

Pre-contractual disclosure for the financial products referred to in Article 8(1), (2), and (2a) of Regulation (EU) 2019/2088 and Article 6, first paragraph of Regulation (EU) 2020/852

Product name: DPS: 'beleggingsmandaat Pensioenfonds PDN' (Pensioenfonds PDN investment mandate)

Legal Entity Identifier (LEI): 5493003N1G9IUUYI8BS44

Environmental and/or social characteristics (E/S characteristics)

Does this financial product have a sustainable investment objective?

Yes

No

At a minimum, this product will make the following **sustainable investments with an environmental objective**: ___%

in economic activities that are considered to be environmentally sustainable according to the EU Taxonomy

in economic activities that are not considered to be environmentally sustainable according to the EU Taxonomy

At a minimum, this product will make the following **sustainable investments with a social objective**: ___%

This product **promotes environmental/social (E/S) characteristics**. Although sustainable investments is not its objective, it will have a minimum of ___% sustainable investments

with an environmental objective in economic activities that are considered to be environmentally sustainable according to the EU Taxonomy

with an environmental objective in economic activities that are not considered to be environmentally sustainable according to the EU Taxonomy

with a social objective

This product promotes E/S characteristics, but **will not invest sustainably**.

Sustainable investment: an investment in an economic activity that contributes to achieving an environmental or social objective, provided such investment does not seriously harm environmental or social objectives and the investee companies implement good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. The Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



Which environmental and/or social characteristics does this financial product promote?

Through its provision of services, DPS promotes environmental and/or social characteristics and invests in businesses that follow good governance practices. With sustainable investment and advice on this topic, DPS wants to ensure responsible and good investment returns that match the sustainability ambitions of DPS's stakeholders, which include the pension funds and their members as well as shareholder Koninklijke DSM N.V. The following environmental and social characteristics are promoted in connection with DPS's performance of the mandate for Pensioenfonds PDN:

Sustainability indicators measure how the environmental or social characteristics that the financial product promotes are

1. **Using ESG factors** when managing and evaluating investments.
2. **Mitigating climate change and carbon reduction:** by measuring the carbon intensity of the shares and corporate bonds in the investment portfolio and having a carbon reduction target of 55% compared with the 2016 benchmark and carbon data for the shares, investment grade credits, and high yield US investment categories, and a reduction of the net zero target (100% reduction) by 2050.
3. **Exclusion based on the Ten Principles of the United Nations (UN) Global Compact:** Companies that conduct themselves in a manner not compatible with the United Nations (UN) Global Compact's Ten Principles are excluded from investment.
4. **Exclusion of socially controversial activities:** Companies involved in the production of tobacco, companies that derive 25% or more of their turnover from coal or tar sands mining, companies involved in the production of controversial weapons such as cluster munition, land mines, chemical and biological weapons, depleted uranium munition, white phosphorus munition, and nuclear weapons. DPS also does not invest in suppliers of products that are vital to the production of the aforementioned controversial weapons (key suppliers). Countries that do not adhere to international treaties or that are under UN, EU, or Dutch government sanctions are also excluded from investment. In most cases, the sanctions relate to human rights, arms proliferation, and democratic rights.
 - ***Which sustainability indicators measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

DPS uses the following sustainability indicators to measure how environmental and social characteristics are met:

Integrating ESG factors in investment management

1. The number of companies that, based on Sustainalytics information, fall into the worst ESG controversies score category ('severe' impact/category 5) or if a company receives ESG controversies score 'high' impact/category 4.

Realizing positive impact on its environment:

1. A target percentage of investments in impact bonds for the sovereign and corporate bond investment categories. The KPI is an aggregate target allocation to impact bonds of 2.5% above the benchmark for the sovereign and corporate bond investment categories.

Mitigating climate change and carbon reduction:

2. Reduction objective relating to carbon intensity for the share, investment grade credits, and high yield US investment categories: 55% as of 2030 - 100% (net zero) as of 2050 compared with the 2016 benchmark and based on scope 1 and scope 2 data.

Exclusion of companies

3. Assets invested in excluded individual companies at year-end, excluding fund investments.

DPS excludes companies that:

- a) Conduct themselves in a way that is incompatible with the United Nations (UN) Global Compact's Ten Principles;

- b) Are active in tobacco production;
- c) Derive at least 5% of their turnover from coal or tar sands mining;
- d) Are involved in the production of controversial weapons such as cluster munition, land mines, chemical and biological weapons, depleted uranium munition, white phosphorus munition, and nuclear weapons;
- e) Are suppliers of products that are vital to the production of the aforementioned controversial weapons (key suppliers);
- f) Are under UN, EU, or Dutch government sanctions.

Exclusion of countries

4. Assets invested in excluded countries at year-end excluding fund investments.

DPS excludes countries that:

The 'do no significant harm' principle applies only to the financial product's underlying investments that take into account the EU criteria for environmentally sustainable economic activities. The underlying investments of the remaining part of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Other sustainable investments may also not seriously harm environmental or social objectives.

Do not adhere to international treaties or that are under UN, EU, or Dutch government sanctions. In most cases, the sanctions relate to human rights, arms proliferation, and democratic rights.

Does this financial product take into account the principal adverse impacts on sustainability factors?

Yes

No

DPS currently already has policies in place regarding some of these adverse impacts.

For example, in line with the IMVB Covenant and the Paris Climate Agreement, DPS's policy takes into account the following and other adverse impacts:

- Carbon emissions from companies;
- Controversial weapons
- Company compliance with the (UN) Global Compact.
- Company compliance with the (UN) Global Compact and the OECD Guidelines.

DPS is still actively formulating policy for other sustainability areas that are designated as important by legislators, including on biodiversity, water, and the gender pay gap.

Which investment strategy does this financial product use?

DPS performs fiduciary asset management for Pensioenfonds PDN under a service agreement. Pensioenfonds PDN's investment portfolio is split into a matching portfolio and

The principal adverse impacts are the most important negative impacts of investment decisions on sustainability factors that are related to environmental and social themes, employment conditions, respecting human rights, and combating corruption and bribery.





The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

a returns portfolio, of which DPS itself invests a part and provides fiduciary services across both.

Pensioenfonds PDN has a broad investment portfolio, split into a matching portfolio and a returns portfolio. Investment is both active and passive in nature.

Pensioenfonds PDN invests its matching portfolio in low-risk fixed-income investments with the primary objective of achieving stable returns as well as managing the interest and inflation risk. The returns portfolio is invested in higher-risk corporate and fixed-income securities. Pensioenfonds PDN invests in sovereign and corporate bonds, shares, listed real estate, and alternative investments (mortgages, non-listed real estate, infrastructure, and gold).

DPS's sustainability policy aims for long-term social and other value creation. Long-term value creation as a guiding principle is pursued by integrating sustainability and sustainability risks using the tools of ESG integration, impact investing, exclusion, and transparency.

DPS makes an effort to mitigate climate change by:

Aiming to achieve a carbon reduction of 55% by 2030 compared with the 2016 benchmark and carbon data for the shares, investment grade credits, and high yield US investment categories, and a reduction of net zero (100% reduction) by 2050. This reduction target is based on WACI scope 1 and scope 2 data. With this objective, DPS supports the Paris Climate Agreement ambition to limit global warming to below 2°C compared with pre-industrial levels and is helping to achieve an even lower temperature rise of 1.5°C.

ESG Integration

Where possible, DPS manages and evaluates investments according to ESG factors. The way in which social issues in the form of ESG aspects are embedded in the investment decisions differs for each investment category and mandate.

In its asset management mandates, DPS aims to achieve a better sustainability profile than the appropriate benchmark on the basis of the ESG Controversies. DPS developed a scoring methodology for this purpose. ESG Controversies provide a good indication of a company's sustainability risk profile, as they refer to incidents at companies or their suppliers that have a negative impact on stakeholders, the environment, or business operations. Data on this are provided by Sustainalytics.

DPS does not invest in companies that are classified in the worst ESG controversies score category ('severe' impact/category 5), based on information from Sustainalytics. This therefore entails an expansion of the current exclusion policy specified above.

If a company receives an ESG controversies score of 'high' impact/category 4, based on information from Sustainalytics, DPS follows a formally defined procedure.

DPS invests in companies that follow good governance practices. This includes good management structures, relations with their employees, remuneration of staff, and compliance with tax legislation. DPS assesses companies on governance issues based on data sources such as the ESG risk score and controversies score taken from Sustainalytics.

Impact Bonds

DPS invests in impact bonds in the fixed-income mandates (Nominal Sovereign, Inflation Linked Bonds, High Yield Europe, and Investment Grade Credits Europe). Impact bonds are bonds issued by companies and semi-governmental or governmental bodies to finance social

and sustainability projects. These bonds can focus on projects that reduce the negative consequences of climate change, for example. Investment in impact bonds is a way to make a positive contribution to climate-related projects and offers an option to make a positive contribution to the climate theme. DPS allocates at least 2.5% above the mandate benchmarks (aggregate) to impact bonds.

Exclusion

DPS also monitors its clients' exclusion policy. On behalf of Pensioenfonds PDN, DPS excludes companies and countries based on the risk of negative impact and a conflict with Pensioenfonds PDN's norms and values. DPS's exclusion policy applies to DPS's mandates within the investment categories of shares, listed real estate, corporate bonds, and sovereign bonds.

DPS excludes the following companies on behalf of Pensioenfonds PDN:

- Tobacco producers;
- Companies that derive at least 5% of their turnover from coal or tar sands mining;
- Companies involved in the production of controversial weapons such as cluster munition, land mines, chemical and biological weapons, depleted uranium munition, white phosphorus munition, and nuclear weapons;
- Suppliers of products that are vital to the production of the aforementioned controversial weapons (key suppliers).

Additionally, companies that conduct themselves in a manner not compatible with the UN Global Compact's Ten Principles are excluded from investment.

The Ten Principles of the UN Global Compact are derived from the following four international treaties and declarations:

1. The Universal Declaration of Human Rights;
2. The ILO Declaration on Fundamental Principles and Rights at Work;
3. The Rio Declaration on Environment and Development;
4. The United Nations Convention against Corruption.

The Ten Principles are subdivided into four main themes. These main themes are human rights, labor law, environment, and anti-corruption measures.

Countries that do not adhere to international treaties or that are under UN, EU, or Dutch government sanctions are also excluded from investment. In most cases, the sanctions relate to human rights, arms proliferation, and democratic rights.

DPS uses the screening and research capacities of Sustainalytics. Sustainalytics engages in worldwide research into social issues and analyzes investment portfolios for their sustainability. Prior to any investment, this is checked against Pensioenfonds PDN's exclusion list. The investment portfolio is also reviewed each quarter to determine whether all the preceding quarter's investments complied with Pensioenfonds PDN's exclusion criteria.

Transparency

In line with the PRI reporting cycle, DPS produces reports to ensure transparency about the sustainability policy and its implementation. It also submits a monthly report to Pensioenfonds PDN about sustainability each quarter.

- ***Which binding elements of the investment strategy are used in selecting the investments in order to attain all environmental or social characteristics that this financial product promotes?***

DPS invests in accordance with its sustainability policy and the wishes and preferences of its clients. The following binding elements flow from this policy:

Exclusions:

DPS excludes the following investments from its investment portfolio:

- Tobacco producers;
 - Companies that derive at least 5% of their turnover from coal or tar sands mining;
 - Companies involved in the production of controversial weapons such as cluster munition, land mines, chemical and biological weapons, depleted uranium munition, white phosphorus munition, and nuclear weapons;
 - Suppliers of products that are vital to the production of the aforementioned controversial weapons (key suppliers).
 - Companies that conduct themselves in a way that is incompatible with Pensioenfonds PDN's norms and values, based on the principles of the UN Global Compact.
 - Companies with which an engagement process is ongoing in SDG focus areas 3, 7, 12, or 13 and that receive a 'poor' rating from CTI for three consecutive years based on stalled or unsuccessful engagement, and there are no special circumstances that warrant continued investment in the company.
 - Companies that fall under UN, EU, or Dutch sanctions.
 - Countries that do not adhere to international treaties or that are under UN, EU, or Dutch government sanctions are also excluded from investment.
- ***What is the promised minimum percentage for limiting the scope for investments to be considered prior to applying that investment strategy?***

0%. DPS does not exclude a certain percentage of the investment universe in advance.

- ***What is the assessment policy for good governance practices of investee companies?***

Good governance practices relate to such things as good management structures, relations with employees, remuneration of staff, and compliance with tax legislation. In its investment choices, DPS takes into account that the companies in which it invests follow good governance practices.

For example, by excluding companies that violate the UN Global Compact. These are the minimum policy guidelines for companies' fundamental responsibilities with respect to human rights, labor rights, the environment, and anti-corruption measures.

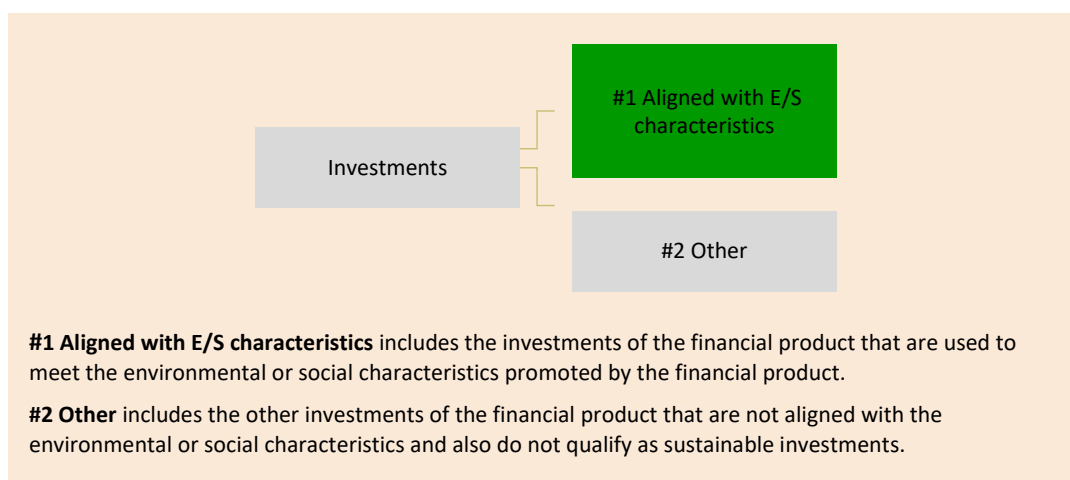
Good governance practices comprise good management structures, relations with employees, remuneration of staff, and compliance with tax legislation.

The **asset allocation** describes the proportion of investments in



What asset allocation is planned for this financial product?

DPS promotes environmental and social characteristics without pursuing a sustainable investment objective as defined in the SFDR. DPS has no minimum allocation to sustainable investments as defined by the SFDR or investments in environmentally sustainable activities as defined by the Taxonomy Regulation. DPS's investments are aligned with environmental and/or social characteristics. These investments cover shares (including listed real estate), corporate bonds, and sovereign bonds.



- ***In what way does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

0%. DPS invests in derivatives, but these derivatives are not used to promote environmental or social characteristics.



- **To what extent are sustainable investments with an environmental objective minimally aligned with the EU Taxonomy?**

0%. Currently, DPS does not allocate a minimum percentage of its portfolio to environmentally sustainable economic activities as set out in the EU Taxonomy. If more reported EU Taxonomy data become available from investments, DPS will reconsider this allocation.

- **Does the financial product invest in activities in the fossil gas and/or nuclear energy sectors that comply with the EU Taxonomy¹?**

Yes:

In fossil gas In nuclear energy

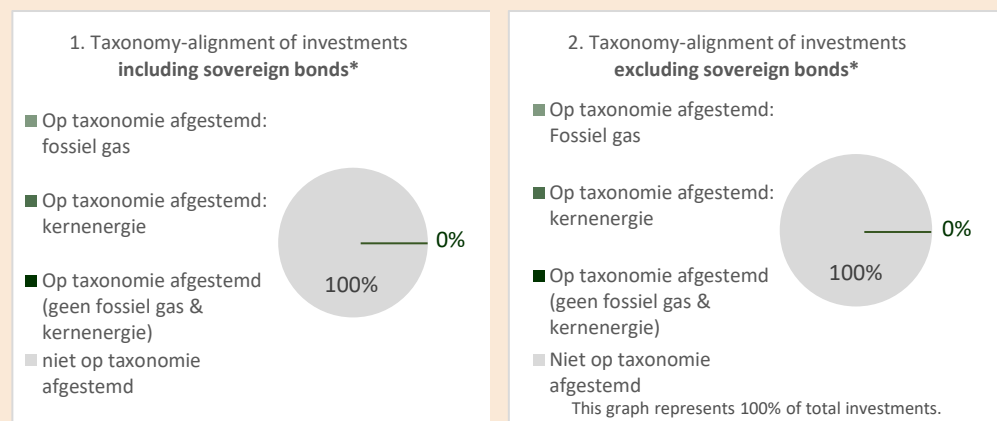
¹ Activities in the fossil gas and/or nuclear energy sectors will only comply with the EU Taxonomy if they contribute to limiting climate change ('climate change mitigation') and do no significant harm to any EU Taxonomy objective – see explanatory note in the left-hand margin. The extensive criteria for fossil gas and nuclear energy sector economic activities that comply with the EU Taxonomy are laid down in the Commission Delegated Regulation (EU) 2022/1214.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable energy or low-carbon fuels towards the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules. **Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective. **Transitional activities** are activities for which low-carbon alternatives are not yet available and, among others, have greenhouse gas emission levels corresponding to the best performance.

Taxonomy-aligned activities are expressed as a share of: **turnover** reflecting the share of revenue from green activities of investee companies; - the **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to green economy; - the **operational expenditure** (OpEx) that reflects green operational activities of investee companies

X No

The two graphs below show in green the minimum percentage of investments aligned with the EU Taxonomy. There is no suitable method for determining the extent to which sovereign bonds are Taxonomy-aligned. The first graph shows Taxonomy-alignment for all the financial product's investments, including sovereign bonds, while the second graph shows Taxonomy-alignment only for financial product investments other than sovereign bonds.*



* In these charts, 'sovereign bonds' comprise all exposure to governments.

● **What is the minimum share of investments in transitional and enabling activities?**

0% This question does not apply, as DPS has not committed to sustainable investments with an environmental objective which are Taxonomy-aligned.



Which investments are included in '#2 Other'? What are they for, and are there any minimum environmental or social safeguards?

Derivatives and liquid assets. No minimum environmental or social safeguards are included for these investments.

DPS uses derivatives mainly to hedge financial risks and achieve efficient portfolio management within the limits set by the Board. The main derivatives are interest rate and currency derivatives. Liquid assets have been included to meet commitments, such as margin calls and pension payments.



Where can I find more specific information about this product online?

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