

Annual report 2022.



Shaping the future

A good pension can best be arranged with as many people as possible. That way, you share the risks and benefit from higher returns. At the same time, a pension is something very personal. It's about your life and how you live it, now and later. It is on this interface of collective and personal that, for over 75 years, we have been committed to the highest return possible. Financial as well as social.

We are PME, the pension fund for people who work in the metal and tech industry. We ensure that they have a good income when they retire. We do this by handling their contributions in a thorough and sensible way, while at the same time leading the way in the changes our society is going through. For example, we entered into a dialogue with participants and employers very early on with a view to becoming fossil-free and making our entire investment portfolio more sustainable. We invest in renewable energy, in the development of circular construction and circular materials, and in accessible healthcare. That way, our participants' contributions yield more than just a good pension. A return that suits the sector for which we work, a sector that literally makes and shapes the future.

Because the metal and tech industry is at the heart of all the changes we face as humanity. From energy to

climate and from digitalisation to healthcare: our sector always plays a vital role in the creation of solutions. Some companies boast 400 years of family history, others have just started. But they all excel in making indispensable products and applications. Ever smarter, ever cleaner, ever more valuable. It's with that same passion that we as a pension fund help shape the future, for the sector and the people who work in it. So that everyone can continue to participate and benefit.

We are in a continuous dialogue with employers and participants to find out what drives them, where they see opportunities, what their concerns are. We are part of their world, of their way of thinking and, as such, of their solutions. We invest a portion of the contributions in the very technology landscape of which we are part. We help develop ecosystems where companies can work together on new technologies, new solutions. And we offer our participants the service they can expect from us. With easy-to-understand answers, clear advice and smart tools that form a picture of their income for later life. Because those who work in an industry that shapes the future must also be able to shape their own future. We are proud to contribute to that.

PME pension fund, shaping the future together

2022 at a glance



Employers

1.527

2021: 1.466



How many people retired?

6.522

2021: 6.954

What was their average age?

66

2021: 65,7

How old is the oldest pensioner with a retirement pension?

105

2021: 105

How old is the oldest pension beneficiary with a partner pension?

106

2021: 106



Active participants

174.425

2021: 168.639

Deferred participants

270.087

2021: 270.973

Pension beneficiaries

168.054

2021: 168.356



Telephone contacts with consultant

4.522

2021: 5.138

Telephone contacts with customer information

47.559

2021: 32.971



Personal meetings with consultant

2.475

2021: 836



E-mail contact with customer information

21.723

2021: 30.248



CO2 reduction of equity portfolio in 2022 compared to 2019

-62,7%

CO2 reduction of bond portfolio in 2022 compared to 2019

-32,1%



Costs per participant

100

2021: 137

Asset management costs (as a % of average invested capital)

0,485%

2021: 0,572%



Funding ratio

110,4%

2021: 108,30%



Return on investment:

-23,0%

2021: 3,9%

Investments with positive impact



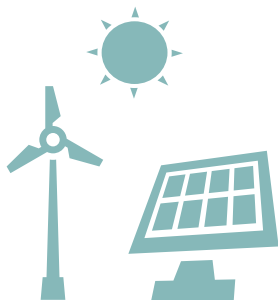
€ 135 million

Innovation in the Netherlands and Europe



€ 836 million

Affordable accommodation



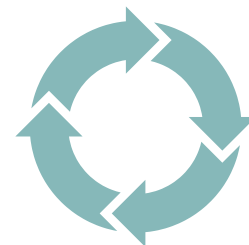
€ 910 million

Energy transition



€ 11 million

Health care



€ 113 million

Circular economy

2022 in a nutshell

A year full of contradictions

The year 2022 was once again quite a turbulent and eventful year. For society as a whole, for the pension industry and for our fund. For PME, it was a year full of contradictions. Despite a historically low return (-23.3%) and a decrease in our total assets from €64.3 to €49.7 billion, we were able to increase the pensions of our (former) participants and pension beneficiaries for the first time since 2008. This was due to the sharp increase in interest rates and a temporary relaxation of statutory rules in the run-up to the new pension system. We were happy about this, but also realised that this pension increase could not fully compensate the increase in the costs of living.

At the start of the year, we were still facing strict COVID measures because of concerns about the omicron sub-variant. During the first quarter, the tide turned in a positive sense, with relaxation of measures and a gradual return to 'normal life'. Unfortunately, in February 2022 the world was surprised by the Russian invasion of Ukraine. The aftermath of the pandemic and the war in Ukraine had a major impact on inflation and the financial markets in 2022. This was accompanied by sharply rising interest rates and inflation and a fall in the stock markets. The effects on PME's commitments and investment portfolio are described in more detail under 'Financial position' and 'Affordable pension'.

Increase in pensions

In June, we decided to increase pensions by 1.29% as of 1 July 2022. This was followed by the decision in November to increase pensions by another 6.2% as of 1 January 2023. As a result, the average benefit paid by PME from January 2023 is almost net €50 higher than last year.

Both decisions were possible due to a general administrative order from Minister Carola Schouten to relax the rules for increasing pensions in the run-up to the new pension system.

Transfer of our pension administration

As of 1 January 2022, TKP took over the administration of our pension management from MN. The transfer was prepared in 2021 by a team of representatives from PME, MN and TKP. When the transfer was completed and evaluated in mid-2022, we concluded, with thanks to all parties involved, that the transition went well.

Preparing for a new pension system

In 2022, we spent a lot of time preparing for the new pension system. In October 2021, we conducted the first large-scale risk appetite survey among 160,000 participants and pension beneficiaries. Over 17,000 people filled in the online questionnaire. To prepare for making choices in the run-up to the new pension system, we again assessed the risk appetite of our participants and pension beneficiaries in December 2022. In total, 194,255 participants, deferred participants and pension beneficiaries received an invitation. Almost 27,000 people filled in the online questionnaire. The results were analysed in the first quarter of 2023. These form the basis for our (provisional) risk attitude and future investment policy. In early March 2023, we thanked the participants in the survey and listed the main outcomes on the website (in dutch).

Focus on IT and cyber security

The increasing threat with regard to cyber security plays a role everywhere in business and society, which means that this also requires increasing attention from us. In 2022, we focused on IT and cyber security policy and took measures to reduce related risks. We also invested a lot of time and money on education and awareness.

Sustainability

In 2022, sustainability was again high on the agenda of our pension board. Particularly noteworthy in this respect was the adoption of concrete climate ambitions, which were communicated in the public climate plan. Our climate plan sets out concrete reduction goals for 2030 and explains which actions we take to achieve these goals.

The plan is a follow-up to our earlier steps, which included the exclusion of primary coal production in 2018 and oil and gas production in 2021. In 2022, our policy and the steps we have taken were scrutinised by reporters from the TV show Pointer. They pointed out that there were still a few non-sustainable companies in our investment portfolio, i.e. companies that derive less than half of their turnover from coal. This had to do with the definition of coal company we used. We explained this during the Pointer broadcast. Spurred on by this investigation, we decided in September 2022 to exclude all coal producers, regardless of the percentage of turnover they make from coal.

Making investing more sustainable requires a new approach, we concluded in 2022. We are increasingly convinced that sustainable investments demand a more intrinsic approach with a clear view of key themes (in terms of climate, labour and governance) and well-considered choices of what we are prepared to invest in. We established this vision and strategy in 2022 under the working title of Tomorrow's Portfolio. Our aim is to make our investment portfolio more in line with our own convictions, sustainability ambitions and identity in a few years' time by investing in a smaller number of companies, without losing the expected return and with an acceptable risk profile.

..... in 2025

<p>Good</p> <ul style="list-style-type: none"> • 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 	<p>Personal</p> <ul style="list-style-type: none"> • our customer service is highly digitalised and, if desired, there is room for personal contact • participants delve into pension at important live 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
<p>Sustainable</p> <ul style="list-style-type: none"> • 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 	<p>Affordable</p> <ul style="list-style-type: none"> • 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

Code of the Dutch Pension Funds

PME departs from the Code of the Dutch Pension Funds in three respects. Firstly, the pension board and accountability council did not meet the diversity goal in 2022. The pension board no longer has a member under 40. The accountability council does not have a female member, nor a member under 40. The appointing organisations are aware of the diversity policy and are working on a sustainable solution. A second departure from the Code of the Dutch Pension Funds is that our executive pension board members (employed by the fund) can be reappointed more than twice if this is decided by the non-executive pension board. And finally, due to the temporary absence of two pension board members, the annual board evaluation was postponed in 2022. Because of this, PME does not meet the standard for annual board evaluation from the Code of the Dutch Pension Funds.

In the strategic long-term plan 2020-2025, the pension board set the following objectives.

Financial position

Funding ratio at the end of 2022 110.3%

The current funding ratio shows how financially healthy a pension fund is. It is the ratio of the pension capital to the pension commitments of a fund. PME's current coverage ratio as at 31 December 2022 was 110.3%. This means the funding at the end of the year was higher than in 2021, when the funding ratio totalled 108.3%. And the ratio at the end of 2022 already includes the indexation of the pensions on 1 July 2022 and 1 January 2023.

The policy funding ratio is the average of the current month-end funding ratios of the last twelve months. This policy funding ratio increased from 103.2% at the end of 2021 to 111.7% at the end of 2022.

Pension increased for the first time in years

From 1 July 2022 to 1 January 2023, pension funds with a policy funding ratio of 105% or more were allowed, under certain conditions, to increase pensions in 2022. Because of these relaxed rules, we increased all pensions accrued twice in 2022.

On 1 July 2022, the pensions of all active participants, deferred participants and pension beneficiaries were increased by 1.29%. The increase of 1.29% makes up for the increase that PME could not make on 1 January 2022 due to the rules that applied then. The amount of the increase was determined by looking at the average increase in prices between July 2020 and July 2021. This amounted to 1.29%.

On 1 January 2023, all accrued pensions were once again increased, this time by 6.2%. PME determined



the amount of the increase by looking at the average increase in prices between July 2021 and July 2022. This amounted to 12.45%. As such, the 6.2% increase is not full compensation for the major increase in the costs of living in 2022.

We would prefer to see pensions rise faster. However, we are aware that we have to be careful in these uncertain economic times. Will we be hitting hard times? Then it's nice to have a buffer. This reduces the chance of having to lower pensions again in the future. Moreover, we want to make sure the transition to the new pension system is as smooth as possible for everyone involved. By keeping a reserve now, we can face the future with more confidence.

Indexation prospects in coming years

Due to the increase in interest rates, our funding ratio increased in 2022 and that is good news. The funding ratio has been too low for a very long time. In anticipation of the entry into force of the new Future of Pensions Act, the rules were temporarily relaxed from 1 July 2022 to 1 January 2023. Pension funds were allowed to increase pensions in the run-up to the new pension system if their policy funding ratio is 105%. With inflation as high as it is and the increased funding ratios at pension funds, the call for indexation has also increased. Like us, many pension funds made use of the relaxed rules in 2022.

We assume that the new Future of Pensions Act will take effect on 1 July 2023. From then on, the relaxed rules for increasing and decreasing pensions will be part of this new legislation. The new rules will apply until the actual transition to the new pension system. If we can raise pensions responsibly in the meantime, we will do so again. A decision to that end must meet all kinds of conditions and we take into account future developments, such as economic conditions and a careful transition to the new pension system.

As part of this new system, the total assets of the pension fund will be divided among all participants in the pension fund, including pensioners. Everyone will then have their own share in the pension assets of the fund. Or, in other words: their own individual pension fund. The fair distribution of the assets among all those individual pension funds requires a certain conversion funding ratio. This differs per pension fund and depends on the agreements that the social partners in the sector will make about the new pension scheme, about maintaining and filling a solidarity reserve, and about compensation measures for certain groups. That conversion funding ratio is somewhere between 95 and 110%. We assume that the social partners will make agreements about the new scheme in 2023 and that we will know by the end of 2023 what our required conversion funding ratio will be.

A good pension

We are convinced that a good pension is best arranged together and in solidarity. PME is of and for employers and employees in the industry, who together share the costs and risks of their pension. This benefits everyone.

Where laws and regulations stand in the way of a good pension, we are committed to improving this. Wherever possible we do this together with other pension funds and the social partners.



We offer more than just the basic pension scheme for our participants. Employers and participants can make various choices at different times. For instance with life events such as a new job, marriage or cohabiting. We serve our participants and their partners at important moments in life.

Lifelong retirement pension

Participants accrue a lifelong retirement pension with us. From the moment they retire until their death, pensioners receive retirement pension from us, on top of their state retirement pension.

Payment upon death

Participants also accrue surviving dependants' pension (or partner pension) with us. If a participant passes away, their official partner gets a lifelong partner pension. Minor children or children in higher education of participants who die get an orphan's pension from us. To simplify the implementation of the orphan's pension, the conditions for orphan's pension were relaxed as of 1 January 2022. Up to and including 2021, orphan's pension ended at the age of 18, unless someone could demonstrate with an annual study statement that they were in higher education. From 2022, the end age of the orphan's pension has been raised to 25 years for everyone.

Couple of facts

	2022	2021	2020	2019
How many people retired?	6.522	6.954	9.035	4.963
What was their average age?	66,0	65,7	66	65,4
What is the amount of the average retirement pension payment per year?	€ 9.428	€ 9.227	€ 8.982	€ 8.695
How many pensioners died?	5.443	6.233	5.517	5.359
How old is the oldest pensioner with a retirement pension?	105	105	104	104
How much money did PME pay out in retirement pension?	€ 1.068 million	€ 1.031 million	€ 993 million	€ 958 million

Early retirement

The average age at which people in our industry retire has been rising for years and is currently around age 66. More than three-quarters of our participants with an employment contract are now retiring at state retirement age. In 2014 this percentage was lower, at 14%. The increasing pension age at PME matches the nation-wide trend.

Generation pact for the metals and electrical engineering sector

Employees aged 60 and over can take part in the generation pact. This allows them to work fewer hours, while pension accrual continues in full. The fact that an employee works less does not affect the level of the pension they will receive later. At the end of 2022, 12% of the target group took part in the generation pact scheme.

Early retirement scheme

In addition, in 2022 the social partners agreed on the early retirement scheme (Regeling Vervroegd Uittreden, RVU). This scheme offers employees the option to stop working three years before their state retirement age. The scheme is accessible to employees with a salary up to €4,000 gross per month or employees who have worked in shifts. When they stop working, they get RVU benefits of €1,874 (2022) gross per month until their state retirement date. For many employees, this amount is too low to make ends meet. In addition to their RVU benefit, they can apply for their pension from PME so that they have sufficient income with both benefits together.

An important task of our pension consultants is to assist these employees in making the right choice when (partially) stopping work or taking early retirement. The pension consultants make calculations of the financial consequences and highlight the advantages and disadvantages of the various schemes.

Incapacity for work

Employees who become wholly or partially incapacitated for work for more than 35% get a state-funded WIA benefit. These employees and former employees continue to accrue pension for the part that they are incapacitated for work. We pay the contribution for this. At the end of 2022, PME had 8,017 participants with non-contributory participation due to incapacity for work.

Unemployed or self-employed

Participants who become unemployed or start working as a self-employed person can choose to continue their pension accrual. If they do, they pay the pension contribution themselves. For unemployed participants on unemployment benefit, PME pays part of the pension contribution. At the end of 2022, there were 314 participants in total who voluntarily continued their pension accrual with PME.

A made-to-measure pension

The salary limit for pension accrual in the basic scheme was €81,010 in 2022. Participants can also accrue pension for the salary above this limit (up to a salary cap of €114,866, 2022 level) if the employer has taken out the supplementary pension scheme.

Participants can also choose to insure a temporary extra partner pension (the ANW shortfall pension) with us. This extra payment supplements the lifelong partner pension until the partner reaches state retirement age. All new participants will automatically receive a proposal from us.

In addition, employers can also take out WIA top-up pension insurance for employees whose salary is higher than the maximum salary over which the government calculates WIA benefits. At the end of 2021, there were 6,804 participants with WIA top-up pension insurance. In 2022, we decided to end the WIA top-up pension at PME by 1 January 2025 at the latest.

An affordable pension

Participants have entrusted their money to us.

We want to squeeze as much value in terms of quality and return from every euro contributed.

We want to do ever more at ever lower costs.



Contribution

Employers pay pension contributions. Part of this contribution can be deducted from the salary of their employees. The pension contributions are invested in order to achieve a return. The contributions alone are nowhere near enough to be able to pay all promised pensions now and in the future.

In 2022, the contribution for the basic pension scheme amounted to 27.98% of the pensionable base (2021: 27.59%). This increase in the contribution percentage was agreed by the social partners. Of the contribution, a maximum of 10.89% of the pension base is deducted from the employee's salary. In total, the employers affiliated with PME paid a total of €1.792 billion in contributions.

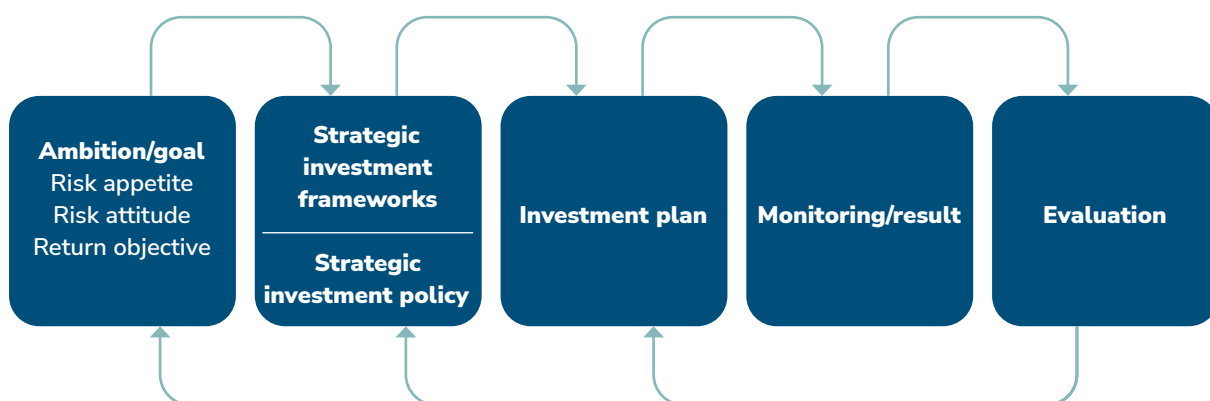
We apply a strict collection policy. If the notice of contributions is not paid on time, the employer will receive a reminder, followed by a demand for payment. If no payment is made after the

demand, the claim can be transferred to the bailiff or the debt-collection agency. We closely monitored the course of contribution payments in 2022 and found that employers in the sector were well able to meet their obligations in 2022. At the end of 2022, PME had handed over 3 files (end 2021: 15) to an enforcement agent for a total value of €6 million (end 2021: €7.5 million). The transferred files all related to receivables from 2021.

Making investments

We aim for the best possible and affordable pension for our participants. To achieve this, we need to invest the pension capital. The pension contributions alone are not enough for all current and future pension payments. For general information on PME's investment policy, go to www.pmepensioen.nl/en/investments.

Our investment process is as follows:



At the end of 2022, the investment portfolio consisted of the following investment categories:

Investment categories	portfolio at the end of 2022*
Fixed-interest securities, matching portfolio	45.3%
Return portfolio	54.7%
- Equity	25.7%
- Fixed-interest securities, high-interest	12.6%
- Real estate	6.9%
- Private equity	7.1%
- Real assets	2.4%
	100 %

* There are rounding differences

Investment return

The return of PME's investment portfolio for 2022 totalled -23.3%. This historically low negative return is a direct consequence of the rapidly rising interest rates in 2022.

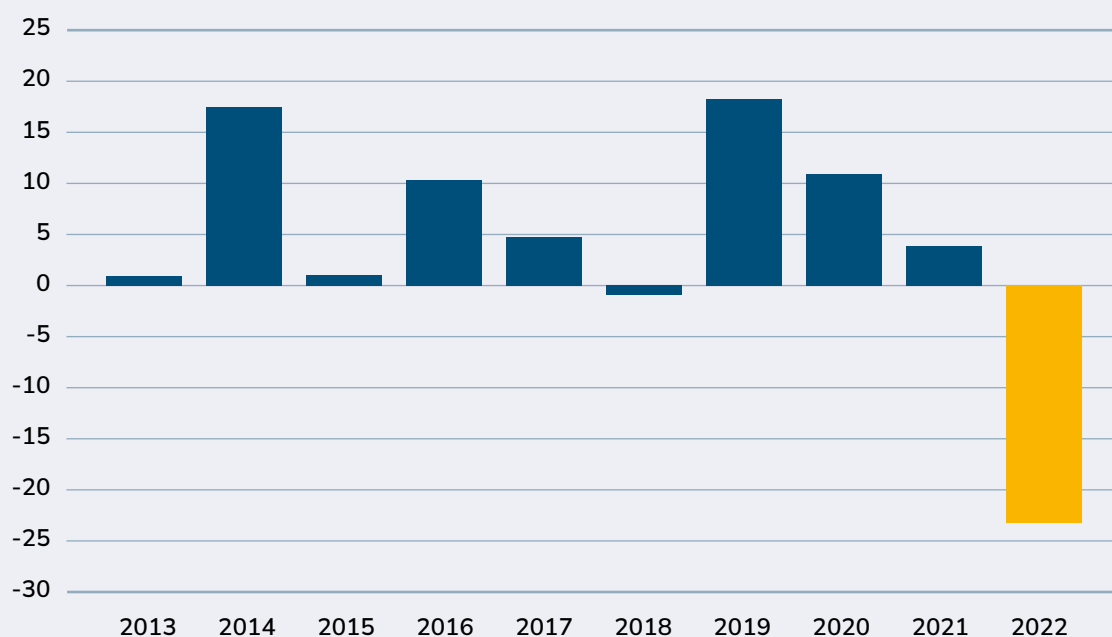
Return 2022	Return portfolio
Return including interest coverage	23.3%
<i>* There are rounding differences</i>	
Fixed-interest securities, matching portfolio	-36.2%
Return portfolio	-10.1%
- Equity	-15.4%
- Fixed-interest securities, high-interest	-9.6%
- Real estate	4.2%
- Private equity	5.4%
- Real assets	10.8%

Due to the strongly negative return in 2022, PME's average investment return for the last five years decreased from 7.2% to 0.7%.

As a result, PME's average investment return for the last ten years also decreases from 7.8% to 3.7%. The investment result for the past years is as follows:

(next page)

Rendementen PME 2013 - 2022



Investments in the Netherlands

We are positive about investing pension money in the Netherlands to contribute to economic growth in our own country. That growth benefits companies and employment and, as such, affiliated employers and participants. When we

invest in the Netherlands, the goal of a good return at a limited risk remains paramount, of course. The following table presents investments in the Netherlands. About 15.8% of the investment portfolio is invested in the Netherlands (€7.8 billion).

Investments in the Netherlands <i>investment categories</i>	Amounts (x € 1 million)	In % of total invested capital	Amounts (x € 1 million)	In % of total invested capital
	2022	2022	2021	2021
Government bonds	1.834	3,7%	2.482	3,9%
Corporate bonds	1.418	2,9%	1.764	2,8%
Mortgages	2.487	5,0%	2.626	4,1%
Equity	157	0,3%	315	0,5%
Real estate	1.513	3,1%	1.699	2,7%
Other	379	0,8%	25	0,0%
Total in the Netherlands	7.788	15,8%	8.910	13,9%

We invest in Dutch **government bonds** and **equity** and **bonds from Dutch companies**. The equity and corporate bonds in our portfolio are from companies including ASML Holding NV, Koninklijke DSM NV, Wolters Kluwer NV, Heineken NV and ING Groep NV.

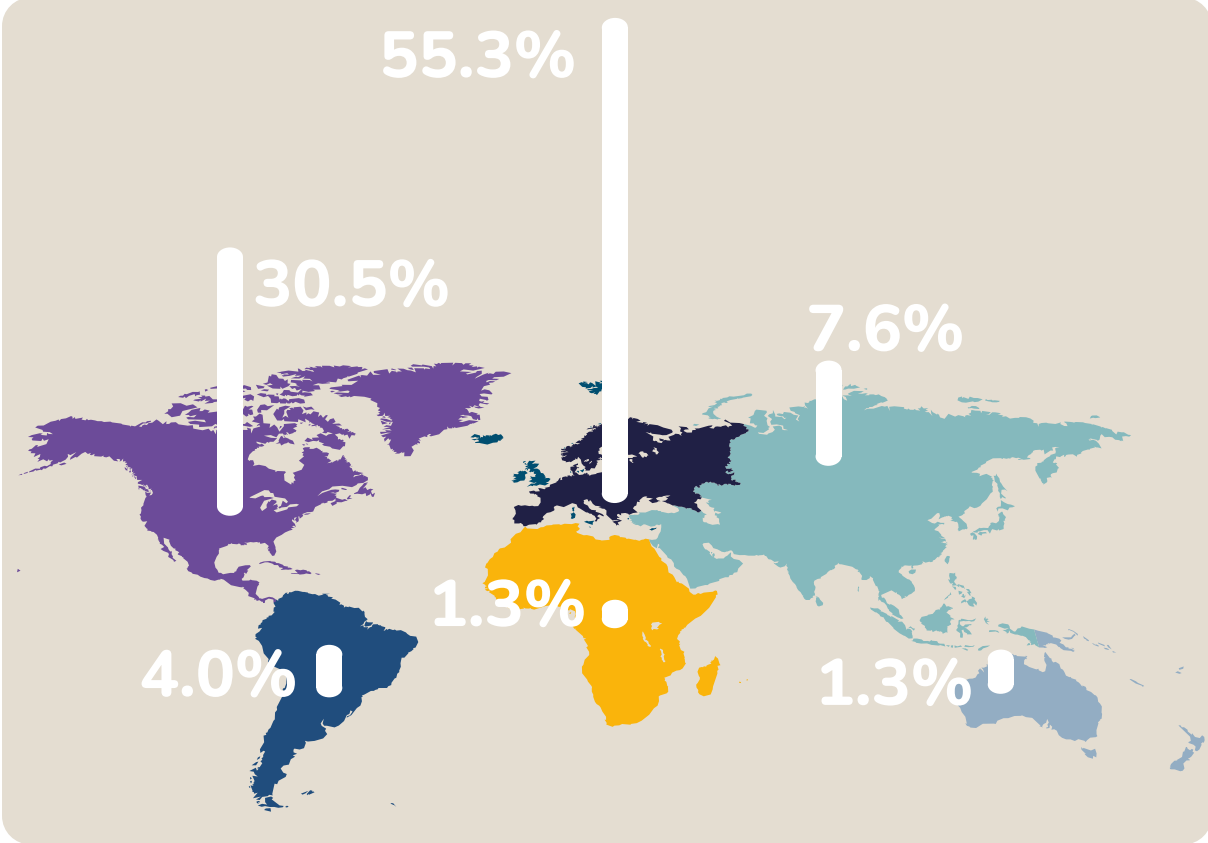
Other examples of investments in the Netherlands are the **housing market** and **Dutch mortgages**. In the Dutch housing market, we focus on affordable, non-subsidised housing, investing mainly in the mid-rental segment. Examples of projects completed

in 2022 or construction of which started in 2022 are 123 sustainable apartments in two complexes of the Maestro project. This is a demolition/new construction project of an old nursing home in The Hague Southwest. The project consists of both affordable mid-rental apartments and apartments that are adaptable to meet the changing needs of residents throughout their lives.

We also focus on Dutch start-up technology companies and scale-ups with growth potential (private equity). We can boost our own sector by investing in Innovation Industries and DeepTechXL. The investment fund Innovation Industries, for

example, works together with three technical universities in the Netherlands and a number of Dutch high-tech companies from our rank and file. And DeepTechXL was the result of cooperation between companies such as ASML and Philips, knowledge institute TNO and the Brabantse Ontwikkelingsmaatschappij. These investment funds give selected new tech companies access to funding. This can help them become successful companies that boost economic growth and employment in the Netherlands. Examples of technology companies in which we invest are SMART Photonics, Microsure and Effect Photonics.

Investments in the Netherlands



Administrative costs

PME's total administrative costs decreased from €398.2 million (2021) to €295.7 million (2022). This decrease was mainly due to the costs of asset management.

Pension management costs

Absolute costs of pension management also

decreased in 2022 compared to 2021. In 2021, the costs were relatively high due to the transfer of pension management to a new administration organisation. The costs of pension management expressed as cost price per participant decreased from €137 (2021) to €100 (2022).

The regular pension management costs decreased from €37.2 million (2021) to €31.0 million (2022). This decrease is mainly the result of the transition of

our pension administration from MN to TKP. In 2022, costs were incurred for the preparations for a new pension system. From 2022 until the transition to the new pension system, the costs of these preparations will be shown under non-recurring project costs (2022: €1.2 million). In the run-up to the new pension system, we expect a temporary increase in total pension management costs due to project and implementation costs. After introduction and implementation of the new pension system, we expect costs to be structurally below the current cost level. This expected decrease is due to a simplification of the scheme and less need for (actuarial) advice. However, the costs of communication and customer service may increase due to new requirements for communication and selection guidance in the new pension system.

Asset management costs

Expressed as a percentage of the average invested capital, the asset management costs decreased from 0.572% (2021) to 0.485% in 2022.

In asset management we always seek the best possible balance between return, risk and costs. For this reason, asset management costs should always be seen in relation to the intended return and risk. The total asset management costs amounted to €261.5 million (2021: €352.0 million). This represents a decrease in the total absolute costs. This is caused by:

- The decrease in the total invested capital.
- Less performance-related costs.

Sustainable pension

We want to achieve our financial goals in asset management in a way that contributes to a world that is future-proof, just and liveable.

We are convinced that a good return and responsible investment go hand in hand: companies that include environmental, social and governance (ESG) aspects in their policy deliver a better return in the long term, at a lower risk.

In order to achieve our goals, we will focus in the coming years on committed shareholding, conscious selection and positive impact. Three specific themes are climate change, biodiversity and labour. Choices that PME makes are supported by research and in line with our participants' requirements.



Aware of our position in society, we want to achieve a good pension in a way that contributes to a world that is future-proof, just and liveable. We consider ourselves an investor in the future, where return and social interest go hand in hand. We believe that companies that include environmental, social and governance (ESG) aspects in their policy deliver a better return in the long term, at a lower risk.

PME aspires to be a sustainable investor. We do this as much as possible in line with the views and preferences of our participants and pensioners. We challenge companies about negative social and ecological impact, and drive positive impact through targeted investments in, for example, the energy transition, timber construction, circular economy and affordable housing. Our objectives:

- By 2030, the absolute CO₂ emissions of our investments in equity and corporate bonds will be 50 per cent less than in 2019.
- By 2050, the investment portfolio has net zero CO₂ emissions.
- Well before 2030, all real estate investments will be in line with the Paris agreements to limit global warming to 1.5 degrees.
- By 2025, PME has 3 billion euros in impact investments.
- By 2025, we will have reinvested 1.2 billion euros – the amount released through the sale of investments in oil and gas producers – in investments with a positive impact on the transition to sustainable energy.

In dialogue with participants, pensioners en employers

In July 2022, we once again organised focus groups for participants and pensioners in the fund. Due to the COVID pandemic, these physical gatherings were not possible for a while. We also conducted research into employers' views on topics such as sustainability, the energy transition and responsible investment. The dialogue with participants and pensioners is important to us. It offers room to discuss issues in more depth than with an online questionnaire. Focus groups also give us the option to explain what choices are made and why.

An important conclusion of the focus groups is the widely shared willingness of everyone to make sustainable choices in life. The scope and possibility to do so often depend on financial considerations. They expect the same from us: make sustainable choices, minding the financial consequences they have.

Participants and pensioners also expect targeted and layered communication about sustainability and responsible investment from us. These topics are often complex and difficult to understand.

Participants and pensioners also indicate that they are not likely to look for information themselves. So it is important that we actively offer accessible information.

Finally, participants and pensioners consider it important that we invest – in line with our own sector – in innovative and forward-looking companies and projects. Either in our own sector or elsewhere. A local focus is also appealing: investing in the Netherlands contributes to strengthening the Dutch economy.

For the first time, we held in-depth discussions with employers on the topics of sustainability and responsible investment. Sustainability plays an important role in almost all companies. For some because the transition to sustainable business operations is important, for others because they provide products or services that contribute to sustainability.

Many employers consider it important that our investment policy is in line with this. For most of the employers we talked to, it goes without saying that

we integrate sustainability into our investments. The notion that sustainable investments can yield just as much return as traditional investments is also widely shared.

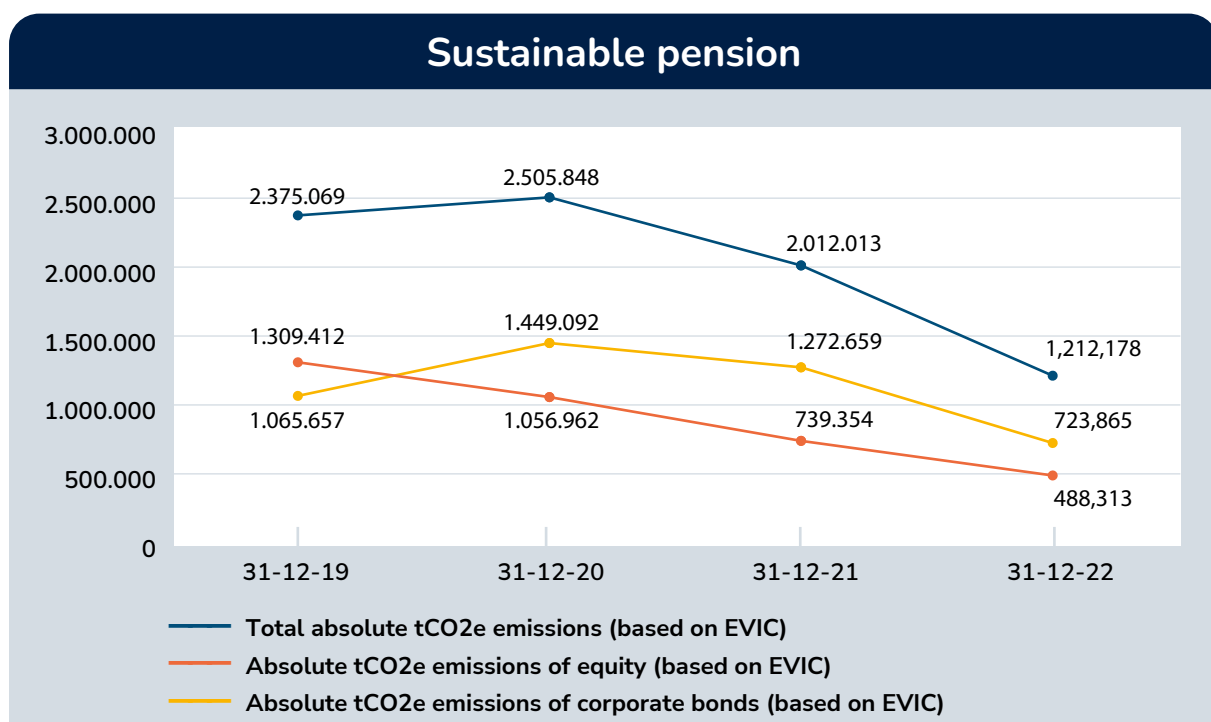
Climate

Climate change entails major risks for our investments. At the same time, investments can also have an impact on climate change and society. The risks to our investments, the increasing legislation and regulations, the importance our stakeholders attach to this subject and our own vision underline the urgency for a comprehensive approach to limiting climate change.

In line with the agreements from the Dutch Climate Commitment, we announced our PME Climate Plan at the end of 2022. In it we set targets to reduce the CO2 emissions of our portfolio and show how we will do this in the coming years for:

- Listed equity
- Corporate bonds
- Real estate
- Infrastructure
- Private equity

In the Climate Plan, we have translated our goals into action plans for these five investment categories. The action plans describe specifically what we will do to limit climate change. The Climate Plan (in dutch) on



our website describes in detail what our objectives and action plans are.

CO2 footprint

In 2022, the CO2 footprint of our equity and corporate bond portfolios decreased by 40.5% compared to 2021. Large decreases in absolute emissions are visible in both the equity portfolio and the corporate bond portfolio.

Shareholder involvement

PME tries to influence companies in its portfolio through two elements:

- Entering into a dialogue (engagement) with companies.
- The exercise of our right to vote in shareholder meetings.

In 2022, we entered into a dialogue on the Energy Transition theme with three companies in the utility sector and seven on the demand side of the energy sector. These are CO2-intensive companies that use a lot of energy in their production process, including companies from the steel sector, cement sector, industrial goods and the chemical industry.

We are committed to social wages in the global textile, food and agricultural sectors. We are co-founder of the Platform Living Wage Financials (PLWF). This platform talks to companies in the textile and agricultural sectors about the importance of social wages and incomes. The platform plays a key role in the annual assessment of the progress of companies in this respect. In 2022, the platform, also on behalf of PME, entered into discussions with 11 companies (6 textile companies and 5 food producers).

We are in dialogue with Unilever, Nestlé, The Hershey Company, BASF and Mitsubishi Corp on the biodiversity theme. In 2022, engagement was enhanced by entering into a dialogue with PepsiCo.

In 2022, Equity Ownership Services (EOS, part of Federated Hermes) engaged with 599 companies in our investment portfolio on our behalf. An example of topics that were given extra attention in 2022 was the

rising costs of living for citizens. This was caused by the rise in energy and food prices, staff shortages and Russia's invasion of Ukraine. The war in Ukraine was also a topic on the discussion table. How did companies handle this? And did they publicly disclose how they dealt with any activities they may have in Russia? A third subject that received a striking amount of attention during the engagement with companies last year was transgressive behaviour. The public attention for this subject led to discussions about the corporate culture within companies and the way in which companies deal with reports of transgressive behaviour.

Also in 2022, we as shareholder used our influence to urge Dutch listed companies to increase diversity and inclusion on the board and at other layers of the company. We also believe that the remuneration of the board of companies should be reasonable and that companies should take social sentiments into account and tackle growing inequality. Other topics that were central to the discussions with Dutch listed companies in 2022 were the direct impact of the war in Ukraine and the companies' climate transition plans.

An overview of all dialogues PME holds with companies, with the exception of dialogues through EOS, is published on the website.

We also exercise our voting right to vote in shareholders' meetings. In 2022, we voted in 1,693 ordinary and extraordinary general meetings. In this way we have exerted our influence with the companies in which we are shareholders.

In addition to the general voting items on the agenda of general meetings, such as the annual report, the remuneration report and the composition of the board, agendas include more and more shareholder resolutions. These concern a variety of social subjects, forcing us as a pension fund to adopt a position on them.

Some examples of important agenda items we voted on in 2022:

- At Google parent company Alphabet, no fewer than 17 shareholders' resolutions were on the agenda for the annual meeting. These ranged from

climate change and water management to racial equality and diversity. We voted for the intended purpose on all these resolutions.

- In May, we voted against Philips' remuneration policy. The proposed upward adjustment of the bonuses of the company's executives would lead to a high bonus for the CEO. This is not in line with the worrying situation in which the company finds itself: errors in millions of sleep apnoea devices may have caused health damage to patients. Rectifying this will certainly cost the company hundreds of millions of euros. Of all shareholders, 79.1% voted against the remuneration report.
- At American web shop Amazon, we voted in favour of a resolution that requires more openness about the company's tax payments. This is relevant information to determine whether Amazon pays a reasonable amount in taxes in the countries in which it operates. Almost 21% of the Amazon shareholders endorsed the resolution.

Exclusion

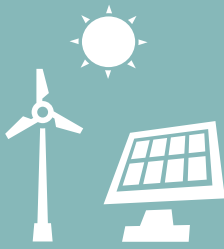
Some products and services are not consistent with the principles of PME or the beliefs of our participants. That is why we exclude companies that are involved in controversial weapons (production), nuclear

weapons, tobacco (production), small arms for private use (production and sale), adult entertainment (production), furs (production), tar sands oil and coal, oil and gas (production). We may also decide to exclude a company if the dialogue has not achieved the intended result or if a company is not prepared to enter into a dialogue. We also do not invest in government bonds in countries subject to international sanctions, such as a travel ban, weapons embargo or trade ban. By the end of 2022, PME had excluded a total of 16 countries and 612 companies, compared to 436 in 2021. The full list of excluded companies can be found here.

Investments with positive impact

By making impactful investments, PME hopes to offer solutions for existing social problems and prevent future ones. These investments must have a positive impact on the environment and social conditions, while at the same time yielding a high enough financial return at a responsible risk.

PME now (end of 2022) has €2.0 billion in impactful investments in its investment portfolio.



€ 910 million
Energy transition

With investments in the **energy transition**, approx. **728,000 MWh** of clean energy was produced in 2022, and approx. **183,500 tCO₂** emissions were avoided (comparable to the annual emissions of approx. **19,000 households** or the annual direct emissions of approx. **9,500 households**).

Approx. **242,000 tCO₂** was stored for the long term, comparable to the annual emissions of approx. **12,500 households**.



€ 135 million
Innovation in the
Netherlands and Europe

By the end of 2022, PME had provided **36 loans** to Dutch companies that do not have access to the required capital via conventional routes.

By the end of 2022, PME held **31 company participations** in Dutch companies that do not have access to the required capital via conventional routes.



€ 836 million
Affordable accomodation

By the end of 2022, PME had provided **2,811 households** with affordable rental housing (70.2% of PME's rental housing portfolio).

These are rental properties in the Netherlands that fall within the medium-high rental segment, with rents up to a maximum of €786 for single-person households and up to **€1,178 for multi-person households**.



€ 11 million
Health care

By 2022, PME will have **4 corporate holdings** in companies that contribute to access to healthcare and/or the development of medical technologies or medicines.



€ 113 million
Circular economy

With investments in the circular economy, approx. **42,000 tons** of waste was recycled in 2022. This is comparable to the annual waste production of approx. **39,000 households**.

Approx. **1,162,00 tCO₂** emissions were avoided (comparable to the annual emissions of approx. **61,000 households**).

Vonk blog



To enhance communications and underline the dialogue about sustainable pension and socially responsible investment, we introduced a blog in 2020. This is our Vonk blog, or Spark blog in English, because sparks can certainly fly in our industry, both literally and figuratively. In their blog on responsible investment, Daan Spaargaren and Marcel Andringa of PME give

their opinion about social themes, the role of institutional investors and sustainable investment. The blog sometimes puts a spark to the flame. That in turn lights another fire. This is the idea behind Vonk. In 2022, 4 blogs were published. Link to all blogs (in dutch): <https://www.pmepensioen.nl/over-pme/blog/>

A personal pension

Everyone is different. That is why we offer custom services wherever possible.

We help people make the right choices By speaking in plain language and providing a personal service. A life long.

We travel all over the country every day to explain and help. On the shop floor, in company restaurants and in packed theatres. And if necessary, we sit around the kitchen table with people.



We help participants, pension beneficiaries and employers both online and in person. Our digital resources help us provide our participants and employers with information more quickly and better. They can also arrange their own pension affairs online. In practice, we notice that good digital resources are important, but that our participants also need personal contact and highly value personal advice with regard to their pension. Particularly in situations in which they need to make important and complicated choices, such as when applying for a pension or after a divorce or the death of a partner.

Participants and pensioners

Our customer information department is available daily to answer the questions of our current and former participants and pension beneficiaries, either by telephone or email. We also offer participants who want to know more about their personal pension free consultations with our pension consultants. Finally, our digital services are featured on the website (pmepensioen.nl) and current and former participants and pension beneficiaries can log in to MyPME for customised information and a pension planner.

Contacts with participants / pension beneficiaries	2022
Telephone contacts with customer information	47,559
Email contacts with customer information	21,723
Personal meetings with consultant	2,475
Telephone contacts with consultant	4,522
Email contacts with consultant	10,076
Video and chat meetings with consultant	2,470
MyPME visitors	190,255

We used to organise several meetings for pensioners in theatres around the country every year. The COVID pandemic threw a spanner in the works: there have been no more theatre meetings since March 2020. The webinars we organise instead are well-attended and receive a high rating. The reach of such a broadcast is greater than that of a meeting in the theatre. Nevertheless, we will try and travel the country once more in 2023. In 2022, we organised two webinars for participants and pension beneficiaries. These can be viewed on our website.

Employers

We also offer employers personal support in the form of consultation hours and presentations for employees on location and help with the financial fitness of their employees. In 2022, we organised 10

training days throughout the country, mainly for HR officers at affiliated employers.

To further improve our service provision and identify employers' wishes, we started individual meetings with our employers in 2022. Several pension board members and employees of our administrative office talked to dozens of employers. We will continue these meetings in 2023 in order to find out first-hand what their views on pensions and our services are. Our goal is to get a better picture of the (pension) wishes and challenges of the employers so that we can respond in the best possible way to their needs. In 2022, we also visited several exempted employers. In addition to the annual information session, they are now also paid an individual visit to coordinate the process of transition towards the new pension system.

Contacts with employers	2022
Working visits by employer consultant	293
Telephone contacts with employer consultant	865
Email contacts with employer consultant	3,457
Video chats with employer consultant	92
Telephone contacts with customer information	3,916
Email contacts with customer information	6,918

We also organised a webinar for employers in 2022.

Newsletters and PME Magazine (in dutch)

In 2022, PME published 13 digital newsletters for participants, pensioners and employers. Four PME Magazines for participants and pensioners were published.