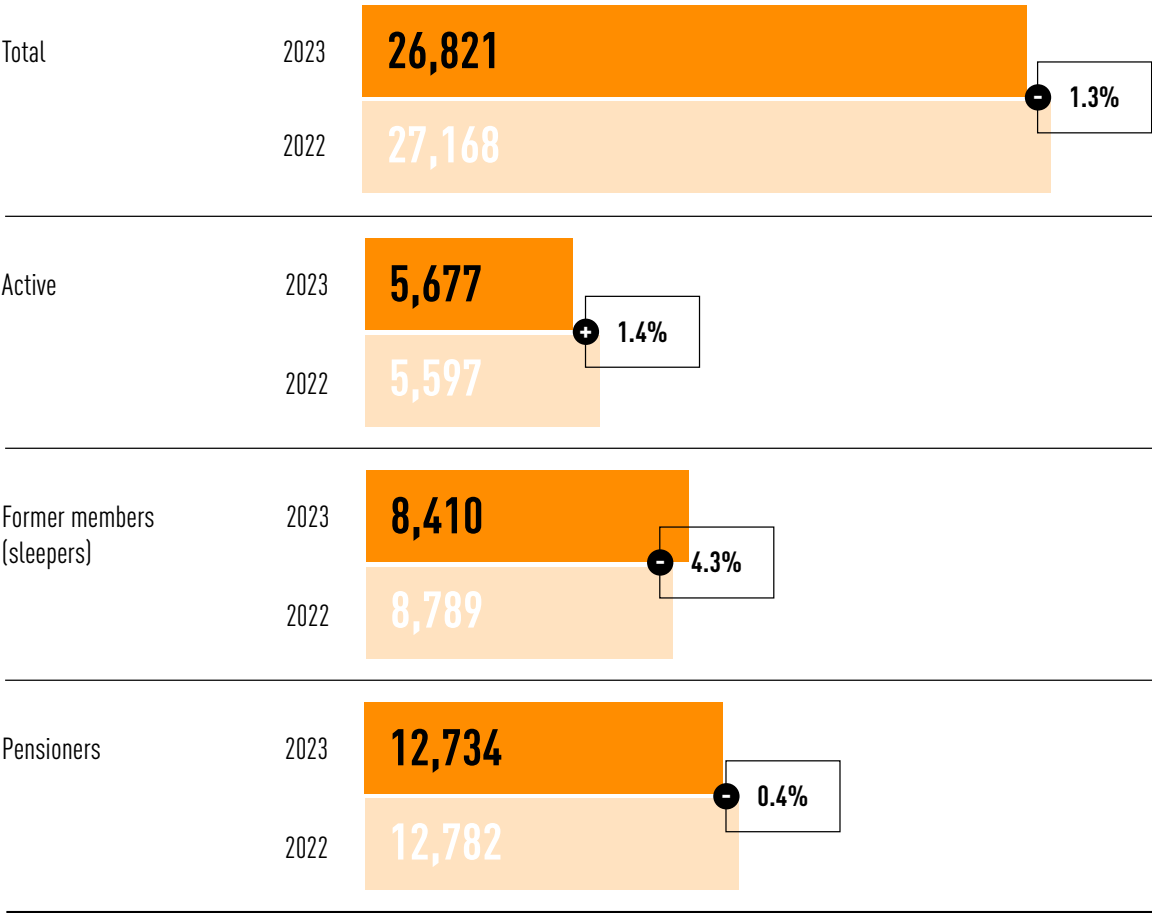
Welcome to the Pensioenfonds PDN 2023 Annual Report

We've made a visual summary of 2023 for you. In this annual statement, we present the most significant developments and figures for Pensioenfonds PDN and highlight the main points. What has Pensioenfonds 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. Click here for a [printer-friendly PDF](#) of the annual statement 2023. For more detailed information about Pensioenfonds PDN in 2023, please see the [full annual report \(PDF, in Dutch only\)](#), which can also be downloaded from Pensioenfonds PDN's website.

The year 2023 in key figures

Members

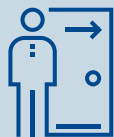


Pension liabilities Pensioenfonds PDN

Pension liabilities at year-end 2022

5,604 MLN euro

Changes in pension liabilities in 2023



Benefit payments to pensioners

-261 MLN euro



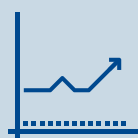
New pension entitlements accrued by members

+76 MLN euro



Change in liabilities due to higher interest rate

+197 MLN euro



Other

+501 MLN euro

Pension liabilities at year-end 2023

6,117 MLN euro

Invested capital Pensioenfonds PDN

Invested capital at year-end 2022

6,934 MLN euro

Changes in invested capital in 2023



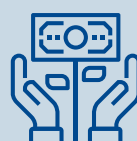
Pension benefit payments

-261 MLN euro



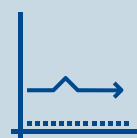
Pension contributions received

+103 MLN euro



Income from investments

+583 MLN euro



Other

-9 MLN euro

Invested capital at year-end 2023

7,350 MLN euro

PENSIOENFONDS PDN FUNDING LEVEL 2023

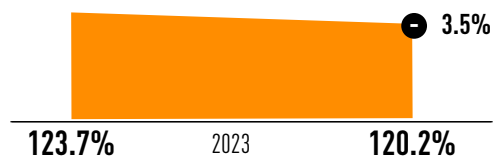
120.2%

The financial position of Pensioenfond's PDN

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

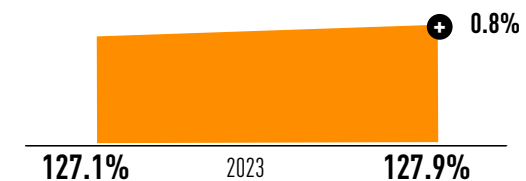
Besides the funding level, a pension fund must calculate its 'policy funding level,' this being the average of the last twelve months of monthly funding levels. The policy funding level can be used to determine whether a pension fund needs to curtail accrued pensions and pensions that have commenced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

Funding level



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

Policy funding level

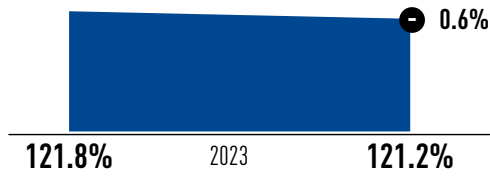


Policy funding level: The policy funding level is the average of the twelve most recent monthly funding levels.

The funding level was 120.2% at the end of 2023, which is 3.5% lower than the funding level at the start of the year (123.7%). Besides the funding level, a pension fund must calculate the 'policy funding level', this being the average of the last twelve months of monthly funding levels. The policy funding level was 127.9% at the end of 2023, which is 0.8% higher than at the start of the year (127.1%).

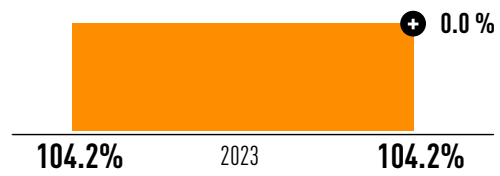
The policy funding level can be used to determine whether a pension fund needs to reduce the accrued pensions and pensions currently being paid out. The policy funding level can also be used to determine whether a pension fund is in a deficit situation, in which case the pension fund would be required 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 decisions on whether or not to increase pensions (indexation).

Required funding level



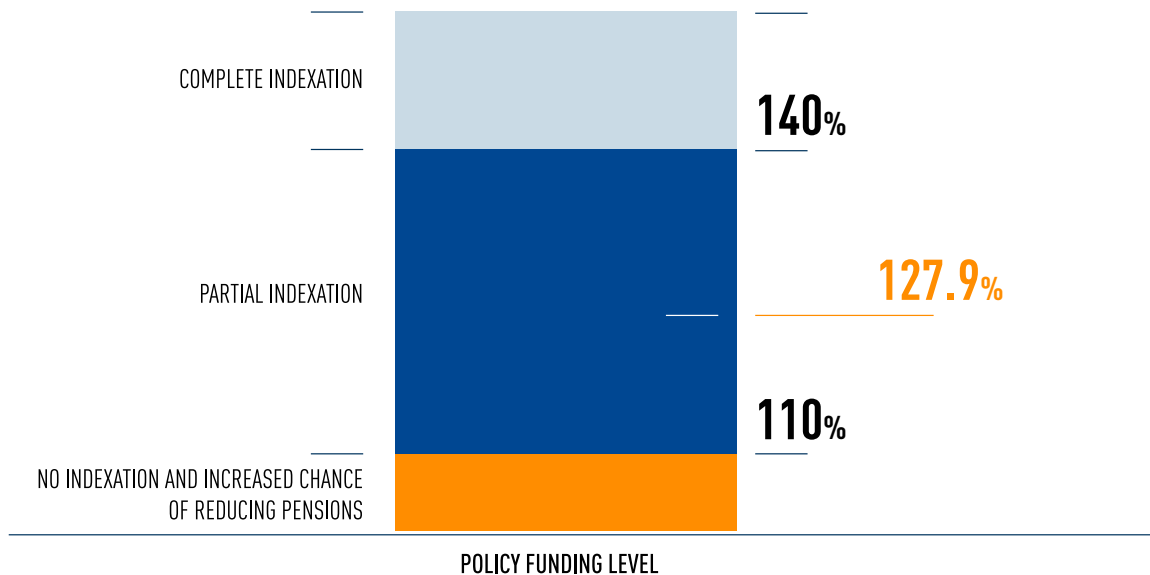
The required funding level indicates the legal level of Pensioenfonds PDN's policy funding level. If the policy funding level falls below the required funding level, PDN must submit a recovery plan.

Minimum required funding level



The minimum required funding level indicates the absolute lower limit. If Pensioenfonds PDN's policy funding level falls below this level, there is a funding shortfall. Pensioenfonds 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, Pensioenfonds PDN must reduce (curtail) the accrued pensions.

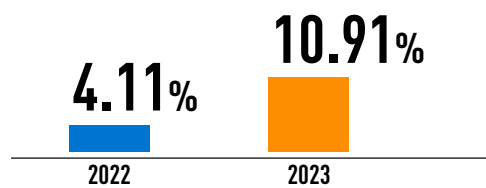
Indexation



Based on the indexation policy and the AMvB ('Van Dijk Motion') indexation that applied in 2023, the Board assessed whether, as of 31 December 2023 and considering Pensioenfonds PDN's financial situation as at end 2023, indexation could be awarded to members, deferred members and pensioners. In its calculations the fund considered inflation benchmarks over 2022 and 2023. This was considered more logical in view of the major deviations over the past two years as well as CBS' adjusted methodology. The Board assessed that the fund's financial position as at end 2023 was sufficient to award more indexation as of 31 December 2023 than was possible based on the fund's standard indexation policy. Indexation for active members amounted to 10.91% and for deferred members and pensioners indexation was 4.16%. These indexation amounts, together with the indexation awarded at the start of 2023 for 2022, are based this time on the full compensation of price rises or pay increases for all members over the above-mentioned two years. This means that both active members, as well as deferred members and pensioners did not miss indexation in 2022 and 2023 compared with the indexation benchmark.

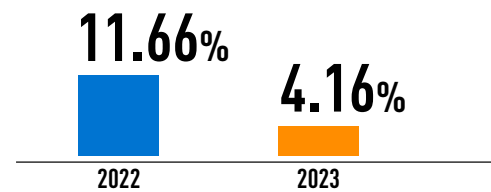
Please consult the Pensioenfonds PDN website for more information on indexation.

Indexation Actives



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

Indexation Pensioners/Former Members



Pensioenfonds 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.

	2023	2022
Total invested assets (in mln €)	7,342	6,933

Composition of investments 2023	mln. €	weighting	
Matching portfolio	3,261	44.1%	42.2%
Interest overlay	-41	-1.3	-1.5
Nominal government bonds	922	27.8%	25.2%
Inflation-linked bonds	755	23.3%	23.4%
Investment grade credits	569	17.6%	17.2%
Mortgages	973	30.0%	32.6%
Ground Lease	83	2.6%	3.2%
Return portfolio	4,074	55.5%	57.2%
Valuta overlay	15	0.4%	0.4%
Shares	1,973	48.4%	48.0%
Bonds	781	19.2%	19.3%
Real estate	388	9.5%	8.2%
Alternative investments	917	22.5%	24.1%
Cash	7	0.1%	0.6%
Total	7,343	100.0%	100.0%

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

Matching portfolio

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

Return portfolio

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

To reduce risk, Pensioenfonds 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. Pensioenfonds 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). Pensioenfonds 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 €)	2023	2022
Impact investments	311.0	344.0

The complete overview of the companies in which the fund invests can be found on the Pensioenfonds PDN website.

- **Impact investments**

Pensioenfonds 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.

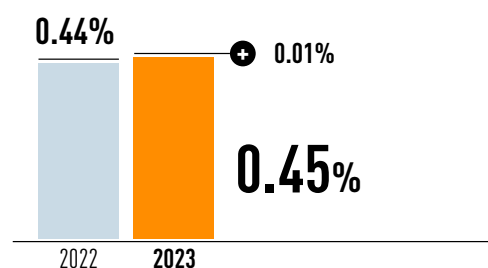
	Companies	Countries
Exclusion based on product and behavior	174	14

Investment return (in %)	2023	2022
Total portfolio (excl. PPS)	8.7%	-13.8%
Matching portfolio	4.9%	-20.5%
Return portfolio	11.8%	-8.5%

Although we much prefer seeing positive returns, there is no need for you to worry about negative returns. Pensioenfonds PDN invests with a long horizon. Fluctuations are expected to be compensated over the years. The average five-years return as at end 2023 was 3.5% annualized. The average ten-year returns as at end 2023 was 4.6% annualized.

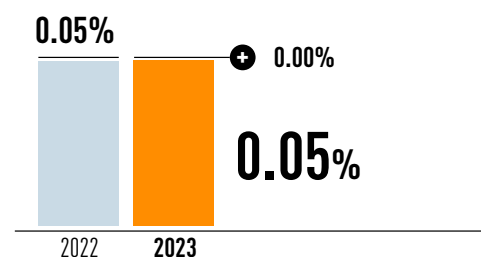
Asset management costs

in % of average invested assets



Transaction costs

in % of average invested assets



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

Pensioenfonds PDN uses various channels to communicate with it's members

www.pdnpensioen.nl



PDN Magazine



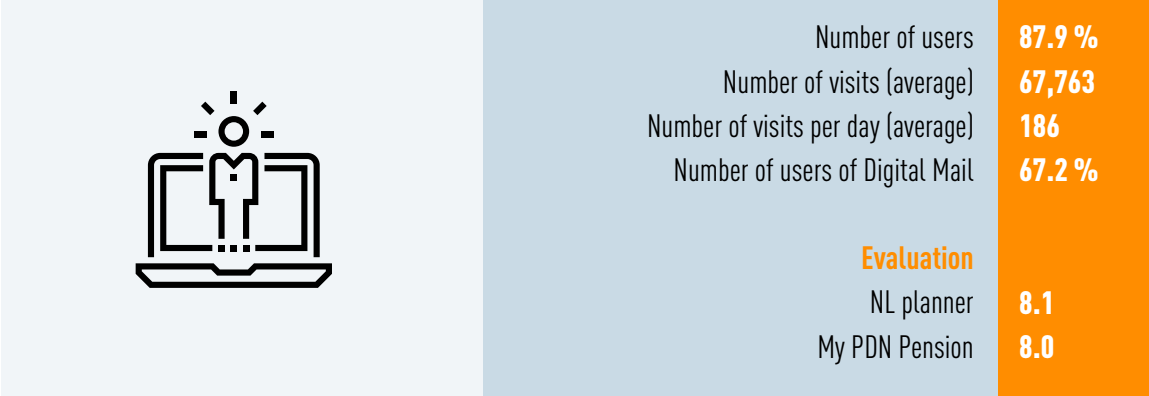
Pension Wise

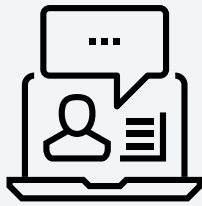


E-cards for 40th birthday



My PDN Pension





Q2 Pension journey Employed

43 sent, number of visits 20

Q4 Pension journey 60-year olds

459 sent, number of visits 325

1st line questions

1,168

answered in time



96.0%

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

Evaluation 1st line questions: **7.9**

2nd line questions

675

answered in time



93.0%

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

Evaluation 2nd line questions: **7.7**

Appreciation



Granting of retirement pension

8.2

Granting partner's pension

8.1

Value transfer

8.4

171 personal conversations

9.6

What's their opinion of the Accountability Council

The Accountability Council (AC) is tasked with producing an assessment of Board policy implemented in 2023 as well as its policy proposals for the future. The AC is made up of eight members.

Composition in 2023



WIL BECKERS

Chairman
Elected from and by pensioners



ETHA VAN DE WIEL

Elected from and by pensioners



ALBERT NOTEBORN

Elected from and by pensioners



TON DE BOER

Elected from and by pensioners



MARC SILVERTAND

Elected from and by employees



JAN SCHREUDER

Elected from and by employees



AUDREY RINGENS

Appointed by employer



PETER COOMANS

Put forward by DSM Nederland

The Accountability Council's Assessment of 2023

The Accountability Council (AC) is positive about the Board's proactive and transparent working method in consulting with the AC. The AC issued positive advice four times in 2023. In cases in which the AC was required to offer its input it was able to do this in a timely manner.

The AC concluded for 2023 that the Board had kept the AC informed of policy intentions and decisions taken by the Board. The Board also provided timely information about proposed decisions, so that the AC was able to issue sound advice. The AC assessed the decisions taken by the Board in 2023 as balanced. For the AC, it is important that it gains greater prior insight into how the Board usually chooses between various options and scenarios and which frameworks the Board uses to make reasoned decisions. The Board's approach to its relationship with the AC in 2023 helped ensure that this happened where possible. The standard provision of decision documents for proposed Board decisions that require AC advice, as requested by the AC in its recommendations last year, has been practised by the Board. The AC assumes that this will also continue in the future.

Elections

In the second half of 2023, the AC organised elections for the seats on behalf of the members and the pensioners. A large number of people put themselves forward for election for the seats on behalf of pensioners. For the two seats on behalf of the members, just two people put themselves forward for election, which is why elections for the seats on behalf of the members did not take place. The available candidates were appointed or reappointed as members of the Accountability Council. As turnout among members was disappointing, the AC would like to work in cooperation with the Board and the employers, to focus on promoting the importance of a good representation of members in the AC.

Two AC members were offered a seat in the Board in 2023. Peter Pasmans and Laurine Lemon were appointed as fund Board members in the second half of 2023, following assessment by DNB. The vacant AC positions were filled by Audrey Ringens, nominated by the employer, and Jan Schreuder on behalf of the members, following elections at the end of 2023.

In early 2024, Meindert Dijkstra and Arno Smeets (prospective AC member) both stepped down on behalf of the pensioners and, in line with AC regulations, their seats were taken by the first available candidates from the last held elections, Ton de Boer and Albert Noteborn (current AC member, with reappointment as of 1 July 2024). Marjon Doggen-Muijres and Feike Hylarides were also elected during the last elections, and both were appointed as prospective AC members. The prospective members become AC members on 1 July 2024. They have been participating in AC meetings and knowledge sessions since November to optimise their transition. A training programme has been established, should this be needed for new members and prospective members.

Follow-up recommendations for 2022 (in 2023)

The Board addressed the AC's recommendations. Important topics such as developing a balancing framework and identifying the strategic options for Pensioenfonds PDN after the transition are in progress and will be further developed in 2024. The AC made various recommendations with respect to communication last year and noted the Board's attempts use a layered form of communication to make this complex subject understandable for members, deferred members and pensioners (from global to more in-depth, down to the fine details depending on the reader's interest).

Information was also provided in the framework of the Future Pensions Act although, due to delays in the transition process and the preparations for the Future Pensions Act, it has not yet been possible

to provide concrete news relevant to members, deferred members and pensioners. Nevertheless, a focus on communication will continue to require the Board's ongoing attention. With respect to risk management, several triggers defined in the ERB did not take place, which meant that the planned actions were not necessary.

Recommendation

- Ensure that reporting regarding the follow-up to the recommendations is a periodic agenda point during the consultations with the AC.

Summary Evaluation

In the AC's opinion, the policy adopted by the Board and the decisions taken by the Board in 2023 were in the interests of members, deferred members and pensioners. In taking decisions, the Board explicitly considered the interests of all stakeholders in its decision-making process. Over the past year, the Board included the AC in a timely way during its decision-making process on important decisions, including the contribution policy and the indexation decision, as well as providing insight into its deliberations regarding the alternatives. The AC is confident that the Board will share the balancing framework in the context of the Future Pensions Act transition, which is currently in development, with the AC in early 2024.

Recommendations

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

Strategic developments

- Clarify which strategic options are available to Pensioenfonds PDN after the Future Pensions Act transition, taking the developments at the employer and the affiliated companies into account. Also focus on the administrative governance and particularly on the issue of whether the parity governance model is still the most appropriate. Conclude the realisation of a long-term vision and define the follow-up steps.

Governance

- Although the Executive Board members are now the primary contact point for the AC, the AC is committed to continuing the current working method in which the AC can, if desired, also invite other Board members to participate in the AC consultations, particularly where this concerns issues in which Board members are more specifically involved.

DSM Pension Services (DPS) acquisition

- The AC recommends that the Board maintains a strict separation between Pensioenfonds PDN's customer relationship with DPS and the shareholder relationship between the two.

Pensions

- Share the documents currently being developed as part of the Future Pensions Act process, the schedule and the balancing framework with the AC in time and discuss the AC's Future Pensions Act action plan in order to achieve a concerted approach to the Future Pensions Act transition.

Communication

- Involve the AC in time when forming the new communication policy, the communication plans in the context of the Future Pensions Act and the approach to guiding choices. In doing so, ensure that the costs involved are clear and include these in the deliberations regarding alternatives.

Investments

- Analyse the possibilities of protecting the funding level and, in doing so, facilitate the desired scenario for the Future Pensions Act transition.

Risk management

- Evaluate any pending actions from ERB 2021/2023 and indicate whether these will be addressed or included in the new ERB.

2024 Priorities

The most important priorities on which the AC aims to focus in 2024 are:

1. Progressing the Future Pensions Act transition, partly based on its own action plan, which is to be coordinated with the Board.
2. Communications towards members and pensioners in the context of the Future Pensions Act.
3. The formation of a future vision for Pensioenfondsen PDN after the Future Pensions Act transition.
4. Monitoring the general implementation costs and the Future Pensions Act project costs

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



COR
VAN DER SLUIS

Chairman



MARLIES
VAN LOON



RAJESH
GROBBE

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

In addition to its statutory tasks, in its monitoring plan for 2023, the SB outlined the following priorities:

1. Governance in the context of changes in Board set up, the filling of vacancies and the administrative process, as well as progress on the Future Pensions Act process.
2. Outsourcing; overall control of the chain.
3. Strategic projects.

Summary conclusion

The SB concluded that the Board performed well and with ambition in 2023. The fund has sound operations and a thriving structure with key position holders, which the SB uses effectively its work.

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

2024 Priorities

In addition to its statutory duties, the SB will focus on the following priorities in 2024:

- Governance in the context of changes to the Board setup, the acquired shareholding.
 - The administrative process relating to progress in the Future Pensions Act process.
 - Outsourcing; control of the chain.
 - Cost control.
 - Strategic projects.
-

Members of the board

PDN's Board comprises eight members, supplemented by an independent Chairman. Four members are nominated by the employers, two members are nominated by the DSM Nederland Central Works Council and two members are nominated from and by pensioners.

In 2023, Mr K.A. Pikaart (Vice-Chair and Investment Committee member), Ms E.I. Schippers (Chairman of the Board and Executive Board member) and Mr J.M.H. Op Heij (Risk Management Key Function Holder) stepped down.

The Board would like to thank the Supervisory Board and Accountability Council for sharing their findings and recommendations. The recommendations enable the Board to carry out its tasks in a careful and balanced way that is in the interests of members, deferred members and pensioners, other persons with a pension entitlement and the employers. The Board is extremely grateful to the SB and AC for their commitment, involvement and constructive discussions in 2023. The Board is looking forward with confidence to continuing the open and close cooperation.

The Board's full response to the Accountability Council and Supervisory Board evaluations, as well as the text of the evaluations, can be read in PDN's full 2023 annual report.

Board composition ultimo 2023



**AREND
DE JONG**

Independent Chairman



**MONIQUE
VAN HEESWIJK-KUSTER**

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



**LAURINE
LEMON**

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



**PIET
MOLENAAR**

External Board member
Appointed on recommendation
of employers



**PETER
PASMANS**

Board Member
Appointed on the recommendation
of employers



**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



**PIET
RENNEN**

Prospective-member
Elected from and by
pensioners



**ARIE
SONNEVELD**

Board member, elected from
and by pensioners

Pensioenfonds PDN's Sustainability Policy

In the 2023 Sustainability Report, Pensioenfonds PDN explained its sustainability policy and accounts for the most significant results over the reporting year 2023. The complete sustainability report (PDF) can be found on the Pensioenfonds PDN website under downloads and is included in the 2023 annual report.

The fund has again taken major steps in 2023 in the light of our commitment to sustainability and responsible investing. We are delighted to note that this has also been recognised by others, such as the VBDO ranking. This ranking, established by the Dutch Association of Investors for Sustainable Development (VBDO), assesses pension funds' dedication and performance with respect to sustainable investing.

We live at a time in which global society is becoming increasingly polarised, with a growing gap between different visions and values. This affects how people view the future, with some not seeing or wanting to see perspective. At the same time, important elections are taking place in both the United States and in the European Union, which could impact the direction of the Sustainability Policy and international collaboration.

Future perspectives

When we look ahead, it is clear that various important themes require our attention:

- Digital transformation and sustainability: Technology's role in promoting sustainability is undeniable. Innovations can contribute to energy efficiency and the development of smart, sustainable cities.
- Water management: Sustainable management of our water sources is essential if we are to ensure that future generations have access to sufficient clean water.
- Social inclusion and employment: Investing in sustainable projects enables us to help create jobs and promote social inclusion, especially in developing countries.
- Circular economy: Supporting companies that embrace circular economy principles is a step towards minimising waste and the efficient use of resources.
- Ethical investment and human rights: It is our responsibility to ensure that our investments embrace ethical considerations and respect for human rights.
- Biodiversity: The protection and promotion of biodiversity is essential if we are to retain the healthy ecosystems that are crucial for life on earth. The investment world is increasing its focus on investments that help protect natural habitats and species diversity.

Although we are aware of the complexity of the challenges we are facing, we also see the possibilities of making positive impact. With dedication, innovation and cooperation, we can help create a more sustainable and just world for everyone.





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

1. **Health and Well-being**
2. **Climate and Energy**
3. **Raw Materials and Circularity.**

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

- SDG 3: Good health and well-being

- SDG 7: Affordable and clean energy
- SDG 12: Responsible consumption and production
- SDG 13: Climate action

FOCUSTHEMES	FOCUS SDG'S
Health and well-being increase positive impact	3 GOOD HEALTH AND WELL-BEING 
Raw materials and circularity increase positive impact	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 
Climate and energy increase positive impact decrease negative impact	7 AFFORDABLE AND CLEAN ENERGY  13 CLIMATE ACTION 

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

More information on the Sustainability Policy and the policy instruments Pensioenfonds PDN uses for this are available on Pensioenfonds PDN's website via this link. This page also provides an explanation of the policy being implemented, including reports on how votes were cast at shareholder meetings and the progress of engagement actions. Pensioenfonds PDN also publishes a list of companies and countries in which it invests on its website (each year).

1. ESG-integratie

Where possible, Pensioenfonds PDN manages and evaluates investments according to ESG factors. ESG stands for Environmental, Social and Governance. Sustainability risks for the portfolio and other ESG aspects are considered when making investment decisions in the various mandates. Another illustrative topic that falls within this is carbon emissions. Pensioenfonds PDN aims to reduce the investment portfolio's carbon emissions via ESG integration in the investment process.

Outcome of the objectives for CO2 Reduction

KPI 2023	Carbon footprint meting
Description	<p>The fund measures and publishes the carbon reduction target for the investment categories shares, investment grade credits, and high yield US. The reduction is calculated using the carbon intensity for the most recent year and a benchmark. The target is a carbon reduction of 55% by 2030 and a net zero target (100% reduction) by 2050 compared with the benchmark.</p>
Measurement method	<p>Carbon reduction is calculated by measuring the difference between the carbon intensity (WACI) of the benchmark and the carbon intensity of the investment portfolio at the end of the most recent year.</p> <p>The carbon intensity (WACI) of the benchmark is based on 2016 benchmarking and carbon data. If no 2016 carbon data were available, carbon data from 2020 were included in the calculation. This was the most recent data at the time of determining this KPI. If carbon data were also unavailable for 2020, these companies were not included in the benchmark (and the portfolio weighting was corrected for this).</p> <p>For the carbon intensity for the current year, actualized carbon data are used in calculating the carbon intensity of the current year and the companies in the investment portfolio of which no carbon intensity is available, are not included in the calculation (the portfolio weighting is corrected for this).</p> <p>The carbon intensity (WACI) of the portfolio and of the benchmark is the weighted average of the carbon intensity per company (= the amount of emissions (in metric tons) per million turnover) multiplied by the portfolio weighting. Scope 1 and 2 emissions are used.</p>
Source	Sustainalytics and DPS
Target	<p>A carbon reduction target of 55% by 2030 compared with the benchmark for the investment categories shares, investment grade credits, and high yield US, and a net zero target (100% reduction) by 2050.</p>
Outcome	<p>Shares: -53% (current level 108 tCO2e/\$million turnover) Investment Grade Credit: -36% (current level 135 tCO2e/\$million turnover) High Yield US: -16% (current level 417 tCO2e/\$million turnover)</p>

2. Impact Investment

Impact investing is investing in countries, companies or projects that can help resolve social and environmental problems, such as poverty in developing countries or climate change. PDN Pension Fund does this on the basis of the United Nations Sustainable Development Goals.



Outcome of Impact Investment Targets

KPI 2023	Impact Investments - Illiquid Fund Investments
description	The fund classifies fund investments as impact investments if they make a positive contribution to at least one of the 17 SDGs.
Measurement method	Market value or commitments (contractual obligations) to Impact Investments, in million EUR
Source	DPS
Target	Investments designated by DPS as impact investments are held in the investment portfolio.
Outcome	€ 311 million ✓

KPI 2023	Impact Investments – Impact Bonds
Description	The fund designates impact bonds as bonds issued by companies and semi-governmental or governmental bodies to finance social and sustainability projects.
Measurement method	Market value of investments as identified by DPS as impact bonds in the investment portfolio, in million EUR.
Source	DPS/Bloomberg
Target	An aggregate target allocation for impact bonds of 2.5% above the benchmark for the state and corporate bond investment categories.
Outcome	16.0% (+7.4% compared with target) ✓

3. Engagement

Engagement involves dialogue with the companies in which we invest and helps stakeholders stimulate companies to change. The engagement instrument enables agreements to be made with companies about plans, objectives or ambitions, with respect to carbon emission reduction, for example. Engagement is also used to start a series of intensive dialogues with companies whose practices are not in line with the UN Global Compact's principles and where potential or actual negative impact has been identified. An engagement process can be labelled as a proactive or reactive engagement process. If the engagement process does not lead to the desired result, the conditions under which divestment takes place are stated in the escalation ladder.

Engagement process

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

KPI 2023	Progress on objectives for which engagement is deployed.
Description	The fund undertakes active and reactive engagement across the European, US, Emerging Markets, Pacific Rim and Listed Real Estate equity portfolios and in relation to European and US corporate bonds. The engagement program in particular aims to achieve a positive effect on SDGs 3, 7, 12, and 13.
Measurement method	The number of milestones achieved with engagements as formulated by Columbia Threadneedle Investments (hereinafter CTI) in a year as a percentage of the total number of companies with which engagement has taken place in that year. Additionally, the fund measures the number of engagements with a focus on SDGs 3, 7, 12, and 13.
Source	CTI
Target	<ol style="list-style-type: none"> 1. At least 50% of the total number of engagements in a year have reached a milestone. 2. At least 25% of the total number of engagements focus on SDGs 3, 7, 12, and 13.
Outcome	<ol style="list-style-type: none"> 1. 27%. 102 milestones were achieved compared with the 381 companies with which engagement was conducted. 2. 52% of the engagements were linked to our focus SDGs (3, 7, 12 and 13)

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

4. Voting policy and Corporate Governance

As an institutional investor, Pensioenfonds PDN complies with the Dutch Corporate Governance Code. This code defines principles and procedures for good corporate governance. Pensioenfonds PDN's good governance policy aims to protect our interests as a shareholder while living up to our responsibility in that role. Wherever there is an indication that a company is acting irresponsibly, the fund has several options to exert influence, including voting at shareholder meetings of all listed companies in which the fund invests worldwide.

On our website every quarter, we publish how CTI voted on behalf of Pensioenfonds PDN in general meetings of the companies in which we invest. We publish this per individual company and per voting point and this can be found on the Pensioenfonds PDN website via this link.

Achievement of the objectives for voting in 2023

KPI 2023	Percentage of shareholder meetings at which votes were cast
Omschrijving	The fund votes at shareholder meetings of the listed companies worldwide in which it invests in accordance with its Corporate Governance and voting policy and provides transparency in this regard
Measurement method	Number of shareholder meetings in which a vote was cast as a percentage of the total number of meetings.
Source	Columbia Threadneedle Investments

Target	Columbia Threadneedle Investments has voted on PDN's behalf in 100% of the shareholder meetings.
Outcome	99.3%

KPI 2023	Percentage of votes cast on proposals
description	The fund votes at shareholder meetings of the listed companies worldwide in which it invests in accordance with its Corporate Governance and voting policy and provides transparency in this regard.
Measurement method	The total number of proposals that the fund voted on as % of the total number of proposals.
Source	Columbia Threadneedle Investments
Target	Columbia Threadneedle Investments has voted on PDN's behalf in 100% of the proposals.
Outcome	99.5%

1,097 shareholder meetings took place in 2023 for all listed companies in Pensioenfonds PDN portfolio. CTI cast votes on behalf of PDN Pension Fund at 1,089 of these meetings. This was not possible at eight meetings due to applicable liquidity constraints or other operational restrictions in the voting process. This means that the KPI was not strictly achieved. However, Pensioenfonds PDN is satisfied with the result that, where possible, votes were cast at every shareholder meeting.

Votes were cast on over 14,000 proposals at all 1,089 shareholder meetings. As mentioned above, it was not possible to vote at various shareholder meetings, resulting in a total of 0.5% of the number of proposals not being voted on. Votes were cast on the remaining 99.5%. Figure 6 shows the number of votes for or against, blank votes, or abstentions. 'Other' includes proposals in which it was not possible to cast a vote 'for' or 'against' but, for example, frequency of reporting on remuneration policy is requested (e.g. annually or biennially). Again, this KPI was not strictly achieved but Pensioenfonds PDN is satisfied with its voting activity in 2023.

5. Exclusion

Pensioenfonds PDN's investment policy produces an investment portfolio that reflects its standards and values. For that reason, Pensioenfonds PDN excludes companies and countries based on the risk of negative impact and conflict with our norms and values. Pensioenfonds PDN applies criteria for this such as the harmfulness of the product, the impossibility of effecting change through voting and engagement, and the fact that there would be adverse consequences if the product ceased to exist.

Product groups that we exclude or partially exclude include controversial weapons, cluster munitions, coal, oil from tar sands and tobacco. We exclude companies or countries based on their behaviour with respect to the UN Global Compact's Ten Principles and the UN Security Council, Dutch or European international sanctions lists. Countries and companies are added to our exclusion list if there are serious and structural violations.

Achievement of the objectives for exclusion in 2023

KPI 2023	Assets invested in excluded companies
Omschrijving	The fund does not invest in companies that are excluded in accordance with its exclusion policy and laws, and regulations. The screening takes place on a quarterly basis.
Manier van meten	Percentage of assets invested in excluded individual companies at year-end excluding fund investments.
Bron	Sustainalytics & DPS
Target	Maximum 0%
Outcome	0%

KPI 2023	Belegd vermogen in uitgesloten landen
Omschrijving	Het fonds belegt niet in landen die conform het uitsluitingenbeleid en wet- en regelgeving zijn uitgesloten.
Manier van meten	Percentage van het belegd vermogen in uitgesloten landen per jaareinde exclusief fondsbeleggingen.
Bron	Sustainalytics & DPS
Target	Maximaal 0%
Outcome	0% ✓

Our objective for exclusions means that we do not hold any investments, excluding our fund investments, in companies and countries that are on our exclusion list. We have achieved this target. Individual investments in companies and countries on the exclusions list were sold within a calendar quarter of the screening taking place. At the end of 2023, Pensioenfonds PDN's list of exclusions comprised a total of 174 companies and fourteen countries in the investment universe. This represents an increase of 6 companies and roughly the same number of countries compared with the end of 2022.

6. Transparency

Pensioenfonds PDN publishes an annual Sustainability Report to ensure transparency about the Sustainability Policy and its implementation. On its website, Pensioenfonds PDN also publishes an annual overview of the outcomes of the total investment portfolio as well as reporting on the results of its voting policy at shareholder meetings. Finally, Pensioenfonds PDN participates in market-wide initiatives such as the VBDO benchmark and the UN PRI assessment.

KPI 2023	Publication of the Sustainability Report
Description	The Sustainability Report is published and is available to all.
Measurement method	Publication of the previous year's Sustainability Report on the website
Source	DPS

Target	Publication of the previous year's Sustainability Report on the website.
Outcome	✓

KPI 2023	Publication of the Sustainability Policy
Description	The most recent version of the sustainability policy is published.
Measurement method	Publication of the most recent version of the sustainability policy on the website.
Source	DPS
Target	Publication of the most recent version of the sustainability policy on the website.
Outcome	✓

KPI 2023	Peer group analysis
Description	Cooperating on benchmark research by VBDO.
Measurement method	Inclusion of PDN in the VBDO Benchmark on Responsible Investment in the year covered by the Sustainability Report.
Source	DPS
Target	Inclusion of PDN in the VBDO Benchmark on Responsible Investment in the year covered by the Sustainability Report. the Sustainability Report.
Outcome	✓

KPI 2023	Publication of a list of companies, governments, and funds in which investments are made
Description	Publication of a list of all companies, governments, and funds in which PDN has invested as of the end of the year. by the Sustainability Report. the Sustainability Report.
Measurement method	Annual publication of a list of companies, governments, and funds in which PDN has invested as of the end of the year, with a maximum delay of one quarter.
Source	DPS
Target	An overview is published on the website of all the companies, governments, and funds in which PDN has invested as of the end of the year, with a maximum delay of one quarter.
Outcome	✓

Implementation of sustainability legislation and covenants in 2023

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.

EU Sustainability Finance Disclosure Regulation (SFDR Legislation)

In the context of the SFDR legislation, Pensioenfonds PDN has chosen an 'article 8 classification'. This means that Pensioenfonds PDN implements sustainability characteristics within its investment portfolio and also reports on them transparently. From 2024, Pensioenfonds PDN will begin reporting under the SFDR legislation on key adverse impacts with respect to the sustainability factors prescribed by the SFDR legislation. Pensioenfonds PDN has not yet set a target SRI percentage as defined in the SFDR. However, this does not mean that PDN Pension Fund is not investing sustainably. Pensioenfonds PDN most certainly does this, but the difference in definitions of sustainable investments is rather complex. Pensioenfonds PDN will further investigate in 2024 whether employing a minimum percentage of sustainable investments with respect to the SFDR legislation is desirable and implementable (also see the Taxonomy section below).

Taxonomy

Through the Taxonomy Regulation, the European Union has established criteria for determining whether each economic activity is carried out in a sustainable manner. Those are economic activities that contribute to an ecological goal, and which do not cause significant damage to other ecological goals. In total, six different ecological objectives have been defined. Pensioenfonds PDN believes it is important to also invest in economic activities that contribute to these ecological objectives. To determine how much PDN Pension Fund invests in these activities, it must first be clear to what degree the companies in which PDN Pension Fund invests, and can invest, contribute to these ecological goals. To determine this, more data is needed from these companies. In the fourth quarter of each year, Pensioenfonds PDN will review data of companies in the portfolio and assess the target percentage of Taxonomy-classified investments that Pensioenfonds PDN can set for the following year.

IMVB Covenant

On 20 December 2018, we and 69 other pension funds signed the International Socially Responsible Investing (IMVB) Covenant. This Covenant is based on the OECD Guidelines and the UN Guiding Principles on Business and Human Rights (UNGPs). The OECD Guidelines clarify what can be expected of companies in terms of corporate social responsibility when doing business internationally. They contain standards on how to deal with issues such as supply chain responsibility, human rights, child labour, the environment and corruption. In 2020, we updated our Sustainability Policy to reflect the requirements of the Covenant. On that occasion, we included in the policy that we take into account the due diligence process as defined in the OECD Guidelines. This means that we identify negative impacts in our investment portfolio and then strive to stop, mitigate and/or prevent them. We held discussions with all our asset managers in 2021 regarding the new requirements that Pensioenfonds PDN expects of them based on the IMVB Covenant. Wherever possible, these new requirements have been contractually agreed with our asset managers. From 2022, screening has taken place on that part of the portfolio where screening is possible based on the OECD Guidelines and the UNGPs and we will discuss this with the managers. A covenant was signed in late 2022. The implementation of OESO guidelines and UNGPs will, however, continue to be introduced in our processes and Pensioenfonds PDN will continue to monitor this, including with the external manager.

Looking ahead

Following a year of continued efforts and commitment to our Sustainability Policy, in 2024 we will continue to focus on strengthening our sustainability ambition and implementing concrete measures that contribute to a better future both for our members and society as a whole.

In the coming year, we will continue our efforts to further develop and implement our Sustainability Policy. Some important topics that are high on our agenda include:

- Sustainability framework and ESG risk management: We will continue to refine our framework for sustainability and the management of environmental, social and governance (ESG) risks. In doing so, we will pay specific attention to relevant themes during our planned theme days.
- Sustainability Report: Formulating our Sustainability Report continues to be a key focus point. We aim to produce a transparent report on our sustainability performance and on our progress with respect to our targets.
- Target allocation impact bonds: We will review our commitment to impact bonds and make adjustments where necessary to strengthen our targets in this area.
- Target allocation EU taxonomy-related investments: Identifying and allocating investments that comply with EU taxonomy will be a focus area to support our sustainability objectives.
- ESG risk management: We will continue our commitment to the effective identification, assessment and management of ESG risks within our investment portfolio.

With these objectives in mind, we aim to further strengthen our role as a responsible investor and contribute to a more sustainable future for all.

Looking Ahead to 2024

Future Pensions Act

Both the Future Pensions Act and the intended transition to a new pension scheme will again undoubtedly be the Board's most important underlying, direction-determining issues in 2024. The social partners' concrete choices in the context of the Future Pensions Act will become clear in 2024. With respect to the Future Pensions Act, the Future Pensions Act Steering Committee will manage the overall process. The committee will comprise a delegation of the Pensioenfonds PDN Board and social partners. The Board will also continue to direct the fund itself, taking decisions in a timely manner, with the fund bodies and stakeholders remaining well connected. There will be a special focus on the affiliated companies and good connections with the Supervisory Board and Accountability Council. Implementation aspects will also remain a priority in 2024 to safeguard robust future implementation.

The success of the transition to the new pension scheme partly depends on the fund's financial situation. The current funding level enables various goals to be achieved during the transition. However, if the funding level is too low, the parties must make financial concessions. The Board is aware of this short-term risk and continuously monitors whether additional actions are needed to manage this risk.

Extension of administration agreement

The administration agreement between dsm-firmenich and Pensioenfonds PDN as well as the pension agreement expired at the end of 2023. This also applied to agreements with respect to the other affiliated companies. A new pension agreement was concluded at the end of 2023, with the main change being the increase in the accrual rate. The agreement term is until 1 January 2026, with the possibility of an extension. Implementation agreements with all member companies were also concluded in late 2023, with a term until 1 January 2026. 2024 will be dominated by the Future Pensions Act pension agreement, the transition plan being drawn up by social partners and the subsequent drafting of an implementation plan.

Communication

Communication will play a more important role than ever in 2024. 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? Greater use will also be made of new media. 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 will be further rolled out in 2023, with a clear Pensioenfonds PDN positioning. This communication strategy will also focus on a broader target group than members, deferred members and pensioners so that it also reaches other fund stakeholders.

Sustainable investment

Another Board priority for 2024 is to design a framework for integrating ESG, climate and transition risks within the investment policy and integrated risk management, and to establish guidelines regarding the percentage of sustainable investments within the portfolio.

Geopolitical uncertainties

The world is currently facing various geopolitical uncertainties that can have financial consequences. Known issues include the war between Ukraine and Russia, the war in Gaza, tensions between Taiwan and China and the approaching elections in the US. Not only the humanitarian consequences but also the potential economic consequences raise concerns for the pension fund. Any escalation of such conflicts could negatively impact the economy in various ways. All kinds of investments could be affected if there is a major conflict, which is why the fund is increasing its focus on maintaining a sufficient spread of invested assets (diversification).

Contact

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

+31(0)88 3601 555 / info.pdn@dsm.com



Disclaimer

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

Colofon

Production & Text: DPS
Concept & Realisation: Perron 9, Maastricht