



Annual Report 2020



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2020 in a nutshell

Impact of corona

The year 2020 was all about corona. The crisis had a great impact on people, companies and organisations. PME, too, suffered the consequences of the corona crisis. PME changed its way of working and the pensioners' meetings in the theatre made way for a live broadcast from a studio in Hilversum. PME kept a close eye on the financial markets and adjusted its investment portfolio more often. In its own sector, it supported companies by postponing the payment of pension contributions. PME also gave support in the form of postponement of payment and discounts to shopkeepers who rented their premises from PME. Despite the corona crisis, all operational activities of PME, such as pension administration and asset management at MN, continued 'normally'.

Pension agreement

The contours of the new pension system have become clear and at the end of 2020, the new '*Wet toekomst pensioenen*' [Act on the Future of Pensions] was published for consultation. For PME, this means that the preparations for the new pension system, which will probably take effect on 1 January 2026, can really begin.

Pension administration to TKP

In 2020, the PME Board decided to transfer the pension administration from MN to TKP as of 1 January 2022. With this decision, the honest and controlled execution of pension management and customer service is guaranteed for the future and the ambitions PME has for participants and employers can be realised. Partly in view of the new pension system, the PME board has, in its consideration, expressly looked at the agility and innovative strength of the TKP organisation in the field of IT and in the area

of customer service. This decision will end the relationship with MN for the pension management. The asset management remains with MN. The PME board would like to emphasise that, in the new situation, the cooperation with PMT and their social partners on the important pension files will remain undiminished.

Organisational developments

In 2020, PME welcomed three new board members. As of the 1st of January 2020, Nicole Beuken became the non-voting independent chairman of the PME Board. She succeeded Frans-Willem Briët. In addition, Susan Eijgermans assumed the position of non-executive board member as of the 1st of January 2020. On the 1st of July 2020, Dries Nagtegaal resigned as a member of the non-executive board. He had been a board member since 2012. Igor Vermeulen succeeded him on that date.

Arie Kortenhoff passed away on the 5th of July 2020. He had been a member of our accountability body since 2014. Previously, he had also been a member of the participation council. The accountability body and the board miss his active contribution and close involvement in PME. Just after the turn of the year, it was announced that Roos Vermeij, executive director, was leaving PME. On the 17th of February 2021, the board and other colleagues said goodbye to her.

'Code Pensioenfondsen' [Code of the Dutch Pension Funds]

PME deviates from the '*Code Pensioenfondsen*' [Code of the Dutch Pension Funds] in two respects. Firstly, PME has an independent chairman without voting rights. By doing so, PME safeguards the independent position of the chairman. Secondly, the diversity



...in 2025...

Good

- our ambition for the pension result is realistic and achievable
- we know the needs of employers and participants
- our scheme is simple, easy to explain and practicable
- our modern pension administration meets the wishes of stakeholders and it is ready for the new system
- our investment portfolio is set up to also achieve sufficient return in the new system at controlled risks

Personal

- our customer service is highly digitalised and, if desired, there is room for personal contact
- participants delve into pension at important life events and they make conscious decisions
- our participants value our means and channels for information provision and the trust in PME is increased
- employees regard pension as a valuable component of the employment conditions and they see PME as a good partner and provider of services

Sustainable

- PME is seen as an involved shareholder that holds companies accountable for any negative impact on nature or society
- PME is seen as a sustainable fund and the carbon emission of our portfolio is reduced compared to 2015 with 50%
- our positive impact investment portfolio has grown to € 3 billion
- the real estate portfolio is being and has been made more sustainable in accordance with our roadmap

Affordable

- we have applied established frameworks and the ambition and premium for pension are balanced
- our fees per investment category are still below the Dutch average market level
- our fees for pension management have been decreased to the average level of our peers

objective within the accountability body was not achieved in 2020. However, the board itself did meet this objective. The accountability body does not yet have a woman and one person under the age of 40 as its members. The appointing organisations are aware of the diversity policy and are working on a sustainable solution.

Risk management

At the end of 2019, the governing board noted that PME's integrated risk management could be improved. In 2020, PME therefore took a close look at its integral risk management and identified the following four main risks: the new pension system, the transition of pension management to a new pension management organisation, cyber-attacks and the vulnerability of PME's balance sheet.

Outlook

In 2020, the board adopted the new 2020 - 2025 multi-year plan. In order to achieve the ambitious goals, the board decided to further strengthen its own organisation. This strengthening will take shape in 2021.



Nicole Beuken, independent chairman



Eric Uijen, chairman of the executive board

Financial position

Coverage ratio 97.6 per cent at the end of 2020

The current coverage ratio is the financial indicator of a pension fund. It is the ratio of a fund's pension assets to its pension liabilities. The current coverage ratio of PME as at 31 December 2020 was 97.6 per cent. This meant that the coverage ratio fell by 1.3 percentage points in 2020. The level of market interest rates and the returns on investments significantly affected the funding level. Due to the corona crisis, the coverage ratio fell sharply in the first quarter to 86.4 per cent at the end of March 2020. The coverage ratio slowly started to rise again from the second quarter of 2020.

Look ahead

PME makes use of the temporary exemption regulation offered by the Minister of Social Affairs and Employment. As a result, PME did not have to reduce pensions in 2020 (and in 2021 as well). It is expected that, in 2021, it will become clear what the financial assessment framework will look like for the transition period to the new pension system. The new legislation determines under which financial circumstances PME will or will not have to reduce pensions in the coming years. A reduction in the coming years may be necessary. PME's financial situation remains highly dependent on developments in the financial markets. A new calculation method must also be used as of 1 January 2021. This has a negative effect on the coverage ratio. Applying this new calculation method in January 2021 had a negative effect (-/- 1.2 percentage points) on the coverage ratio.



Good pension

PME is convinced that a good pension is best arranged together on the basis of solidarity. PME belongs to both employers and employees in the industry. Together, they share the costs and risks of their pension. Everyone is better off with this solidarity.

Where laws and regulations sometimes stand in the way of a good pension, PME is committed to improvement. This is done as much as possible together with other pension funds and with the social partners.

Together and in solidarity

At the end of 2020, the social partners of PME reached an agreement on an adjustment of the premium and the accrual of the pension scheme in 2021 and 2022 as part of the three-year implementation agreement 2020-2022. Part of this agreement was the increase of the pension premium from 22.7 percent (2020) to 27.59 percent (2021) to 27.98 percent (2022). These premium increases are entirely at the expense of the employers.

As of the 1st of January 2021, the so-called accrual rate will be reduced to 1.815 per cent of the pension basis (this was 1.875 per cent). This percentage determines how much a participant accrues in pension in one year. For someone with a gross annual salary of € 45,000, this means € 1.50 less pension accrual per month, or € 18 per year.

Early retirement: 'VEP' [Conditional Extra Pension] scheme

Since the end of 2005, PME has included a provision for financing the transition scheme. With this so-called 'Voorwaardelijk Extra Pensioen' [Conditional Extra Pension] scheme, people can stop working earlier. This scheme expired at the end of 2020. The 'Voorwaardelijk Extra Pensioen' [Conditional Extra Pension] entitlements for the most recent birth years, 1960 to 1972 (24,000 participants), were purchased. Due to limited financial resources, the board decided in March 2021 to grant this scheme to these 24,000 participants at the end of 2020 with a 63.54% correction ratio.

About 2020		
PME awarded a total of € 993 million in old age pension	4,465 new partner's pension benefits were awarded	The average old age pension benefits amount to € 8,982 gross per year
The oldest pensioner with an old age pension is 104 years old	The average partner's pension benefits amounted to € 4,497 gross per year	9,035 people retired; their average age was 66
In 2020, 440 new orphan's pensions were awarded	5,517 pensioners passed away	The oldest person entitled to pension benefits with a partner's pension is 107 years old

Early retirement: Metalektro Generation Pact

Employees aged 60 and over have been able to participate in the Generation Pact since July 2019. This allows an employee to work fewer hours, while the pension accrual continues in full. The fact that the employee works less does not affect the amount of pension he or she will receive later. At the end of 2020, 2,160 employees from 583 employers participated in the Generation Pact scheme. The pilot ended on the 1st of December 2020. Social partners negotiated a continuation of the pilot in early 2021.

Early retirement: part-time pension

In 2020, 14 employees retired part-time. At the end of 2020, a total of 160 people received a part-time pension.

Unfit for work

Employees who become (partially) unfit for work (more than 35 per cent) receive a 'WIA-uitkering' [Benefit under the Work and Income (Capacity for Work) Act] from the government. At PME, these (former) employees continue to accrue pension for the part they are unfit for work. PME pays this premium. At the end of 2020, PME had 7,850 participants with non-contributory participation due to being unfit for work.

Unemployed or self-employed

If members become unemployed or self-employed, they can choose to continue their pension accrual. They then pay the pension premium themselves. For unemployed people with a 'WW-uitkering' [Benefit under the Unemployment Insurance Act], PME pays part of the pension premium. At the end of 2020, a total of 468 participants continued to build up their pension with PME on a voluntary basis.



Affordable pension

Participants have entrusted their money to PME. PME wants to get as much return as possible from each euro deposited at the lowest possible cost.

Premium

Employers pay pension premiums. They may deduct a part of this premium from the employees' salaries. The pension premiums are invested in order to achieve a return. Premiums alone are not enough to pay all the pensions promised now and in the future.

In 2020, the premium for the basic pension scheme was 22.7 per cent of the pension basis. A maximum of 10.89 per cent of the pension basis is deducted from the employee's salary. In total, the employers affiliated with PME paid € 1.61 billion.

As a result of the corona outbreak, many employers are in an uncertain economic situation. For this reason, the board decided in March 2020 to temporarily relax the collection policy for the payment of pension premiums for employers. This meant that:

- the payment term for the sending of payment reminders was extended from 14 days to 2 months;
- the payment arrangements were made more frequently;
- the right to terminate voluntary agreements in the event of premium arrears was not exercised.

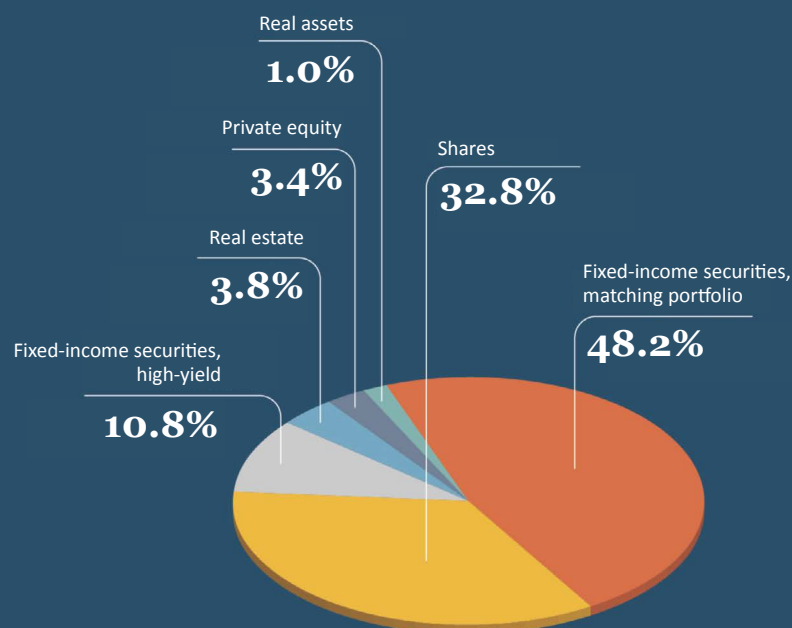
The board closely monitored the course of premium payments in 2020 and noted that employers in the sector appeared to be in a good position to meet their obligations. After the government's so-called 'NOW' scheme, the emergency measure for employment, had been in force for some time, the board terminated the ex gratia scheme for payment of the pension premium. With the premium notice for the month of June 2020, the regular payment policy applied again.

Investments

PME strives for the best possible and affordable pension for its participants. It is necessary to invest the pension assets to achieve this goal. The pension contributions alone are insufficient for the (future) pension benefits. For general information about PME's investment policy, refer to www.pmepensioen.nl/overpme/beleggen.

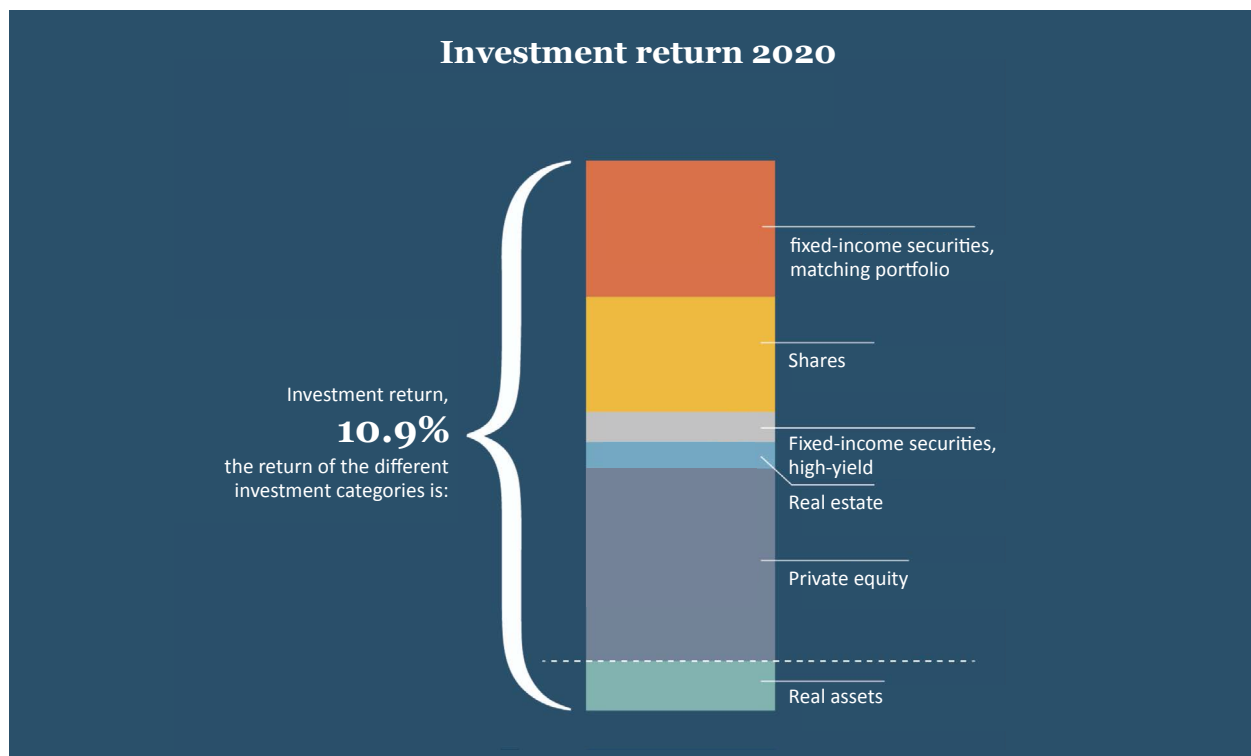
The portfolio of investments at the end of 2020 consisted of the following investment categories:

Actual portfolio at year-end 2020



Investment return

The return for 2020 was 10.9% (this was 18.3% in 2019).



Investments in the Netherlands

PME invests pension capital in the Netherlands and thus contributes to the economic growth of our country. This growth is good for business and employment and therefore for the affiliated employers and participants. Of course, when investing in the Netherlands, a good return at a limited risk also comes first. Over 14 percent of the investment portfolio is invested in the Netherlands (€ 8.6 billion).

PME invests in the Dutch housing market and mortgages. Within this housing market, PME focuses on affordable housing in the private sector. Investments are mainly made in the medium-high rental segment. Examples of projects completed or initiated by PME in 2020 are the apartment complex 'The Village' in **Veldhoven** and two tall residential buildings in **Nieuwegein**.

PME invests in Dutch technology start-ups and scale-ups with growth potential via the 'Innovation Industries' investment fund. By investing in Innovation Industries, PME gives a boost to its own sector. The selected new technology companies will get access to financing via the investment fund, which will allow them to grow into successful companies that will create economic growth and employment in the Netherlands. The investment fund cooperates with three technical universities in the Netherlands and a number of Dutch high-tech companies from PME's supporters.

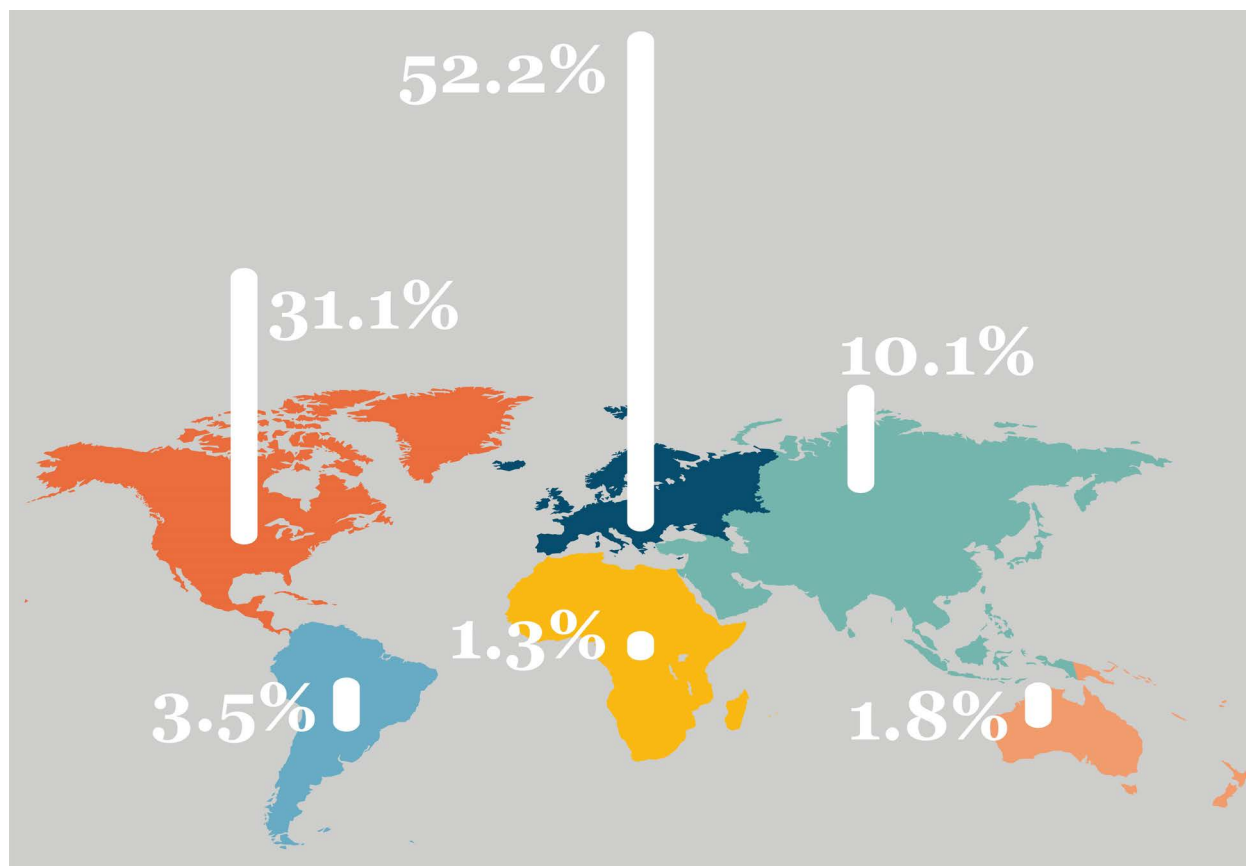
Examples of technology companies that PME invests in via Innovation Industries are **SMART Photonics** and **Microsure**. These companies introduced themselves in PME Magazine in May and December 2020.

Investments worldwide

Compared to 2019, there were slightly more investments in North America in 2020 (+ 2.5 per cent). In general, the proportions are constant for each continent.

Administration fees

PME's total administration fees increased from € 254.6 million (2019) to € 316.0 million (2020). The fees expressed in a fee per participant for pension administration increased from € 116 (2019) to € 119 in 2020. Expressed as a percentage of the average invested assets, the asset management fees increased from 0.41% (2019) to 0.49% in 2020.



Sustainable pension

PME wants to achieve its financial objectives in asset management in a way that contributes to a world that is future-proof, just and liveable.

It is PME's conviction that a good return and responsible investment go hand in hand: companies that incorporate environmental, social and governance (ESG) aspects into their policy provide a better return at a lower risk in the long term.

To achieve its sustainable pension goals, PME focuses on engaged shareholdership, conscious selection and positive impact. Two themes that will receive particular attention are climate change and labour. The choices made by PME are tested among participants and are in line with their wishes.

By 2020, the following results will have been achieved in terms of a sustainable pension:

- Decrease in carbon footprint in the equity portfolio of 29.4 per cent compared to 2019. Compared to 2015, the decrease is 53.3 per cent.
- In 2020, PME also used its influence as a shareholder to urge companies to commit to diversity in their board of directors and in other layers of the company. PME also believes that the remuneration of company boards should be reasonable and that companies should take account of social sentiments in this regard and counteract growing inequality.
- PME is committed to social wages in the textile, food and agricultural sectors. It is one of the founders of the Platform Living Wage Financials (PLWF). This platform talks to companies from the textile, agricultural and retail sectors about the importance of social wages and incomes. The platform plays an important role in the annual assessment of companies on their progress. In 2020, the platform, also on behalf of PME, held talks with 15 companies (10 textile companies and 5 food producers).
- PME considers involved shareholdership important. This means, among other things, that PME holds companies accountable for their responsibility to create long-term value for all stakeholders. PME also enters into discussions with companies and participates in voting at shareholders' meetings. An overview of all **dialogues** that PME conducts is published on the website.

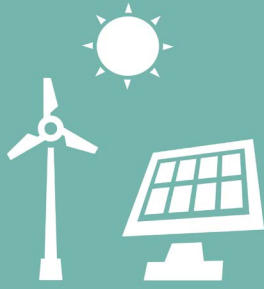
In 2020 votes were cast on behalf of PME at 3,150 (2019: 3.831) meetings, which means that PME voted at 94.3 per cent (2019: 95.2%) of all the meetings at which it was allowed to exercise this right.

- Some products and services are contrary to PME's principles or the beliefs of our participants. For this reason, PME excludes companies that are active in controversial sectors: (nuclear) weapons (production), tobacco (production), (production and sale of) small arms for private use, adult entertainment (production), fur (production), tar sands and coal. PME also does not invest in government bonds of countries that are subject to international sanctions. Finally, companies can be excluded if the dialogue does not produce the result that was intended beforehand. Exclusion also applies to companies that are not prepared to engage in dialogue. At the end of 2020, PME excluded a total of 12 countries and 263 companies.

Investing with a positive impact

By way of impactful investments, PME aims to offer solutions to existing social problems on the one hand and to prevent future social problems on the other. These investments must have a positive impact in terms of the environment and social conditions and at the same time provide a financial return.

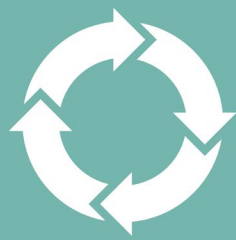
PME now has € 1,264 million of impactful investments in its investment portfolio.



€ 482 million
Energy transition

Approximately **908,000 MWh** of clean energy has been produced and approximately **363,000 tCO₂** has been avoided (comparable to the annual emissions of approximately **45,000** households) in 2020 thanks to investments in **energy transition**.

Approximately **267,000 tCO₂** has been stored for the long term, this is comparable to the annual emissions of approximately **34,000** households.



€ 23 million
Circular economy

Thanks to investments in the **circular economy**, approximately **19,000** tonnes of waste has been recycled in 2020. This is comparable to the annual waste production of approximately **18,500** households.

Approximately **699,000 tCO₂** of emissions has been avoided (comparable to the annual emissions of approximately **87,000** households).



€ 88 million
Access to financing

By year-end 2020, PME has granted **34 loans** to Dutch companies that do not have access to the required capital via conventional means.

By year-end 2020, PME has **23 business participations** in Dutch companies that do not have access to the required capital via conventional means.



€ 671 million
Affordable housing

By year-end 2020, PME provides **2,752 households** with affordable housing (73.9% of the rented housing portfolio of PME).

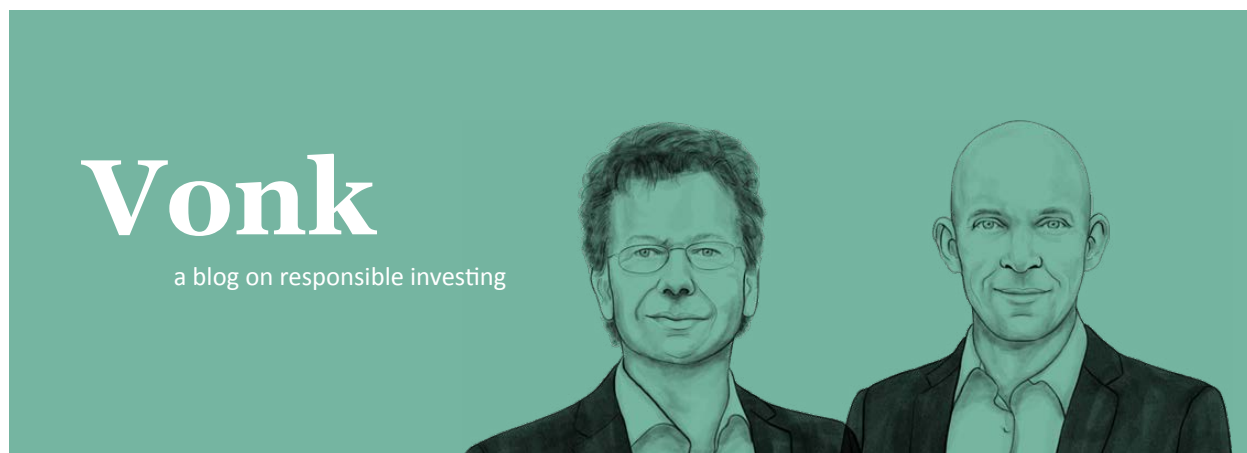
Vonk ('spark') blog

In order to communicate about sustainable pensions and socially responsible investing, PME introduced a blog in 2020. This is the 'spark' blog; because our industry sometimes literally lights sparks. With a blog in which you give your opinion on sustainable investing, you also make sparks fly. They can then kindle a fire elsewhere; that is the idea behind Spark.

The blog is written by Daan Spaargaren and Marcel Andringa.

In 2020, two blogs have appeared on the 'Great Lock-down', about the world after corona. And then the blog 'a little less, please' on how sustainable pensions can get higher on the agenda with shareholders and politicians. Link to all blogs:

<https://www.pmepensioen.nl/over-pme/blog/>



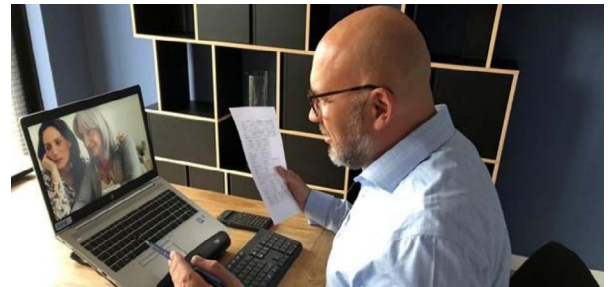
Personal pension

Everyone is different. That is why PME offers its services in as customised a way as possible. Specifically, this means helping participants to make the right choices. We do this by being clear and providing personal service. At any stage of life.

Customised customer service

Introducing video calling

Due to the corona crisis, PME advisors were often unable to conduct face-to-face interviews with participants in 2020. As a consequence, video calling was introduced in May 2020 and almost 1,400 video calls were made in this reporting year. Video calling will continue to be used after corona as a personal communication tool in addition to, or instead of, a face-to-face meeting on location.



Digital broadcasting

Normally, PME holds several meetings for pensioners every year in theatres across the country. Due to corona, this was not possible and a digital broadcast took place about the state of affairs at the fund, the coverage ratio and the new pension system. The reach of a digital broadcast was greater than that of a meeting in the theatre. Participants rated the digital broadcast positively.



Personal pension figures (participants)



Employers

At the end of 2020, 1,432 employers are affiliated with PME. Compared to 2019, that is an increase of 39. This is the largest growth in the last five years. PME has a small number of large companies (>1000 employees) and they represent 21% of the participant base.

Of the employers affiliated to PME, 338 are voluntarily affiliated. The sector is still diverse, but PME sees growth, in particular in the machine- and devices industry. Employers, too, have a lot of contact with PME, as the illustration below shows.

Personal pension figures (employers)



Publications

In 2020, PME published **14 digital newsletters** for members, pensioners and employers.

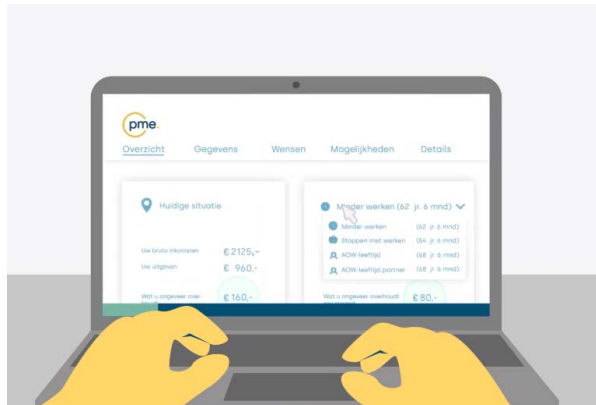
Four **PME Magazines** for members and pensioners were published.



Innovation

Future Explorer

The Future Explorer, introduced in 2019, gives participants insight into all income and expenditure after retirement and shows what their financial situation will be if they want to stop working earlier, for example. In 2020, more than 5,000 participants used the Future Explorer.



Pension Checker App

During the Pension Three-day Marathon on the 2nd of November 2020, PME and other large pension funds introduced the Pension Checker app. With this app, participants can get a user-friendly estimate of their total income when they reach the state pension age. The app was downloaded 50.000 times over the last two months of 2020.

