PME
Climate Plan

There is no planet B

Version 2 | July 2024

Foreword

A good pension starts with sound financial returns in a liveable world. That is why we are constantly looking for ways to invest ever more sustainably. You can find out about our efforts in this respect in this second version of our climate plan.

The world has not become a safer or more stable place since late 2022, when we published the first version of this climate plan. Climate change is a threat to people, environment and society. Weather records are being broken almost every month. In Europe, we have already reached two degrees of warming. Natural disasters are happening on an unprecedented scale. And ever greater numbers of people are fleeing because the place where they live is no longer liveable. That is why we are taking action. If necessary, we will up our game with each new version of our climate plan. For the employees and pensioners in our industry. And certainly for our children and grandchildren.

With the actions and choices described in this plan, PME aims to edge closer towards achieving the Paris Agreement targets. Closer, for we won't know if we succeed until we get there. As such, this is not the final version of our plan. In the years to come, we will regularly review our targets and action plans, and adjust them where necessary. This year, we have added climate ambitions to our investments in government bonds, mortgages and forestry. And in the run-up to the next version, we will assess what we have achieved and where we can shift up a gear.

This plan builds upon steps we have already taken. It is an extension of our ambitions and objectives, and sets the bar higher for things we were already doing. For instance, in 2018 we excluded coal producers, followed three years later by the exclusion of primary oil and gas producers. Since 2023, we have stopped investing in fossil fuel producers altogether. But that's not all. We invest all the money freed up this way in clean energy. Moreover, we have set a target for absolute CO_2 reduction. By 2030, the absolute CO_2 emissions of our investments in equity and corporate bonds will be 50 percent lower than in 2019.

What else are we going to do in the short and medium term? Read on to find out. For each investment category, we will explain which steps we are taking to achieve net zero by 2050.

PME pensioenfonds

On behalf of the pension board, on 2 July 2024,

Eric Uijen
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Content
climate plan

1 A good pension requires a **liveable climate**

A good pension for everyone in our sector. That is our goal.
But a pension is only good if you can enjoy it in a clean and stable world.

Just like other pension funds, PME pays most of its pensions from returns on investments. Investing works best in a world that is not warming up any further. In a world where people are not fleeing drought, floods and hunger. In other words: a stable return requires a stable world. That's why we believe that limiting climate change and promoting the energy transition are of great importance. Now and in the distant future.

This is in line with the wishes of our participants and employers. They are aware that the sector can only thrive with a reliable and sustainable energy supply in a stable world. It is particularly in our sector that many innovations come together that contribute to a liveable climate.

We take on our role

PME supports the Paris Climate Agreement. As a major investor, we are willing and able to play a role in achieving the Paris climate goals. Because money talks. The primary commitment in the Paris Climate Agreement is the aim to keep the average global temperature increase well below 2 degrees Celsius. And the 195 countries who signed the agreement would even like to limit it to 1.5 degrees.

The Netherlands has joined this effort. Just like a significant part of the financial sector in our country. Over 50 financial institutions in the Netherlands have signed the Climate Commitment of the Financial Sector. Including PME. As signatory, we share our plans to achieve the Paris goals. We show how we will reduce emissions from our investments in the coming years in order to realise a significant reduction by 2030. Our efforts will be aimed at listed equity, corporate bonds, real estate, infrastructure, private equity, government bonds, mortgages and forestry. Because it is within those investments that we expect we can make the greatest difference.

Not the start, but a continuation

Our climate plans are not new. We have been working on them for many years. In 2018, we decided to exclude all primary coal producers fromour investment portfolio. In 2021 we took this one step further and sold all our investments in primary producers of fossil oil and gas.[1] Since 2023, we have stopped investing in fossil fuel producers altogether. The freed-up capital was put into clean energy, such as wind and sun. In that same year we also set climate targets for our investments in real estate. Previously, we had made plans to significantly reduce the CO_2 emissions of our investments by 2025.

This plan is not the start, but a continuation. We are setting the bar even higher.

[1] To exclude companies from our investment portfolio, we use what is known as a sector definition. This determines how a company is classified. A sector definition is not always watertight. That's why we also use public information. This allows us to make decisions based on the latest insights and to further fine-tune our exclusion policy.

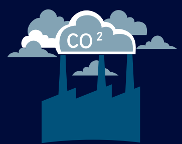
2 Our main **climate targets and ambitions**

Long term

Our **long-term** goal is clear: by **2050** our investment portfolio will have **net-zero CO_2 emissions**. We are working towards this along a pathway consistent with no more than 1.5 degrees of global warming. This means that we want to achieve an average annual CO_2 reduction of at least 7 percent per year, as set out in international agreements. This is an average. The reduction pathways never follow a straight line.

Short and medium term

The road to a climate-neutral economy is still a long one for our world. To achieve our long-term goal, we have set a number of key targets and ambitions for the coming years. We focus on the investment categories where we see the **best opportunities to impact global CO_2 emissions**. We briefly explain these categories below. Later in this document we take a closer look at the measures we are taking for each investment category to achieve our goals and ambitions.[2]



In order not to make things too complicated, this plan only uses the term CO_2 emissions. We actually mean CO_2 equivalents. This means that, where possible and relevant, we also take into account other greenhouse gases, such as methane and F-gases. We convert the greenhouse gas effect of these gases into a quantity of CO_2.

[2] For the first five asset classes, we set ourselves specific, numerically substantiated, targets. There are three new categories in this version of the climate plan: government bonds, mortgages and forestry. In the case of these three categories, we speak of ambitions rather than targets for a variety of reasons. For each asset class, we explain why.

1 Listed equity

By 2025, CO_2 emissions from our investments in equity will be 50 percent lower than in 2015.[3] For this, we look at the relative scope 1 and scope 2 emissions.[4] This goal is already well met.

By 2030, CO_2 emissions from our investments in equity will be 50 percent lower than in 2019. For this, we look at the absolute scope 1 and scope 2 emissions based on EVIC.[5]

We will pay extra attention to sectors with relatively high CO_2 emissions. We will monitor whether the companies in which we invest are, by 2030, operating as expected in a manner that is consistent with global warming of no more than 1.5 degrees Celsius.

2 Corporate bonds

By 2030, our investments in corporate bonds will emit 50 percent less CO_2 than in 2019. For this, we look at the absolute scope 1 and scope 2 emissions based on EVIC.[6]

We will pay extra attention to sectors with relatively high CO_2 emissions. We will monitor whether the companies in which we invest are, by 2030, operating as expected in a manner that is consistent with global warming of no more than 1.5 degrees Celsius.

3 Real estate

Well before 2030, all real estate investments will be in line with the Paris agreements to limit global warming to 1.5 degrees.

By the end of 2030, CO_2 emissions per square metre of property will be 40 percent lower than in 2020.

4 Infrastructure

In 2025, we will have reinvested approximately 1.2 billion euros – which were freed up by the sale of investments in producers of oil and gas – in investments with a positive impact on the transition to sustainable energy.

By 2040 at the latest, all infrastructure investments will be in line with the Paris agreements to limit global warming to 1.5 degrees Celsius.

5 Private equity

By 2040 at the latest, all private equity investments will be in line with the Paris agreements to limit global warming to 1.5 degrees Celsius.

6 Government bonds

It is our ambition that, by 2040, all the countries we invest in through government and state-owned enterprise bonds are on track to limit global warming to 1.5 degrees.

7 Mortgages

It is our ambition that homes in our mortgage portfolio have emissions consistent with global warming of no more than 1.5 degrees.

We want people to opt for construction deposit accounts more often so that their homes can be made more sustainable.

8 Forestry

It is our ambition that CO_2 is increasingly stored in the forests we invest in.

We also want the CO_2 released from planting, managing and harvesting these forests to decrease.

[3] We calculate this on the basis of what is called market cap. For an explanation, see 'Annex 1: How do we calculate?'.

[4] For an explanation, see 'Annex 2: What are scopes 1, 2 and 3?'.

[5] For an explanation, see 'Annex 1: How do we calculate?'

[6] For an explanation, see 'Annex 1: How do we calculate?'

Progress starts with asking the right questions

3 Stronger **together**

As a large investor, we have influence. We use that influence to slow down climate change.

How do we do this?

By our investment decisions: we either invest or choose not to invest in certain companies. We enter into a dialogue with selected companies in which we do invest. We encourage them to reduce their emissions. If this doesn't work, we use our shareholder vote. And if we don't see enough prospects, we can leave the company altogether.

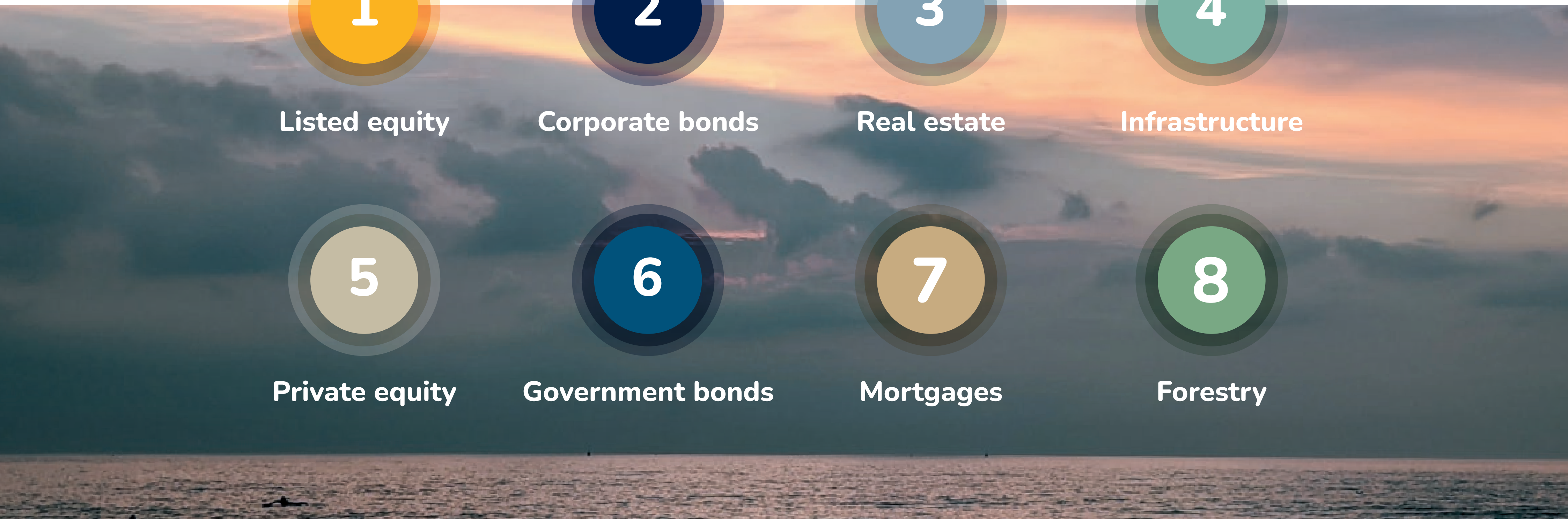
We cannot change the world alone. That's why we joined forces with other players in the financial sector. This increases our influence. But ultimately, climate is a joint responsibility. Everyone must take action. Consumers, companies, authorities and large investors such as PME. We are setting the bar high. But no matter how we look at it, as an investor we depend on other parties for the degree of impact we can make.

If we change the way we live, travel, buy, eat, produce and invest, real change is possible. But we have to do it together. Because we are stronger together. PME, for one, is in on it!

4 Action plans:
how we will reach our targets and ambitions

In chapter 2 we described our general climate targets and ambitions. We have translated these into actions plans for each of the eight relevant investment categories. These describe specifically what we will do to limit climate change. And how we contribute to financing the energy transition.

The eight investment categories are:



1. Listed equity
2. Corporate bonds
3. Real estate
4. Infrastructure
5. Private equity
6. Government bonds
7. Mortgages
8. Forestry

Tools and data

The action plans describe how we use different tools to reach our targets and ambitions.

These are tools used by PME to put pressure on the companies in which we invest. For instance, by entering into a dialogue with companies and by voting in share-holders' meetings. In recent years, when companies showed insufficient climate action we have regularly attached consequences. We will make this policy more explicit in the near future and will also be accountable for it to the outside world.

We also make choices regarding the type of companies we invest in. We exit investments that are performing relatively poorly on climate change and we invest more in activities with a positive impact.

To determine our goals and use our tools effectively, we need data and information. That's one of the aspects of the action plans.



Each of the action plans comprises four building blocks:

Action plans

The following is a summary of our action plans based on the targets and tools defined above. For each of the tools we explain which steps we've already taken. And we tell you more about the steps we are working on and expected developments in the period to come. We will regularly update the action plans based on new developments and insights.

ACTION PLAN

Listed equity

PME expects its investments in equity to make a relatively significant contribution to the globally required reduction in CO_2 emissions. As shareholder, PME can vote in favour of a climate-friendly policy, insist on CO_2 reduction in dialogue with companies and decide not to invest in companies that do not contribute enough to limiting climate change. We can also stimulate the energy transition by investing in companies that make a positive contribution.

PME does not invest in coal producers. We have also banned producers of fossil oil and gas.

Targets

- In 2015, PME started measuring the CO_2 emissions of its equity portfolio. For the year **2025**, we have set a relative CO_2 reduction target of **50 percent** compared to **2015**. This goal is already well met.
- A new target for **2030** has been set: **50 percent** reduction in **absolute CO_2 emissions** compared to the end of **2019**.
- We have also set goals for **CO_2 intensity by 2030** for several **CO_2-intensive sectors**. Such as airlines, car manufacturers, steel producers and electricity companies. These targets are based on a scenario where global warming is limited to no more than 1.5 degrees.

Data

Since 2015, PME has been measuring the **carbon footprint** of investments in the equity portfolio. We also report on this. We look at the number of kilograms of CO_2 emissions per 100 euros of invested capital. Based on this criterion, our footprint has **decreased by 80.5 percent** in the period between 2015 and 2023. More specifically: emissions have dropped from 23.4 kilograms to 4.6 kilograms of CO_2 per 100 euros of invested capital.

We want to gain insight into whether **each company** is doing enough to reduce emissions to a level that is consistent with a 1.5-degree pathway. For this, we are currently using the Transition Pathway Initiative (TPI). We now have data on 56 companies. Together, these are responsible for **34 percent of emissions** in our equity portfolio. We expect data to become available for more companies in the short term.

We measure **the quality of the climate policy** of companies using ESG scores or aspects of these scores. We are not only looking back at past emissions, but we are also looking forward. We look at **concrete actions** that companies take. Because only working on climate on paper is not enough.

We exclude companies from our investment portfolio on the basis of a sector definition. In addition to this, we use **public information**. This allows us to make decisions on the basis of the latest insights and to further **fine-tune our exclusion policy**.

Pressure

Since 2017, we are in **dialogue** with the **major CO_2 emitters** in our equity portfolio. Often together with other major investors. Some of these companies have made significant steps to reduce their emissions. In the coming period we will mainly talk about targets for the shorter term. And about concrete steps that companies are taking.

Since 2021, we no longer invest in primary oil and gas producers. And since 2023, we have stopped investing in fossil fuel producers altogether. We are now focusing on the energy transition and are talking for example to **electricity companies** and **companies that use a lot of fossil energy**.

Where appropriate, we support **climate resolutions** in shareholders' meetings. For example, as one of the first large pension funds, already in 2017 we voted for climate resolutions of **Follow This** and have continued to do so.

(Dis)investment

We no longer invest in companies that generally **score worst** in terms of the **environment, society and good governance**.

We no longer invest in companies that score poorly on a number of specific climate criteria:

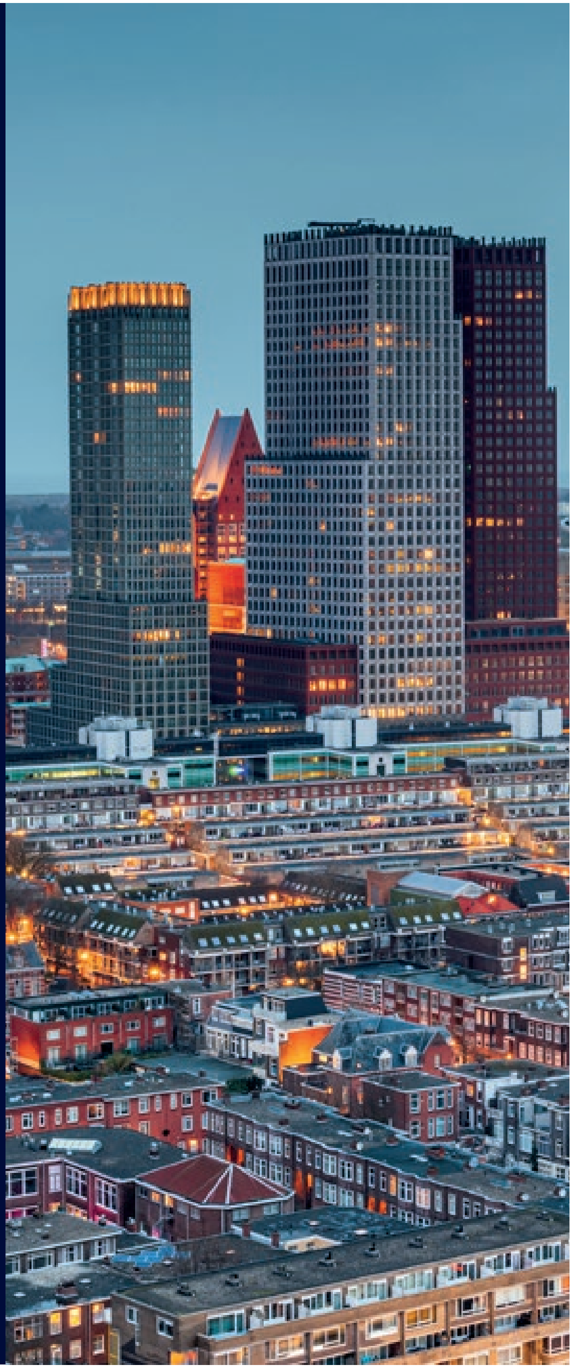
- We **do not invest** in electricity companies whose turnover comes for more than **30 percent** from energy generation using **coal**. We also encourage companies to gradually reduce this percentage. If this doesn't work, we no longer invest in these companies.
- We have **stopped** investing in **coal producers** and in **oil and gas producers**.
- We have **stopped** investing in the **50 percent worst environment and climate performers in CO_2-intensive sectors**, such as aviation, steel, mining and utility companies.
- We **stop investing** in companies if the **dialogue** we have with them **do not have the desired** result. And we are open about it.

ACTION PLAN

Corporate bonds

PME wants to use its sizeable investments in corporate bonds to exert influence on CO_2 emissions. We do this by funding companies that make a positive contribution to limiting climate change. And by not investing in companies that do not want to change.

In the corporate bonds portfolios we work with managers who take climate aspects into account in their investment decisions. They are selected and assessed partly on the basis of the quality of their ESG policy. PME's largest bond portfolio, in European investment-grade corporate bonds, consists for 15.8 percent of green bonds.[7]



Targets

- For **2030**, we have set a new target: **50 percent reduction** in **absolute CO_2 emissions** compared to the end of **2019**.
- We have also set goals for **CO_2 intensity by 2030** for several **CO_2-intensive sectors**, as we have for the equity portfolio.

[7] Green bonds are bonds whose returns are used for projects with a positive impact on climate, the environment and the living environment. Such as making homes and office buildings more energy efficient, more efficient waste processing or sustainable forestry.

Data

Since 2019, PME has been measuring and reporting the carbon footprint of its **corporate bond** investments. The **carbon footprint intensity** in 2023 was **41.5 per cent lower** than in 2019.

Also with regard to corporate bonds we want to know whether **each company** is doing enough to reduce emissions to a level that is consistent with a 1.5-degree pathway. For this, we are currently using the Transition Pathway Initiative (TPI). We now have data on 38 companies, who together are responsible for **32 percent of the emissions** from our corporate bonds portfolio. We expect data to become available for more companies in the short term.

We measure and report on the quality of the **climate policy** of companies using ESG scores or aspects of these scores. We are not only looking back at past emissions, but we are also looking forward. We also look at the **concrete steps** that companies take. Because only working on climate on paper is not enough.

We remove companies from our investment portfolio based on a sector definition. In addition to this, we use **public information**. This allows us to make decisions on the basis of the latest insights and to further **fine-tune our exclusion policy**.

At electricity companies, we measure what part of the turnover comes from **energy production with coal**. Under the heading '(Dis)investment' you can read what consequences we attach to those measurements.

Pressure

We **select asset managers** who are committed to CO_2 reduction and encourage them to be **more ambitious** where necessary. We are further tightening our criteria in this area.

As bondholder, we do not have a right to vote, like we have for our equity. The **asset managers** who invest in corporate bonds on our behalf do hold companies accountable for their **climate policy**.

(Dis)investment

We no longer invest in companies that generally **score worst** in terms of the **environment, society and good governance**.

We no longer invest in companies that score poorly on a number of specific climate criteria:

- We **do not invest** in electricity companies whose turnover is based for more than **30 percent** on energy generation using **coal**. We also encourage companies to gradually reduce this percentage. If this doesn't work, we no longer invest in these companies.
- We have **stopped** investing in **coal producers** and in **oil and gas producers**.
- We **stop investing** in equity and bonds of companies if the **dialogue** we have with them **does not have the desired result**. And we are open about it.

Given equal return expectations, we prefer **green corporate bonds** over regular bonds.

ACTION PLAN

Real estate

PME has real estate investments in the Netherlands and abroad. About half are in the Netherlands.

Through its real estate investments, PME wants to contribute to a reduction of CO_2 emissions. We do this by renovating existing properties. And by taking energy efficiency into account in new developments. In addition, we are increasingly investing in CO_2-positive timber construction projects.

For our international real estate, we mainly focus on appointing the most suitable property managers. And in our own country we aim for the highest attainable energy labels.

Targets

- PME asks real estate investors to give sustainability and climate aspects a solid role in the investment policy. Managers of real estate portfolios must have at least **three out of five stars** of the comparative **sustainability quality mark GRESB**. If we do business with a real estate investor, the step to four stars must be made within two years. The ultimate aim is **five stars**.
- PME wants to bring the **emission intensity** of real estate investments into line with the **1.5 degrees scenario** well before 2030. For this purpose, we use the methodology developed by **CRREM**, the Carbon Risk Real Estate Monitor research project financed by the European Union.
- By 2030, **emissions per square metre** of properties must be **40 percent lower** than in 2020.

Data

PME has been using **GRESB data** since 2014.

We know the energy labels of our Dutch property. **46 percent** of our Dutch property has **label A+ or A**. Over 40 percent has label B or C.

PME measures the **CO_2 impact of real estate investments**. We also look at the emissions by tenants.

There are no data yet for the emissions released during the **construction and renovation** of properties. As soon as these become available, we will ask asset managers to report on them.

Pressure

We **select real estate managers** who are committed to **CO_2 reduction** and encourage them to be **more ambitious** where necessary. For example, we ask for insight into the carbon footprint of the investment portfolio and a sustainability plan that is consistent with the 1.5 degrees scenario. We focus on **sustainable renovation** (which includes insulation, installation of solar panels and sustainable heat installations) and as much **energy-neutral new construction** as possible.

Together with our real estate manager, we **encourage and develop timber construction projects**, or cross-laminated timber (CLT).

(Dis)investment

Climate policy plays a key role in the **selection of real estate managers**. We will **tighten** the criteria for this as soon as better data become available.

By 2030, properties will have CO_2 emissions of **no more than 16.6 kilograms per square metre**. That's why we invest in **renovation**, installation of **solar panels** and replacement of existing **heating systems**. Every new construction project meets the **BENG requirements** (EPC 0.0) or has demonstrable possibilities to achieve this.

The emissions released during timber construction (and bio-based construction) are regularly **CO_2 negative** throughout the chain and are therefore considerably lower than with traditional construction techniques. We therefore want to develop and acquire **more timber construction objects**.

ACTION PLAN

Infrastructure

With its investments in infrastructure, PME can make an important contribution to the energy transition. We do this mainly by financing infrastructure required for renewable energy. In 2021, PME sold the investments in primary oil and gas producers. Since 2023, we have stopped investing in fossil fuel producers altogether. This yielded 1.2 billion euros. In addition, we had previously made 1.6 billion euros available for investments in the energy transition. We want to fully reinvest this money in investments with a positive impact on the energy transition ultimately by 2025. We invest in infrastructure equity and loans, such as wind, solar energy and hydropower.

Targets

- By 2025, we will have put **1.2 billion euros** in new investments with a measurable positive impact on the **energy transition** and an appropriate financial return. By the end of 2023, EUR 950 million of that sum was committed and some EUR 719 million was actually invested. We are on schedule.
- By 2040 at the latest, **all infrastructure investments** will be in line with the **Paris Climate Agreement**. However, sufficient data are required for this.

Data

We measure and report on the scope of our **impact investments** within the **renewable energy** theme.

We measure and report on **how much sustainable energy** is **generated** by our investments and **how many CO_2 emissions** have been **avoided** as a result.

There are still **insufficient data** available on the **operational carbon footprint** of our infrastructure investments. PME is working on **improving** these data, paying extra attention to scope 3 emissions. Because there are often significant indirect emissions related to infrastructure sectors such as roads, ports and airports.

CO_2 emissions from **infrastructure construction** are also important, but still difficult to measure. Here, too, PME is working on improvement.

Pressure

For our investments in infrastructure, we **select asset managers** who are committed to **CO_2 reduction**.

We are investigating whether **data** based on e.g. **UNPRI, SFDR, SBT and the Data Convergence Initiative** can be used to **assess asset managers** within the infrastructure market.

We **encourage asset managers** to align their infrastructure **policies** with the pathway leading to **net-zero emissions in 2050**.

(Dis)investment

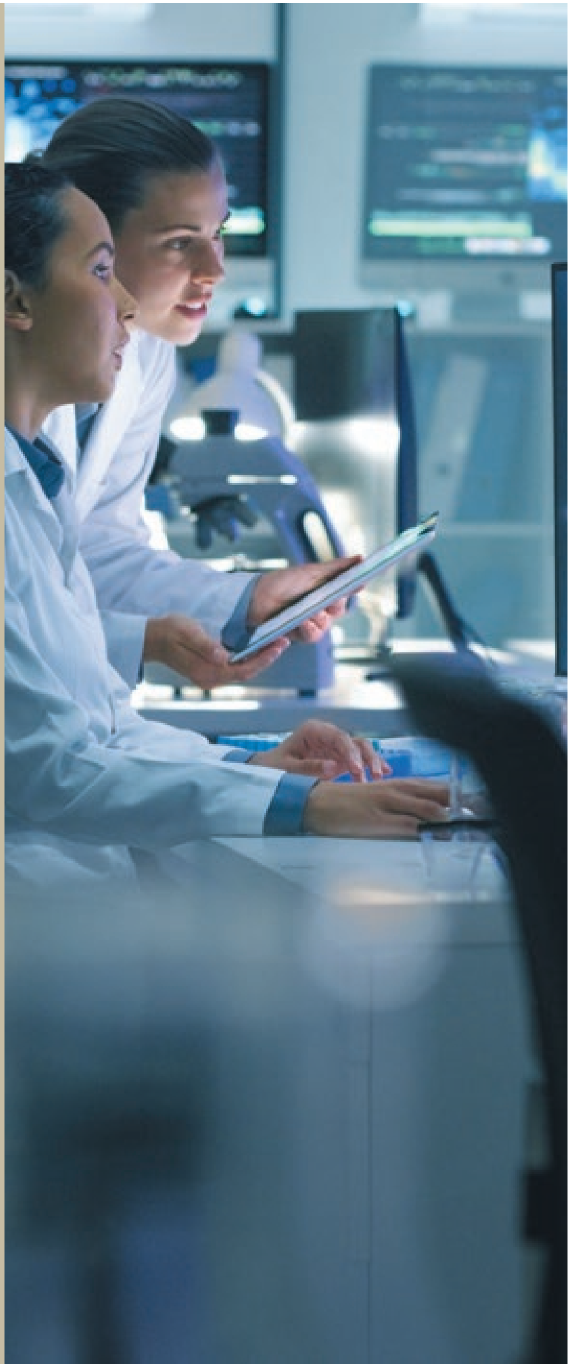
By 2025, we will have put **1.2 billion euros** in new investments with a measurable positive impact on the **energy transition** and an appropriate financial return. By the end of 2023, **950 million euros** of that sum was committed and some **719 million euros** was actually invested. We are on schedule.

We **do not make any new investments** in **coal- and oil-related projects** in infrastructure.

ACTION PLAN

Private equity

PME can influence CO_2 emissions through investments in private equity (direct investments in a company outside the stock exchange). Mainly by investing in companies that are committed to combating climate change. This criterion therefore weighs heavily in the selection and monitoring of private equity managers. By 2040 at the latest, all private equity investments must be in line with the Paris Agreement.



Targets

- For private equity, too, **all investments** will be in line with the **Paris Agreement** by **2040** at the latest.
- Because the data are not yet sufficient, we will **investigate** in the coming period how we can **measure and manage** this investment category better. Because we would like to formulate concrete targets for this category as well.

Data

PME **assesses** each investment in private equity on aspects including **policy, actions and reporting** on environment and climate. We do this on the basis of the framework and principles of the Taskforce on Climate-Related Financial Disclosures (TCFD).

We are **investigating** how we can better **measure the carbon footprint** of private equity. However, the data in this area are still below standard. We expect improvement in the coming years due to stricter European regulations and more pressure from investors such as PME.

Pressure

We **select asset managers** who are committed to **CO_2 reduction** and encourage them to be **more ambitious** where necessary.

We are further tightening up the **monitoring** of the **climate policy** of private equity managers.

(Dis)investment

We only make new investments with private equity managers who have signed the **United Nations Principles for Responsible Investment** (UNPRI).

Managers who **do not do well** in the field of climate policy **do not get any new investments** from PME.

From 2022, PME aims to invest **at least 20 percent** of new private equity investments in companies with a **positive social impact**. However, the availability of those investments is still limited.

ACTION PLAN

Government bonds

PME is committed to contributing to climate change mitigation through its investments in government bonds. Because it is crucial that governments, in particular, take their share of the responsibility. This means implementing policies that aim to ensure the world does not warm up by more than 1.5 degrees. To this end, we are deploying all the tools we have at our disposal.

At the same time, our influence on achieving this target is limited. Financial institutions play only a minor role within what is often complex decision-making on a national level. This is why we set an ambition rather than a target for this investment category.

Ambition

- By 2040 at the latest, **all countries** we invest in through **government** and **state-owned enterprise bonds** must be on track to limit global warming to **1.5 degrees**.

Data

Since 2018, **climate risks for government bonds** have been measured using an **ND-GAIN score**. This score shows how **vulnerable** a country is to the impacts of climate change.

PME has been measuring **emissions from government bonds** since 2023. We do this in line with SFDR obligations. We look at emissions as compared to the gross domestic product.

We are also keen to measure whether countries are **on track** to limit global warming to **1.5 degrees**. For example, does a country have appropriate CO_2 reduction targets? And is it investing enough in renewable energy?

Pressure

We impose **ESG requirements** on those who **manage** our government bonds. And we **assess their performance** at least once a year. Is an administrator not doing a good enough job? If so, we can engage in **conversation**.

Together with other investors, **we hold governments to account**. This can take the form of a **constructive conversation** or, if necessary, by sending or signing an **urgent letter**.

New climate policies must be **ambitious and effective**. For this reason, we actively engage in the **debate**, regularly making **suggestions for improvement** and seeking **cooperation** with other financial institutions.

Managers sometimes hold governments accountable for their **contribution to the energy transition**. PME is **investigating** ways to take **more control** over those conversations. For example, based on data on how far along countries are on the road to limiting global warming to 1.5 degrees. We increase our efficiency by **partnering with other investors**.

(Dis)investment

We do not invest in **government bonds** of countries that score below **60** on the **ND-GAIN Vulnerability Index**. Nor do we invest in government bonds of countries scoring below **30** on the **ND-GAIN Readiness Index**. This is how we limit the climate risks of this investment category.

Are two government bonds expected to yield roughly the same amount? And is one green and the other not? If so, we prefer the **green government bond**. Investing in green government bonds encourages countries to report on their climate impact.

We are looking for an **indicator** that allows us to properly **rank** countries. That indicator could replace our current choices based on ND-GAIN score. This way, we can better see **which countries are lagging behind** and in which countries we no longer wish to invest.

ACTION PLAN

Mortgages

PME invests in mortgages. This is another category through which we seek to contribute to climate change mitigation. We can do so in two ways. By encouraging homeowners to make their homes more sustainable. Or by no longer putting money into mortgages for less energy-efficient homes. We prefer the first option. Because one thing is certain: focusing exclusively on building energy-efficient homes will not get us there. We also want housing to remain affordable for everyone.

Our influence on homeowners is limited. We simply cannot force people to insulate their homes or put solar panels on their roofs. This is why we set an ambition rather than a target for this investment category.

Ambition

- The **homes in our mortgage portfolio** have **emissions** consistent with global warming of **no more than 1.5 degrees**. To ensure this is the case, we use the methodology developed by the European Union-funded research project **CRREM**, short for Carbon Risk Real Estate Monitor.
- People opt more often for **construction deposit accounts** to make their homes more **sustainable**.

Data

Energy labels are an easy way to see approximately how energy-efficient a house is. Currently, some **67 percent** of homes in our largest mortgage portfolio have **energy label C or better**.

We measure **how often** people apply for **construction deposit accounts** to make their **homes more sustainable**. We also pay attention to the **size** of these deposits.

Those who manage our mortgages do not have a final or up-to-date energy label for all homes. Typically, other estimates are fairly rough, too. We therefore encourage our managers to provide the **most reliable picture of CO_2 emissions per square metre**. We do this by discussing the calculations with them. And by pushing for **improvement** wherever possible. Moreover, we want to know better exactly what **construction deposit accounts** are used for and **how much CO_2** they save.

We want **emissions data** to be of **sufficient quality**. Only then can we compare them with the **CRREM pathways** for Dutch homes. And only then will we know whether the emissions from our mortgage portfolio fit with global warming of **no more than 1.5 degrees**.

We want to know how effective **promoting timber-based construction** is. Therefore, we will **measure** how many mortgages in our portfolio relate to this type of property.

Pressure

We only work with managers who are serious about sustainability. This means they **inform** people about **making their homes more sustainable**, including making concrete proposals. They also encourage mortgage advisers to include this topic in **mortgage discussions**.

A **construction deposit account** costs money. There are several ways to **keep such costs down**. For example, with a discounted interest rate. And by not using unnecessarily expensive valuation reports. We discuss with the managers the **actions** they take. Where necessary, we insist on **improvement**.

(Dis)investment

We make it **easier** for homeowners to make their homes **more sustainable** with a **construction deposit account**. They can borrow up to 9,000 euros (and up to 106 percent of the value of their home) without any additional income requirements. For existing customers, intervention by an adviser or notary is not required for this step.

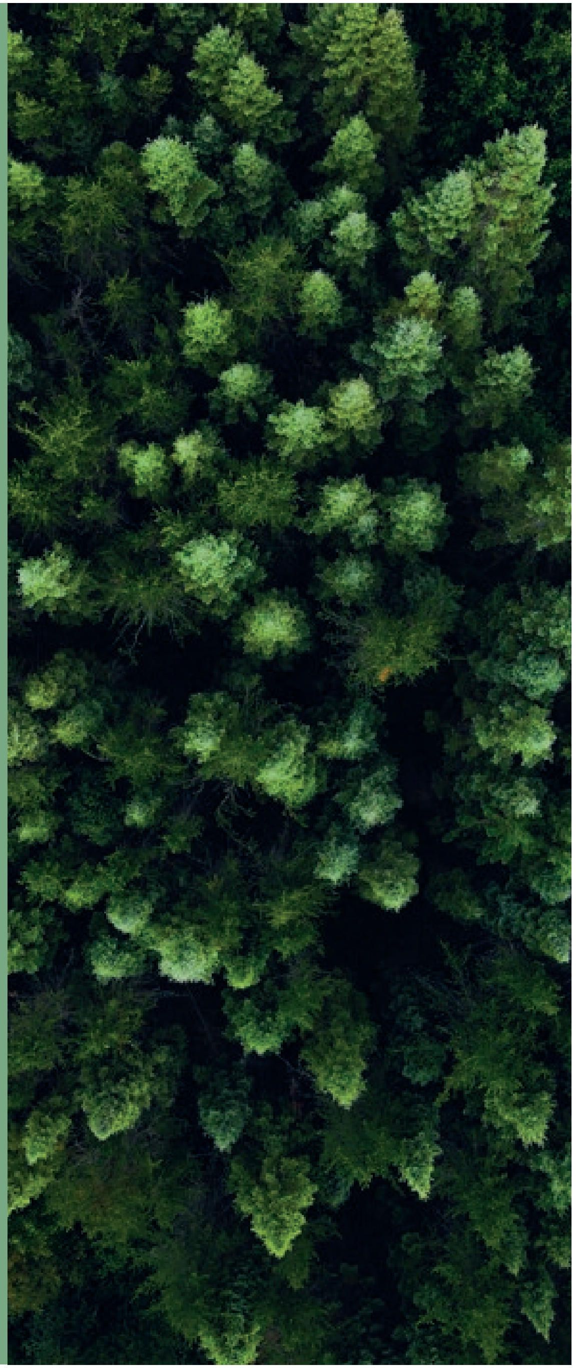
Timber construction can help meet Paris Agreement targets. Our largest manager provides **mortgages for timber construction** and is exploring opportunities to **expand** such financing.

ACTION PLAN

Forestry

PME invests in production forests. These are forests planted and managed for the production of timber and wood products. For example, lumber, paper, cardboard and wood pellets. Trees are important in combating climate change. After all, they absorb CO_2 from the air. CO_2 is stored in the trunk, branches, leaves and roots of trees.

So, we contribute to climate change mitigation through forestry. We aim to use forestry to remove as much CO_2 from the air as possible. We also aim for CO_2 to remain stored in this way for a longer period of time. But we only have limited say in this. This is why we prefer ambitions over targets for this investment category.



Ambition

- We want the total amount of **CO_2 stored in forests** we invest in to **increase**. We look at the amount of CO_2 stored per acre in locations where there are trees suitable for sale.
- We want the amount of **CO_2 released** when these forests are planted, managed and harvested to **decrease**.

Data

CO_2 stored above and below ground is measured, both in total and per acre.

CO_2 storage in wood products is measured. This form of CO_2 storage is considered long-term storage.

The amount of **renewable energy** from forestry investments is measured. Using wood as an energy source can make a positive contribution to combating climate change by replacing more CO_2-intensive energy sources.

Operational CO_2 emissions are measured and reported. These are the CO_2 emissions associated with forest management.

Pressure

We select managers who have **sustainable management** high on their list of priorities. This way, PME only invests in forests managed in line with the Forest Stewardship Council (FSC) label and/or the Sustainable Forestry Initiative (SFI) label.

We challenge our current managers to continuously **hone their sustainability skills**. This goes beyond simply integrating sustainability into the investment process. It is also important to insist on **reducing operational CO_2 emissions**, and measuring and reporting **biodiversity**.

(Dis)investment

PME is currently working on **expanding its forestry portfolio**. This allows us to increase the positive climate impact of our investments.

Annexes

Annex 1
How do we calculate?

This climate plan comes with an important calculation. How do we determine how much CO_2 we emit as an investor? For each investment, we look at the part of a company or project PME holds. The total emissions of that company or project are multiplied by this percentage. Does PME hold 0.1 percent of a company? Then 0.1 percent of all the company's emissions are allocated to PME. These emissions can be considered emissions for which PME is responsible through the investment.

Market cap or EVIC?

PME uses the guidelines of the international organisation PCAF (Partnership for Carbon Accounting Financials). We use them to calculate the carbon footprint of the investment portfolio. In the past, these guidelines provided two calculation methods to choose from:

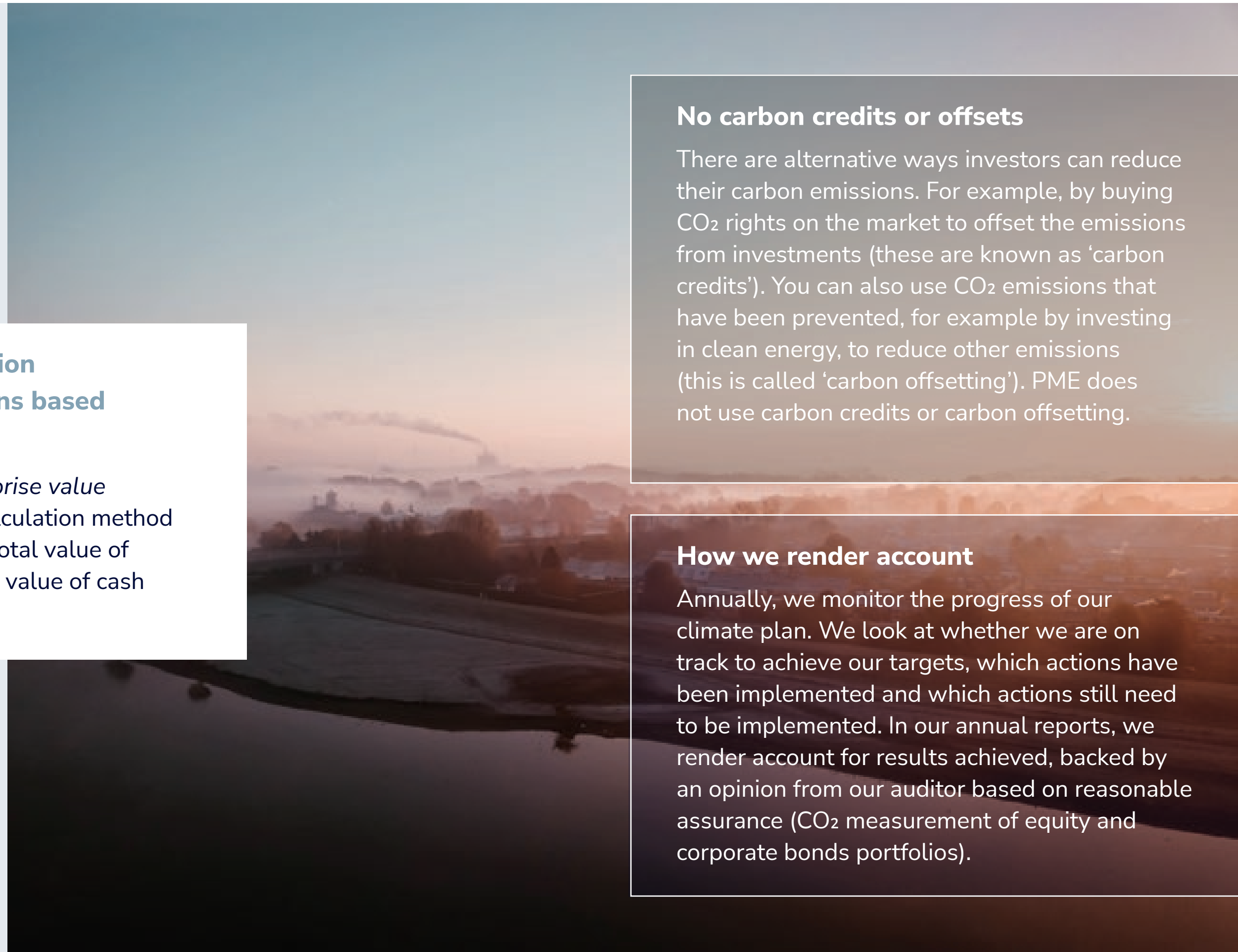
1 An allocation of emissions based on market cap

This calculation method assumes the total value of a company's equity.

2 An allocation of emissions based on EVIC

EVIC is short for *enterprise value including cash*. This calculation method not only assumes the total value of the equity, but also the value of cash and outstanding debts.

The latest version of the PCAF guidelines expresses a strong preference for the use of EVIC. PME previously opted for the market cap, as it is simpler. Now data are available to also calculate emissions using the EVIC method. This method is more accurate, so we will be using it from now on.



No carbon credits or offsets

There are alternative ways investors can reduce their carbon emissions. For example, by buying CO_2 rights on the market to offset the emissions from investments (these are known as 'carbon credits'). You can also use CO_2 emissions that have been prevented, for example by investing in clean energy, to reduce other emissions (this is called 'carbon offsetting'). PME does not use carbon credits or carbon offsetting.

How we render account

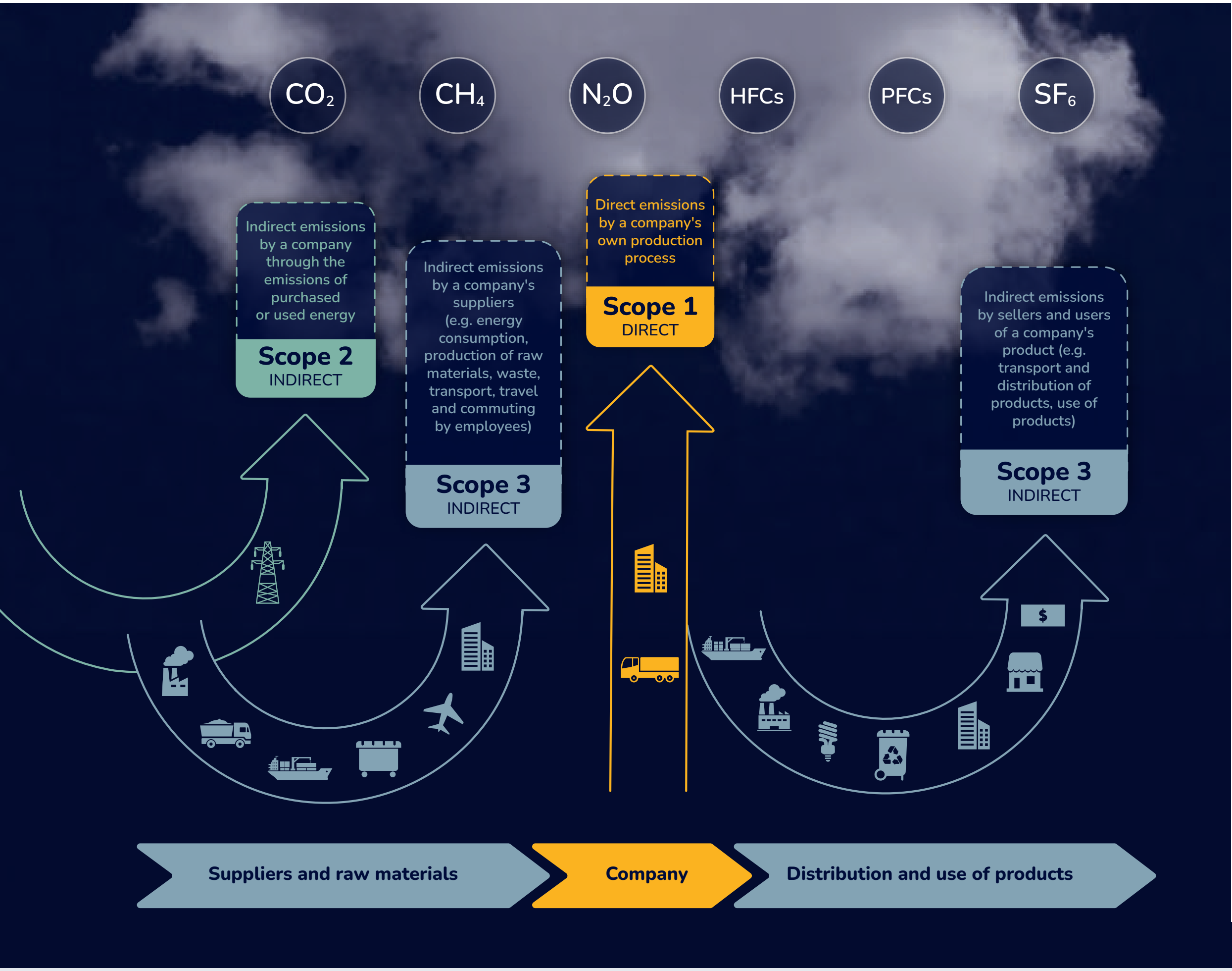
Annually, we monitor the progress of our climate plan. We look at whether we are on track to achieve our targets, which actions have been implemented and which actions still need to be implemented. In our annual reports, we render account for results achieved, backed by an opinion from our auditor based on reasonable assurance (CO_2 measurement of equity and corporate bonds portfolios).

From when do we measure?

International guidelines propose using the emissions at the end of 2019 as the starting point for the CO_2 reduction targets for 2030. Many financial institutions will follow these guidelines. It's no more than logical that PME also takes the year 2019 as its starting point. This does mean that the substantial CO_2 reduction achieved by PME in previous years is not clearly reflected in the new targets. We will therefore continue to report using the market cap method in addition to the EVIC method. This allows us to keep a clear picture of our progress and to promote comparability.

Annex 2

What are scopes 1, 2 and 3?



Companies emit CO_2 in different ways. Take a car manufacturer, for instance. They use energy for the production and transport of materials. The lights in the office are on, the heat is on and people eat lunch. All of this leads to CO_2 emissions. We call this scope 1 emissions (direct emissions during production) and scope 2 emissions (emissions due to the consumption of purchased energy). These types of emissions are fairly easy to map.

Scope 3: difficult to measure but extremely important

But more CO_2 is released in the production chain of companies. The car manufacturer produces waste, employees travel to and from work and often also for work. Suppliers also cause CO_2 emissions, for instance in the extraction and transport of raw materials. And the users of the cars naturally emit a lot of CO_2 due to their fuel consumption. The demolition and waste processing of discarded cars also causes CO_2 emissions. We call this type of indirect emissions by companies, suppliers and consumers scope 3 emissions.

Scope 1 and scope 2 CO_2 emissions are easy to measure. For scope 3 this is currently more difficult. There is a lack of good data. Nevertheless, those scope 3 emissions are important, because for many products the emissions in scope 3 are greater than in scopes 1 and 2.

We take **scope 3** into account whenever we can

In calculating the carbon footprint, PME usually only takes scope 1 and scope 2 into account. We would like to change this, but this requires good data on scope 3. For sectors in which scope 3 is decisive, for example the automobile industry, we take scope 3 emissions into account where possible. And we are committed to working with others on better data around scope 3. Because we want to have the complete picture.

Annex 3

Overview of what PME is and will be doing

The table on the following pages summarises the steps we have already taken in the various investment categories. We also show what additional steps we want to take in the coming period.

1/3 Overview of what PME **is and will be doing**

✓ = implemented ○ = under development ● = expected

	Targets	Data	Pressure	(Dis)investment
Listed equity	✓ Target for 2025: 50% reduction in the relative CO_2 emissions compared to 2015 ✓ Target for 2030: 50% reduction in the absolute CO_2 emissions compared to 2019 ✓ Targets per sector based on sector-specific criteria ● Tighten targets in line with latest research ● Include scope 3 emissions in targets and expand the scope of targets	✓ Measure carbon footprint ✓ Measure carbon footprint with sector-specific criteria ✓ Measure the quality of companies' climate policy ○ Assess companies also on the basis of public information ○ Increase insight into extent of alignment of investments, e.g. with scorecards	✓ Climate dialogue programme with major emitters, together with CA100+ ✓ Use of climate resolutions ○ Dialogue with four relative low performers among the utilities ○ Dialogue with four companies in energy-demanding sectors ● Extension of the dialogue programme in the energy-demanding sectors (expected from 2023) ● Evaluation/review of the dialogue programme (every two years)	✓ Exclusion of coal producers, companies with low ESG scores and relatively worst performing 50% of companies in aviation, steel, mining and utilities ✓ Excluded utilities with more than 30% revenue from power generation using coal ✓ Exclusion based on unsuccessful climate dialogue ✓ Introduction of Committed Investor portfolio ✓ Investigation into possibilities of further tightening of climate criteria ✓ Strategy review with possible tightening of climate criteria ○ Evaluation of companies in current dialogue programme ● Possible extension of exclusions due to unsuccessful dialogue (annually)
Corporate bonds	✓ Targets per sector based on sector-specific criteria ✓ Target for 2030: 50% reduction in the absolute CO_2 emissions compared to 2019 ● Tighten targets in line with targets for equity portfolio	✓ Measure carbon footprint ✓ Measure carbon footprint with sector-specific criteria ✓ Measure the quality of companies' climate policy ✓ Measure revenues from energy production using coal and non-conventional oil and gas production ✓ Measure investments in green bonds ○ Assess companies also on the basis of public information ○ Increase insight into extent of alignment of investments, e.g. with scorecards	✓ Selection and monitoring of managers on ESG criteria, including climate policy survey ✓ Managers enter into a dialogue with companies about climate policy, among other things ● Expansion of monitoring of climate policy by (external) managers	✓ Removed companies with relatively low general ESG score ✓ Excluded utilities with more than 30% revenue from power generation using coal ✓ No investments in oil, gas and coal producers ✓ Exclusion based on unsuccessful climate dialogue ✓ Invest in green bonds where appropriate ✓ Tighten climate policy based on new data and information

2/3

Overview of what PME **is and will be doing**

✔ = implemented ○ = under development ● = expected

	Targets	Data	Pressure	(Dis)investment
Real estate	✔ Minimum GRESB score: 3 stars ✔ Target to align investments with 1.5 degree CRREM pathways well before 2030 ✔ Target 2030: emissions per m² decreased by 40% compared to 2020 CRREM pathways ● Include CO_2 emissions from construction in targets	✔ Measure GRESB scores ✔ Measure energy labels ✔ First carbon footprint measurements ✔ Develop a carbon footprint report ○ Enhance data quality and extend data range ● Increase insight into CO_2 emissions in construction (embodied carbon)	✔ Selection and monitoring of managers on ESG criteria ✔ Climate ambitions survey ○ Further development of roadmaps, including concrete schedule for renovation, installation of solar panels and replacement of heating systems ○ Encourage and create the development of timber construction projects	✔ Sufficient GRESB score is a requirement for investing ✔ Develop and acquire more timber construction objects ● Tighten climate criteria for managers of current real estate and when purchasing new real estate ● Annual evaluation of managers' climate policy
Infrastructure	✔ Overarching target 2025: 1.2 billion euros of sold investments in oil and gas reinvested in impact investments in the energy transition ✔ Target: by 2040 at the latest, all investments in line with the Paris agreement ● Study the possibility of formulating CO_2 reduction targets or Paris-alignment targets for generic infrastructure	✔ Measure the scope of impact investments in the renewable energy theme ✔ Measure energy produced and CO_2 emissions avoided with investments in renewable energy ● Measure operational CO_2 emissions ● Measure CO_2 emissions from construction ● Measure the extent of alignment of investments	✔ Selection and monitoring of managers based on ESG criteria ○ Explore the usability of data based on e.g. UNPRI, SFDR, SBT and the Data Convergence Initiative. ● Encourage managers to prepare suitable roadmaps for CO_2 reduction in infrastructure ● Expansion of monitoring of climate policy managers	✔ Mandates drawn up with a lot of room for investments in renewable energy ✔ No new investments in coal- and oil-related projects in infrastructure ● Tightening of climate criteria
Private equity	✔ Target: by 2040 at the latest, all investments in line with the Paris Agreement ● Further concretising targets consistent with the Paris Agreement for all private equity investments	✔ Measure ESG performance of fund managers ○ Identify possibilities for measuring carbon footprint of private equity investments ● Prepare carbon footprint report ● Measure Paris alignment of investments and/or fund managers	✔ Selection and monitoring of fund managers based on ESG criteria ○ Request to fund managers to prepare a TCFD report ○ Expansion of monitoring of climate policy of fund managers	✔ Only invest in new fund managers who have committed to UNPRI ✔ In case of an insufficient ESG assessment, no investment in follow-up funds ○ Impact: investment focus on investments that make a positive contribution to the climate agreement ● Tighten ESG criteria based on new insights, stricter climate policy requirements

3/3 Overview of what PME **is and will be doing**

✔ = implemented O = under development ● = expected

	Ambition	Data	Pressure	Dis)investment
Government bonds	✔ Ambition for 2040: countries we invest in are on track to align with the 1.5-degree pathway	✔ Measure climate risks based on ND-GAIN data ● Measure CO_2 emissions ● Measure whether countries are on course to align with the 1.5-degree pathway	✔ Selection and monitoring of managers on ESG criteria ✔ Hold governments to account on their contribution to the energy transition ✔ Lobby to ensure an ambitious and effective climate policy ✔ Investigate ways to take more control over conversations	✔ Selection based on an ND-GAIN assessment ✔ Preference for green government bonds in case of equal suitability ✔ Look for alternative country indicator
Mortgages	✔ Home emissions consistent with 1.5-degree pathway (CRREM) ✔ More construction deposit accounts for sustainability measures	✔ Measure energy labels ● Measure quantity and size of construction deposit accounts for sustainability measures ● Measure CO_2 emissions from homes and effectiveness of construction deposit accounts for sustainability measures ● Compare CO_2 emissions with the 1.5-degree pathway (CRREM) ● Measure mortgage volumes for timber construction	✔ Selection and monitoring of managers on ESG criteria	✔ Make construction deposit accounts available at low cost ✔ Expand mortgage lending for timber construction
Forestry	O Increase in total amount of CO_2 stored in forests O Decrease in amount of CO_2 released from planting, managing and harvesting forests	O Measure CO_2 stored above and below ground O Measure long-term CO_2 storage in wood products O Measure amount of renewable energy from forestry investments O Measure operational CO_2 emissions	O Selection of managers committed to sustainable forest management O Encourage current managers to hone their sustainability skills	O Expand forestry portfolio

Annex 4 Glossary

We like to be as clear as possible about our climate targets. Unfortunately, we can't avoid using jargon in some places in this document. We briefly explain the key terms below.

Alignment
Aligning our investments and/or investment policy with the targets we pursue as a pension fund. In this climate plan, alignment should be seen in the context of the Paris Agreement. When we want to align a particular investment category, we mean doing so in line with the targets of the Paris Agreement.

BENG requirements
BENG stands for *bijna-energieneutrale gebouwen*, or nearly zero-energy buildings. All new homes in the Netherlands must meet this standard. This means that homes have moved away from gas, that they operate a heat pump and have an energy label of at least A+++.

CA100+
Short for Climate Action 100+, a global investor-led initiative by major financial institutions, such as banks and pension funds, aimed at forcing companies with the largest greenhouse gas emissions (CO_2, methane and the like) to reduce their emissions.

Climate change
The earth is getting warmer because of greenhouse gases such as CO_2 and methane. It is caused by human activity. As temperatures rise, extreme weather events become more frequent. They include drought, heavy showers, storms and forest fires.

CLT
Cross-laminated timber (CLT) is the material used in timber-based construction. It is used in homes and other buildings composed largely of wooden materials. Currently, timber construction is still used on a limited scale in the Netherlands. However, the technology is promising. For example, wood is a lot less harmful to the environment than fossil building materials such as concrete and cement. As a building material, it is also inexhaustible. It can be planted and harvested again and again.

CO_2
Carbon dioxide (CO_2) is a greenhouse gas. CO_2 emissions cause climate change. This occurs, for instance, when coal and gas plants generate power.

Corporate bond
If a company needs a loan to expand a factory, for example, it can issue a corporate bond. Pension funds can buy such a corporate bond, giving all or part of the loan to the company, provided that the company pays interest on that loan (the bond) to the fund.

CRREM
The Carbon Risk Real Estate Monitor shows CO_2 emissions from buildings and homes in which a pension fund invests (real estate investments). It also provides methods for investors to make their real estate investments more sustainable and to bring them in line with the climate targets agreed in Paris.

Energy transition
The major shift away from generating and making our energy with fossil fuels such as coal, oil and gas. These are being replaced by solar panels, wind turbines, hydrogen and sometimes nuclear power.

EPC 0.0
This means that a building or home is energy-neutral. Energy generated annually equals energy consumed annually by the building. This includes energy used for heating, cooling, ventilation and hot running water. It doesn't include energy needed for electrical appliances, such as a refrigerator or TV set.

ESG
This abbreviation stands for environmental, social & governance. It means that factors such as energy consumption, climate, resource availability, health, safety and good corporate governance are taken into account when selecting investments.

EVIC
EVIC stands for enterprise value including cash. This is a calculation method to determine how large a company is relative to other companies on the stock market. It involves looking not only at the total value of shares, but also at the value of cash and outstanding debt. Another calculation method is market cap.

Follow This
An initiative by activist shareholders. Follow This buys shares of fossil fuel companies. This entitles them to vote at shareholder meetings. As a shareholder, Follow This also puts forward its own proposals encouraging these companies to change course.

Government bonds
If a country needs a loan, e.g. to pay for healthcare, defence or energy transition, it can issue a government bond. Pension funds can buy such a government bond, giving all or part of the loan to the country, provided that the country pays interest on that loan (the bond) to the fund.

Green bonds
Most bonds fall into the corporate or government bond category. A company or country wants to borrow money, e.g. to build a factory hall or pay for additional defence expenditure. These bonds or loans can be awarded the

green stamp of approval if they meet certain sustainability requirements. For example, if a company uses the money to make a production process more sustainable. Or if a country uses the borrowed money to pay for the energy transition.

GRESB
The Global Real Estate Sustainability Benchmark is an annual survey of the sustainability performance of real estate (homes, offices and other buildings). Among other things, this data shows the CO_2 emissions of the buildings and homes in which PME invests.

High-yield
There are investment-grade corporate bonds and high-yield corporate bonds. High-yield corporate bonds are issued by companies that are relatively small or operate in an industry facing greater uncertainty. A company is slightly less likely to repay the loan than in the case of investment-grade corporate bonds. On the other hand, the yield, or profit on the corporate bond, is typically slightly higher.

Investment-grade
There are investment-grade corporate bonds and high-yield corporate bonds. Investment-grade corporate bonds are typically issued by companies that have been in business for a long time, have a stable turnover and can meet their obligations. Such a company is likely to repay the loan. On the other hand, the yield, or profit on the corporate bond, is typically slightly lower.

Market cap
A calculation method to determine how large a company is relative to other companies on the stock market. It involves looking only at the total value of shares, not at the value of cash and outstanding debt. Another calculation method is EVIC.

ND-GAIN
Short for Notre Dame Global Adaptation Initiative, a method to determine how vulnerable a country is to climate change.

PCAF
Partnership for Carbon Accounting Financials, a global partnership of financial institutions. It aims to develop a common methodology for assessing and disclosing greenhouse gas emissions attributable to their loans and investments. It allows a fair comparison of emissions from financial institutions, such as PME. It also makes it clear whether such emissions are in line with the Paris Agreement or whether action needs to be taken.

Private equity
Investments in private companies and organisations that do not trade shares on the stock market.

Renewable energy
Energy sources that do not deplete and are considered sustainable. Solar and wind energy, for example. Sometimes nuclear power is also subsumed under this term because it produces zero CO_2 emissions and the amount of fuel (uranium or thorium) needed by nuclear power plants is virtually inexhaustible

SFDR
Financial parties must communicate transparently about their sustainability policies and risks they take on in this area. The Sustainable Finance Disclosure Regulation (SFDR) stipulates exactly what such information must comply with.

TCFD
The Taskforce on Climate-Related Financial Disclosures (TCFD) develops recommendations on the type of information companies should publish in relation to climate change. The aim is to allow investors and insurers to better assess how vulnerable a company is to climate change.

TPI
The Transition Pathway Initiative (TPI) is a tool that provides an understanding of how far along companies are in reducing their CO_2 emissions.

UNPRI
The United Nations Principles for Responsible Investment (UNPRI) is a UN-backed initiative open to institutional investors. This initiative lays down six principles for responsible investment:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the principles.
- Principle 6: We will each report on our activities and progress towards implementing the principles.

Utility
A company providing a public utility, such as a power company or drinking water producer. Sometimes postal services, rail transport and public transport are also considered utilities. Usually, such companies are partly or fully paid by the government.

Annex 5
Version management

Version number	Publication date	Key changes from previous version
1	19 December 2022	–
2	2 July 2024	• Action plans for three investment categories added: government bonds, mortgages and forestry • Time-bound dates updated • Foreword updated • The fact that PME does not use carbon credits and offsets clarified • Glossary added

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