Responsible Investment Policy – PNO Media

2024

Contents

1. Introduction

Stichting Pensioenfonds voor de Media PNO (hereinafter 'PNO Media') serves the interests of its participants, pension beneficiaries and affiliated employers through the administration of pension schemes. By carefully investing the contributions paid, PNO Media helps employees from the creative and digital sector accrue a decent pension. We do this with an eye to social responsibility and sustainability. We focus on appropriate and responsible returns.

PNO Media has a long history of responsible investment. Responsible investment is a self-evident and essential part of the fund's identity. Responsible investment is part of all our investment decisions, and it is rooted in our investment philosophy. A strong policy of responsible investment is beneficial, both socially and financially, for PNO Media and its participants. This document on responsible investment builds on previous policy. It was developed in 2018-2019 and fine-tuned on the basis of the survey of participants conducted in 2022 as part of an administrative process involving PNO Media's accountability body. The results of the survey of participants' interests were considered in the administrative process. PNO Media monitors the progress of the responsible investment policy, takes the participants' interests into account, and regularly assesses the policy to make sure it is aligned with new insights, laws and regulations.

In Chapter 2 of this document, we will begin discussing our vision of responsible investment. Chapter 3 will address the three goals of the policy. With this policy, PNO Media seeks to focus more on making a positive impact on society and the environment ('doing good'), and also seeks to avoid or mitigate investments with a negative impact on society and the environment ('doing no harm'). In line with the European SFDR Guidelines, the pension fund posted a negative impact statement on its website, detailing the negative impact of our investments and the mitigating measures undertaken by the pension fund: Policies, reports and records | PNO Media
This is reflected in the order of its goals:

1. With its investments, PNO Media seeks to contribute to a more liveable world by making a positive impact on society and the environment ('doing good');
2. PNO Media seeks to create a future-proof portfolio by integrating financially material environmental, social, and corporate governance risks and opportunities into the investment portfolio. In its implementation of the ESG policy, the fund takes the

risk/return profile of the portfolio into account, but accepts the risk of (temporarily) somewhat lower returns as a result of the sustainability policy[1];

3. As part of its social responsibility commitment, PNO Media seeks to avoid or mitigate the negative impact of investments on society and the environment ('doing no harm').

Proper focus is needed in order to be effective, which is why PNO Media focuses on priorities such as freedom of the press, human rights, biodiversity, and climate. These themes are mentioned in Chapter 3 and further elaborated in Chapters 5 to 7. In order to ensure implementation of the policy, PNO Media has defined a number of basic principles, which are set out in Chapter 4. For PNO Media, transparency is essential. This is partly because of the industry in which the fund operates. In this policy, PNO Media presents its views as to what constitutes responsible investment, and why and how responsible investments are made. PNO Media gives an account of the choices made, and the instruments used, in its reports and on its website. This is discussed in Chapter 8. PNO Media monitors the progress of its responsible investment policy on a quarterly and yearly basis, and regularly assesses the policy to make sure it is aligned with new insights, laws and regulations.

2. Vision

Because of the industry in which they work, PNO Media participants are interested in and well-informed about social developments and challenges. They expect a clear position, and clear choices, from the fund in regards to responsible investment. The fund's participants and affiliated employers have expressed that sustainability is important to them, both personally and in regards to their business activities, so they expect their pension fund to place great importance on it as well. PNO Media's obligations have a long horizon, which is why the fund pursues long-term value creation through its investments, with a key focus on social developments and challenges. PNO Media believes that taking environmental, social and governance aspects into consideration leads to better investment choices and a more future-proof portfolio, and thus benefits both the fund and its participants. Responsible investment is an essential part of PNO Media's identity. The fund faces significant social challenges that, in terms of investment practices, bring opportunities, risks and responsibilities alike.
The past decades have seen a significant growth in the world's overall wealth. However, this burgeoning of wealth and population is not without its drawbacks. Various wrongs can be seen in the

[1] For each ESG integration proposal, the impact on (historical) returns is assessed. This proposal is submitted to the (executive) board. The board considers all aspects of the proposal based on the expected outcome versus risk, costs and non-financial returns. This review is not done in the case of binding measures (e.g. when countries or companies are being excluded due to socially reprehensible activities).

social sphere, such as the poverty that afflicts certain parts of the world, violations of human rights, limited access to education and healthcare, corruption, and exploitation of workers. In many regions, the human impact on local ecosystems has grown to overwhelming proportions, leading to reduced biodiversity and a polluted environment. The climate is changing partly due to rapidly increasing emissions of CO_2 and other greenhouse gases. Governments are toughening up their policies and entering into international treaties on many of these issues. One example of this is the 2015 Paris Agreement, which is aimed at keeping worldwide temperature warming well below 2° C. This agreement serves as a guide[2] for PNO Media's climate policy. The Sustainable Development Goals (SDGs) adopted by 192 states in 2015 are another example. These are goals for achieving a liveable world by 2030, and they have been embraced by governments, companies and investors all over the world.

These developments have implications for PNO Media's investments. They present risks, but offer opportunities at the same time. We weigh the effect of these risks and opportunities in our investment decisions. PNO Media's investment activities have an impact on the world, which can be negative or positive. The fund is aware of this, and feels a corresponding responsibility. Avoidance of negative impact ('doing no harm') has long been part of the fund's responsible investment policy. PNO Media wants to make sure that its investment activities do not have a negative impact on the environment and society. It is with this in mind that PNO Media endorses the OECD (Organisation for Economic Cooperation and Development) Guidelines for Multinational Enterprises, and the United Nations' Guiding Principles on Business and Human Rights. The fund has reinforced these commitments by also signing the IMVB (Internationaal Maatschappelijk Verantwoord Beleggen) covenant (hereinafter 'the covenant') together with the Dutch government, trade unions, civil society organisations, and a number of other Dutch pension funds in 2018. The covenant expired at the end of 2023, but the participating pension funds still support these basic principles, and have informally agreed to abide by them and continue to apply them wherever possible. Exactly what this means for PNO Media will be detailed in Section 7.2. However, given the developments in the world today, merely avoiding negative impact is not enough. Wherever possible, PNO Media seeks to contribute to making the world a more liveable place through investments that have a positive impact on the environment and society ('doing good').

[2] Parties to the Paris Agreement have agreed to limit climate change through reduction of greenhouse gas emissions. We use this agreement to fine-tune our climate policy. Greenhouse gas emissions in the liquid investment portfolio (except for 'green bonds') are consistently reduced by 25% relative to the market benchmark.

In sum, PNO Media sees responsible investment as involving at least the following factors: contribution to a more liveable world, avoidance or mitigation of negative impact on the world, and taking environmental and social factors and good corporate governance into account in all its investment decisions.

3. Goals and themes

PNO Media has formulated three goals for its responsible investment policy based on its identity, philosophy and vision:

1. With its investments, PNO Media seeks to contribute to a liveable world by making a positive impact on society and the environment ('doing good');
2. PNO Media seeks to create a future-proof portfolio by integrating financially material environmental, social, and corporate governance risks[3] and opportunities into the investment portfolio. In its implementation of the ESG policy, the fund considers the risk/return profile of the portfolio, but accepts the risk of (temporarily) somewhat lower returns or higher management costs as a result of the sustainability policy;
3. As part of its social responsibility, PNO Media seeks to avoid or mitigate the negative impact of its investments on society and the environment ('doing no harm').

Implementation of these principles is subject to the following conditions:

- The responsible investment policy is aligned with the basic investment principles, and is part of the long-term strategic investment policy.
- In its responsible investment policy, the fund is guided by prudent financial considerations (in the short and long term) (also see Chapter 4).
- The fund is cost-conscious; it weighs the implementation costs of the responsible investment policy against the expected added value. The concept of added value extends beyond financial added value – it also covers non-financial added value such as contribution to biodiversity and climate conditions.

[3] At this writing in 2024, PNO Media is working on an integrated risk management framework for ESG risks. ESG risks are subject to monitoring, and form an integral part of the monitoring process.

PNO Media has made theme-based choices for the implementation of the responsible investment policy based on its identity, its widely shared expectations for society, and its own goals. These themes are further elaborated in Chapters 5-7. The themes are as follows:

'Doing good' themes. Contributing to:

- A stable and resilient climate for people worldwide.
- Preservation of natural resources and promotion of biodiversity.

'Doing no harm' themes. Avoiding investments in, or avoiding/mitigating involvement in:

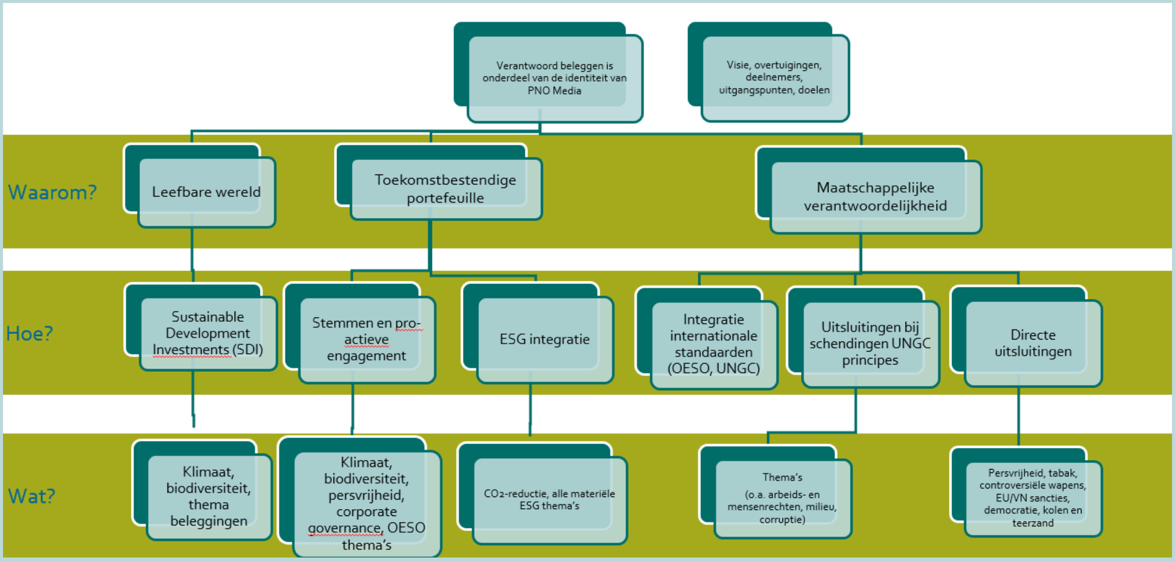
- Serious violations of freedom of the press.
- Controversial weapons.
- Tobacco production.
- UN and EU sanctions due to violations of human rights and arms trading.
- Serious violations of human rights and employee rights.
- Countries with an impaired level of democracy.
- Severe environmental pollution (including CO2 emissions/climate).
- Poor corporate governance.

Cohesion between goals, instruments and themes

The figure below illustrates the cohesion between goals, themes and instruments. The goals are linked to one or two instruments that shape them, and further to the themes in which they are applied. In some cases, a goal is also fulfilled using other instruments, albeit in a less prominently visible way. For example, engagement[4] (see Sections 5.2, and 6.2) and various components of the engagement programme contribute to all goals (social responsibility, future-proof portfolio and liveable world), but primarily to the latter two goals. This also applies to voting, which contributes to all goals, but predominantly to a future-proof portfolio. The goal of a liveable world is fulfilled through voting, engagement and impact investments as long as the risk/return profile is taken into account on an aggregate level across the investment category in question during implementation, and as long as the risk of somewhat lower returns or higher management costs is accepted. The goal of a future-proof portfolio is mainly served through ESG integration. This addresses the impact of financially material ESG risks and opportunities on investments. We also weigh the impact of investments on the world. We refer to this as integration of international standards.

[4] Engagement is an active dialogue between investors and companies on environmental, social and governance matters. Through engagement, investors can influence the policy and practices of the companies they invest in. Fixed-term agreements are made with the companies in order to improve their operations.

The basic principles of the covenant signed by the pension fund in 2018 serve as the basis for the social responsibility goal.



4. Basic principles

PNO Media believes that weighing ESG criteria in investment decisions results in value creation and/or better risk control in the long term. Financially, this is most fully reflected in the second goal (future-proof portfolio). For the third goal (social responsibility), financial and non-financial consequences of excluding certain investments are thoroughly evaluated, and mitigating measures are taken where necessary. Reasons for excluding certain investments are not limited to financial considerations alone. They are based on the principal conditions that PNO Media's investments are required to meet. For the first two goals (liveable world and future-proof portfolio), when implementing our policy, we consider the risk/return profile of the portfolio in question, but we accept the risk of (temporarily) somewhat lower returns or higher management costs as a result of the sustainability policy. This prerequisite is not set at the level of individual investments, but at the level of the entire investment category in question. Besides a positive social impact, these goals help in reducing the risk of the investment portfolio in question, and in making use of investment opportunities.

We are aware of our social responsibility as an institutional investor, and act accordingly. This means that in our investment policy, we rely on standards and values that are broadly accepted in society. In 2018, we signed the IMVB-covenant. In this covenant, Dutch pension funds agreed to implement the guidelines of the Organisation for Economic Cooperation and Development (OECD) and the United

Nations (UNGP). The guidelines serve the purpose of identifying, prioritising and addressing the negative impact of a company (or the underlying chain) on the investment portfolio. The covenant's term has already expired, but we still use the agreements as the basis for our (ESG) investment policy.

The share of PNO Media's investments in the overall financing of specific companies and governments is, generally speaking, limited. This is partly due to the fund's size and the diversivication of our investments. We influence the activities of companies or governments via an ESG service provider. We work with a large group of other investors in order to expand our influence and see that our voice is heard.
Within the non-liquid investment portfolio, we invest via investment funds. We influence the policy of these investment funds through our unitholders' voting rights, and through dialogue with the external fund manager.

A **non-liquid investment fund** is a collective investment vehicle that pools money from various investors and invests it in a diverse portfolio of private equity, infrastructure, private loans or private real estate. Investment funds are managed by external asset managers who make investment decisions and manage the day-to-day operations of their respective funds. Since there are multiple investors in a given investment fund, PNO Media is limited in its ability to influence this fund's (socially responsible) investment policy. We exercise influence by voting at the meeting of unitholders, or through dialogue with the external asset manager.

A non-liquid investment fund is often limited in **liquidity**. As a consequence, a pension fund cannot quickly cash in the assets invested in such an investment fund. An investment fund's liquidity depends on the demand for units in the investment fund, or the tradability of the underlying investments.

Wherever possible, PNO Media implements its responsible investment policy across its entire investment portfolio, and thus in all investment categories. The following chapters will elaborate on the implementation of each of the three goals of the responsible investment policy.

5. Goal 1: a liveable world

With our investment portfolio, we seek to focus more on contributing to positive social impact ('doing good'). This involves investing in entities that sell goods and services that offer solutions to the most important sustainability challenges, and supporting companies in making a greater social impact. It is for the latter purpose that PNO Media has set up an Corporate Green Bond portfolio, has decided to allocate 2% of its investment in impact investments (start 2024), and an engagement programme that supports positive change. The 17 Sustainable Development Goals (SDGs) offer a widely recognised framework for assessing and recording positive impact (see the text box 'The Sustainable Development Goals').

5.1 Investments with a positive social impact

Investments with a positive sustainability impact are investments in companies whose goods and services contribute to one or more SDGs, and that meet certain financial risk and return requirements. These companies make a positive contribution to one or more SDGs, but they must never be in conflict with other SDGs or with PNO Media's other responsible investment goals. The pension fund materialises the goal of investing with a view to a positive impact on society by allocating 2% of the total value of the investment portfolio in corporate green bonds (see the text box below), and by allocating a further 2% to an 'impact' investment portfolio[5].

In order to maintain proper focus in its policy, PNO Media has not embraced all 17 SDGs. Instead, the fund has chosen two key themes that are largely supported by its participants, and in which the fund can invest at its own scale: climate and biodiversity.

Climate (SDG 7: Affordable and clean energy, and SDG 13: Climate action):

Climate is vital to our world and our future. Because of the warming of the world's climate, we see an increasing amount of extreme weather events such as heat waves, floods and droughts. Not only does this have serious implications for humanity and nature, but it also affects our investments. By taking climate action, we attempt to mitigate the warming of the Earth, and protect ourselves from its negative repercussions. The root cause of Earth's warming is the rapid increase in greenhouse gas emissions as a result of human activity since the industrial revolution. There are several ways to reduce greenhouse gas (CO_2) emissions, such as promotion of sustainable energy, reducing waste, and improving energy efficiency. It is important to take this impact on climate and the environment into account when we are making investment decisions.

[5] In early 2024, PNO Media launched a selection process in search of a manager to administer an 'impact' portfolio. We expect to complete this process during the course of the year.

Biodiversity (SDG 12: Responsible consumption and production, SDG 14: Life underwater and SDG 15: Life on land):

Biodiversity is crucial to the health of our world and to our well-being as humans. It helps nature maintain its balance, and ensures that ecosystems are able to function and adapt to changes. Biodiversity also plays an important economic role, as many of our foods, medicines and other raw materials originate from wild plants and animals. Moreover, the protection of biodiversity can serve to aid our fight against climate change and natural disasters. It is important to take into account this impact on biodiversity when we are making investment decisions, and wherever possible, act to protect and restore biodiversity.

The themes of climate and biodiversity are closely interconnected. These themes intersect not only in the matter of increasing production, but also in the effort to keep Earth liveable. Climate and biodiversity have a direct impact on people and the environment. We seek to invest more in goods and services (and aspects thereof) that deliver a positive contribution to society:

The Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) are a set of goals adopted by the UN as the 2030 Agenda for Sustainable Development. The SDGs replaced the Millennium Development Goals, which expired at the end of 2015. The plan is for the SDGs to be in force from 2016 to 2030. The SDGs involve 17 goals and 169 underlying targets for operationalising these goals. Member states must independently incorporate these goals into their respective national policies. The 17 SDGs are shown in the figure below (the 5 SDGs that PNO Media concentrates on as part of its 3 focus themes are circled).

Wherever possible, we will base our investment decisions on investments with a positive social impact. The pension fund strategically allocates 2% of the total value of the investment portfolio to corporate green bonds. If the corporate green bonds meet strict conditions, they will be included in a separate portfolio. As part of this activity, the selected external asset manager will use a comprehensive framework specifically designed for green bond screening. This ensures that the portfolio will contribute optimally to climate action, and also ensures smoother energy transition. On top of the aforementioned, the pension fund currently invests a minimum of 10% of its corporate bond portfolio in green bonds.

Green bonds are bonds specifically targeted towards financing green projects, such as renewable energy, energy efficiency, environmental protection and climate adaptation. These bonds are usually issued by governments, international organisations, or companies. Their aim is to offer investors an opportunity to benefit from the growth of the green economy while also supporting the energy transition. Green bonds are often assessed and certified by external agencies in order to make sure that they meet certain conditions. By making conscious investments in corporate green bonds, we contribute to financing a sustainable future.

In 2024, we launched a selection process in search of a manager who would manage an 'impact' portfolio for us. This portfolio provides for a strategic weighting of 2% of PNO Media's total invested assets. Investments in this portfolio are intended to make a distinctive impact, with a maximum possible focus on our key themes of climate and biodiversity.

More information on this subject is published on the website: Responsible investments in practice | PNO Media

5.2 Stewardship: engagement

It is also possible to contribute to a more liveable world through *engagement*. In our engagement with companies, we seek to encourage companies to increase the positive social impact of their goods and services. The basic principle here is to improve sustainable investment returns and/or to mitigate risks by encouraging long-term value creation. If we engage with a company as an investor and draw its attention to the (negative) impact of its current activities on the world and its responsibility in this regard, the company will become more aware of its social position, which will result in more sustainable business operations. We have agreed with our external ESG service provider to focus the engagement programme on preventing and mitigating negative impact and promoting positive impact. The progress of the engagement programme is monitored by the ESG service provider and reported on our website on a quarterly basis. The themes in question are mainly those of climate and biodiversity. Engagement is part of the goal of contributing to a liveable world and a future-proof portfolio, and as such, it covers multiple themes. These will be further elaborated in Section 6.2.

6. Goal 2: future-proof portfolio

6.1 ESG integration

We apply ESG integration to all investment categories. By 'ESG integration', we mean consideration of environmental (E), social (S) and governance (G) aspects that are financially material within an investment strategy. Consideration of ESG aspects can result in lower financial risks and/or better returns within the investment mandate. It is not necessarily particular mandates that are in question here – rather, it is the consideration of ESG in existing and new investment strategies. The fund implements this in the following manner:

1. Responsible investment aspects are integrated into the due diligence process for new investments/mandates.
2. Responsible investments are made an important part of the assessment of existing and new investments/mandates.
3. Selecting investment managers, where responsible investment is an integral part of the investment process.
4. Particular ESG goals are assigned to external asset managers.

In selecting or monitoring an external manager, we evaluate him/her using 30 questions on ESG policy. Responses to each question are scored on a scale of 1 to 10. The average ESG score is used to determine whether the external manager is (still) compliant with our ESG policy and is able to meet our requirements. (Examples of attaining ESG goals can include (e.g.) utilisation of our exclusion lists or the ability to fulfil commitments on integration of international standards (Section 7.2)). If a current external asset manager gets a low average score on responsible investment, this manager will be encouraged to improve his/her score through further engagement. Failure to improve over a certain period of time may be deemed to justify cessation of business with the manager in question. For each investment category, we prepare an 'Investment case', which we also use to assess specific ESG features of this investment category.

This assessment helps determine, on the one hand, whether the material ESG criteria can be seamlessly integrated into the investment category, and, on the other hand, whether the investment category fits with our broader responsible investment policy.

Climate action

Climate is one of the two key themes that we as a pension fund consider important. Section 5.2 describes the impact of climate change on the Earth, and its potential implications for humanity. Viewed this way, climate is also a theme that plays an important role in all three of the fund's goals. Combating climate change helps make the world liveable and maintain its liveability. Such effort is also important to ensuring a future-proof portfolio. The latest asset liability management (ALM) study included a stress test aimed at quantifying exposure to the risks of climate change and energy transition. For example, an oil producer is exposed to the risk of decrease in the value of its investments in oil fields when oil prices are low, or an energy producer is exposed to the risk of revenue loss if it fails to invest in sustainable energy sources in a timely manner. The fact that this risk deserves special attention is one of the reasons why DNB asks pension funds to consider the risks climate change poses to investment decisions. Below are some of the actions that PNO Media takes to address climate risks in its portfolio.

Investment in energy intensive sectors

We seek to mitigate climate risk in our investment portfolio while contributing to a more liveable world. The fund is aware that there are companies that we invest in that can potentially have a (negative) impact on society and the environment. Engagement with companies and countries makes it possible to agree upon certain measures for keeping the negative impact at a minimum and for seeking sustainable solutions.

We only invest in oil and gas producers if their target is to reduce their carbon emissions to net zero by 2050, as envisaged by the Paris Agreement. Moreover, these targets must be validated by the CDP and/or SBTi[6]. These are independent external organisations. The process of engagement with the remaining companies is subject to close monitoring – if these companies fail to adequately demonstrate their compliance with the Paris Climate Agreement within 2 years, we will cease to invest in these companies[7].

The latter is aligned with the fund's third goal: social responsibility.

---

[6]Companies' emission reduction targets are validated by the Science Based Targets initiative (SBTi): (Companies taking action - Science Based Targets) or CDP:

[7] The policy on close monitoring and exclusion criteria will be developed over the course of 2024.

Investment in the oil, gas and coal industry:

During the course of 2024, PNO Media will further elaborate and implement the intensive engagement monitoring policy for the oil and gas sector. There will be transparent records and reports regarding the targets, timelines and progress of engagement practices. Failure to reach the targets will ultimately lead to divestment of the relevant company.

Investment in coal and tar sands

Most participants see coal and oil production from tar sands as an operation that does serious harm to the environment, and does not fit in a sustainable investment portfolio. Engagement with companies in this sector has not proven to bring much progress due to the nature of the production process, which cannot be changed or carried out in a sustainable way. For this reason, PNO Media does not invest in companies that derive more than 5% of their revenue from thermal coal and oil production from tar sands. This applies to the entire liquid investment portfolio and, to the extent possible and practicable, to non-liquid investment portfolios as well.

Oil production from **_tar sands_** is considered to be highly polluting because the extraction of heavy, viscous oil from the sand requires a significant amount of energy and water. Oil extraction from tar sands releases large amounts of greenhouse gases that contribute to climate change. Additionally, the extraction process leaves behind tailing ponds that contain a mixture of water, fine clay and residual bitumen. These tailing ponds create a risk of toxic chemicals entering the environment and doing harm to the surrounding habitat. Oil extraction from tar sands also causes deforestation, which, in turn, can affect biodiversity and local communities' traditional ways of life.

Reduction of greenhouse gas (CO_2) emissions in the portfolio

PNO Media is aware that greenhouse gas emissions must be reduced to keep the temperature increase securely below 2°. We are guided by the Paris Climate Agreement of 2015 in developing our climate policy. Governments and businesses must do everything they can to cut down CO_2 emissions. PNO Media also assumes responsibility in this regard. The fund requires its external asset managers to work with liquid investment categories[8] to keep greenhouse gas emissions at least 25% lower than the benchmark currently in use. Relative carbon footprint reduction is a consistent measure, which means that it will remain in force until the pension fund decides otherwise. We expect absolute carbon emissions from the investment portfolio to decrease dramatically in the coming years, as the

[8] This requirement does not apply to the 'green bonds' portfolio.

companies that we invest in continue to reduce their emissions in line with the Paris Agreement commitments. The pace of carbon reduction in the investment portfolio thus depends on how fast the companies we invest in reduce their carbon emissions. The board will periodically assess whether the carbon reduction figures remain in line with pension fund's goals.

The setting of clear targets demonstrates that the we the Paris Climate Agreement seriously, while also offering companies an opportunity to proceed with energy transition. CO_2 reduction is aligned with the goal of making and keeping the portfolio future-proof, and also with the goal of contributing to a liveable world. A greater focus on companies with a lower environmental load in the investment portfolio reduces the portfolio risk.

Emissions of ***greenhouse gases*** such as carbon dioxide (CO_2), methane (CH_4) and nitrogen oxide (N_2O), hereinafter referred to with the cover-term 'CO_2', have a major impact on climate. These gases absorb and reflect heat in the atmosphere, which causes the Earth's warming. This process is known as the greenhouse effect. Most greenhouse gas emissions are the result of human activities, such as burning of oil and coal to generate energy, changes in land use, industrial processes, and deforestation. The burning of such fuels, such as (thermal) coal, oil and gas, accounts for the largest portion of greenhouse gas emissions. Build-up of these gases in the atmosphere causes the Earth's temperature to warm, and increases the number of extreme weather events, such as heat waves, floods and droughts, all of which have major economic, social and environmental implications.

6.2 Stewardship: engagement

We have a policy of active stewardship, involving engagement and voting. This is also required by the EU's long-term shareholder engagement directive (Shareholder Rights Directive II). Engagement has a positive focus (e.g. the goal of a liveable world and future-proof portfolio), and/or is intended as an enabling programme for avoiding incidents and negative impact (the goal of social responsibility). Improvement of investment returns through encouragement of long-term value creation in companies (the goal of a future-proof portfolio) is another result that we strive to reach through engagement. Each of these goals will be reflected in parts of our engagement programme. When engaging with regard to listed share portfolios and corporate bond portfolios, PNO Media works together with an ESG service provider. In doing so, the fund focuses on:

- Human rights and employee rights
- Environmental pollution
- Corporate governance

- Freedom of press
- Climate
- Sustainable consumption and production
- Life underwater
- Life on land.

Inter(national) Guidelines

Good corporate governance is an important tool in achieving environmental and social goals. We base our governance policy on the Dutch Corporate Governance Code and the OECD's and ICGN's (International Corporate Governance Network) principles of good corporate governance. In regards to the other themes related to the social responsibility goal, we rely on the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the UN Global Compact. This comprises the UN's Universal Human Rights and the ILO's (International Labour Organisation) worker rights. For the climate theme, we use the Paris Agreement (2015) as a basis. For freedom of the press, the fund relies on the World Press Freedom Index (see Section 7.1). In the case of countries with an impaired level of democracy, the fund seeks to team up with a commonly used and reputable data provider - Economist Intelligence Unit (EIU). For its liveable world goal, the fund leans upon focus themes within the SDGs (see Section 5.1).

Social and ethical aspects

Well-run businesses cannot ignore the impact of their goods and services on society. In order to ensure long-term value creation, companies need to maintain good relations with their key stakeholders, and this needs to be in line with their social objectives. These objectives must be in compliance with international agreements such as the OECD Guidelines for Multinational Enterprises. If companies are engaged in activities that have a negative impact on society, this will ultimately result in higher costs and underperformance for the business. Therefore, governance of such companies must be conducted in such a way as to ensure minimisation of such impact, and fair and responsible contributions to society. To this end, companies should ensure ethical and respectful treatment of their employees, suppliers and customers. By using our votes and engaging with companies, we help them develop strategies and goals that are oriented towards ensuring dignified and respectful treatment of employees, and that subsequently serve to ensure adequate possibilities for development. Companies should also exercise their influence to encourage their suppliers to achieve similar results. We urge companies to identify human rights

risks, manage such risks, and mitigate any adverse impact. We also promote measures that have a positive impact on human and employee rights.
In its contracts with external asset managers, PNO Media stipulates that international treaties on employee and human rights (including diversity) must be taken into account in the making of investment decisions.
We do not invest in government bonds issued by countries that regularly violate human rights (see Section 7.1). We ensure that our voting and engagement policies are well aligned and mutually reinforcing. It is our policy to vote against the (re)appointment of the board of a company, or against granting liability discharge to such a board, if there is evidence that the company is failing to protect employee and human rights. Alongside this, we support shareholder proposals aimed at improving companies' social conditions.

6.3 Voting

The right to vote is an important right held by shareholders. Wherever possible, we vote at shareholder meetings with respect to all companies whose shares we hold in the portfolio. We do this in a centralised way across all investments, via an ESG service provider and on the basis of the voting guidelines developed by us. See the most important voting guidelines at: Policies, reports and records | PNO Media). When exercising its right to vote, PNO Media relies on the codes and principles of good corporate governance laid out in Section 6.2, and on the aforementioned treaties on the environment and society. To ensure full transparency, we publish our voting record on our website. If we vote against an item on the agenda, the reasons for this will subsequently be explained.

Securities lending

To ensure that voting can be done at as many shareholder meetings as possible, we do **not** lend shares. This approach also improves the efficiency of engagement in situations where important engagement-related matters are placed on the agenda via shareholder resolutions.

Class actions

Where relevant, we participate in class actions brought against companies that are guilty of violating standards and/or laws. It is often the case that these violations involve social or environmental matters. In this way, it is possible to enforce companies' compliance with laws and regulations.

A ***class action*** (in the securities field) is a lawsuit filed by a group of investors who bought or sold a company's publicly traded securities during a specific period of time (known as the 'class period'), and suffered economic injury as a result of violations of securities laws. A class period generally starts when a company issues an untrue statement regarding material facts about itself, or fails to disclose material facts that are necessary for a proper evaluation thereof.

7. Goal 3: social responsibility

PNO Media aims to be socially responsible, and operates on the conviction that it should avoid any potential negative impact that its investments could have on society and the environment. We believe that investing for change is better than directly excluding certain investments, as the former option allows a greater possibility of keeping the investments' negative impact under control. With all this said, investing for change is not always possible. When it comes to negative impact from companies' products, direct exclusion is preferable. When it comes to the conduct of governments (when we invest in government bonds), we strive to engage with government representatives, and to reply to consultation requests from regulatory authorities. To address the conduct or performance of the companies in which we invest, we can enter into dialogue with these companies with the aim of mitigating, remedying (providing remedy and/or redress in line with OECD Guidelines) and further avoiding any negative impact. If a company fails to improve to an adequate degree, we may decide to stop investing in this company. Companies and government bonds excluded by us are listed on an exclusion list published semi-annually on our website (What we do not invest in | PNO Media).

7.1 Direct exclusions

PNO Media excludes from its investment portfolio any government bonds issued by countries with a history of violations of press freedom or with an impaired level of democracy, and against which the UN and EU have imposed sanctions due to violations of human rights and/or weapons deliveries. PNO Media excludes companies and other entities involved in controversial weapons, incidents or controversies, tobacco production, production of (thermal) coal and oil from tar sands, and oil and gas companies that have no target of reducing their carbon emissions to net zero by 2050, across all its investment categories.

Freedom of press

For PNO Media and its participants, freedom of the press is an important theme in regards to the industry that the fund represents. Freedom of the press is a fundamental right, and part of the criteria for human freedom of expression adopted by the UN. Countries are responsible for the protection and reinforcement of press freedom. We exclude government bonds issued by countries with an impaired level of press freedom. We rely on the annually-published World Press Freedom Index for information on a large number of countries around the world. This index assigns countries an overall score (from 1 to 5) on the criteria of media independence, self-censorship, pluralism, legal framework, transparency and media infrastructure. If a country obtains an overall score of 5 (worst score), it is excluded. The fund also looks at the 'abuse score' of the index. Here, the score is also distributed from 1 to 5, 5 being the worst score. These scores are based on individual incidents, and thus afford an up-to-date picture of the level of press freedom in the countries in question. We exclude government bonds issued by countries with an overall score of 5 on this index, and countries with a poor abuse score over the past year [9].

Impaired level of democracy

In their assessments of countries, PNO Media and its participants attach high value to well-performing democratic systems. This neatly aligns with the social responsibility stance of our pension fund, and with the standards and values we advocate. In determining whether a given country has a low level of democracy, we rely on data from the Economist Intelligence Unit (EIU), a renowned research firm. Government bonds issued by countries that belong to the lowest-ranking category, 'authoritarian regime', are excluded from our investment portfolio.

State violations of human rights

Countries can be involved in broad *violations of human rights* and/or (civil) wars. In serious situations, the United Nations and the European Union compile sanctions lists in order to curb arms trading with these countries, or to prevent human rights violations in a broader scope. We exclude investments in government bonds issued by countries that are associated with grave human rights violations and/or (civil) wars.

Controversial weapons

We aim to avoid investment in enterprises that are directly engaged in the production of weapons, weapon systems, or essential parts of either, or in the maintenance of any weapons that are considered essential for and/or specific to the lethal use of controversial weapons. Some of the weapons that we consider 'controversial' here are prohibited under international law because these

[9] This means that government bonds issued by countries with the lowest 'overall score' (category 5) are directly excluded, as well as countries with the lowest 'abuse' score, if their overall score falls under category 4 or 5.

weapons violate fundamental humanitarian principles. Among such humanitarian principles are the principle of proportionality (unnecessary suffering must be avoided), and the principle of distinction (military targets and civilian targets must be distinguished from one another). These co*ntroversial weapons* can be of two types: weapons of mass destruction (with consequences for both military targets and civilians in a military conflict), and weapons that can cause civilian casualties during and after a military conflict (for example, unexploded land mines or radioactive radiation caused by certain types of ammunition). We have further extended the list of controversial weapons to include weapons containing depleted uranium or white phosphorus. The use and possession of the latter weapons are not prohibited under international law, but the (residual) damage they cause does not match the criteria of proportionality and distinction.

We regard ‘controversial weapons’ as including the following:

- Chemical and biological weapons
- Nuclear weapons
- Anti-personnel mines
- Cluster munitions
- Depleted uranium ammunition
- White phosphorus munitions

We exclude any companies involved with these types of weapons from the investment portfolio.

Controversial weapons

Biological weapons include microbiological or biological substances in amounts that are not justified for peaceful use, and ammunition designed for using these substances as a weapon. (This definition follows that of the UN Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction.)

Chemical weapons include chemicals with properties that can kill or cause other forms of harm due to their toxicity, and ammunition designed for using these chemicals as a weapon. (Definition as per the UN Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction.)

A nuclear weapon is any device that is capable of releasing nuclear energy in an uncontrolled manner, and that has a set of features allowing its use as a weapon. (Definition as per the UN Treaty for the Prohibition of Nuclear Weapons in Latin America and the Caribbean.) The 1968

Treaty on the Non-Proliferation of Nuclear Weapons (NPT), signed by almost all UN member states, does not provide a clearer definition.

Anti-personnel mines are objects designed to detonate when people come into proximity with them or make contact with them, and that are intended to injure or kill a person who does so. These mines remain active, and can thus cause civilian casualties for a long period after the end of a military conflict. (Definition as per the Ottawa Convention/UN Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction.)

Cluster bombs are bombs that release multiple sub-munitions, for the purpose of bombing a larger area. Unexploded submunitions can also cause civilian casualties after a military conflict has ended. The definitions are according to the Oslo Convention on Cluster Munitions (2008).

Depleted uranium is used in projectiles for the purpose of enabling them to (e.g.) pierce through armour plating. Its radioactive load remains active long after the end of a military conflict, and can (slowly) kill civilians. There is no international convention regulating the dissemination of depleted uranium ammunition, nor even a definition for such ammunition. According to a common definition used by responsible investment research firms, depleted uranium (DU) ammunition includes projectiles (bullets, missiles, etc.) that have been treated with a radioactive chemical agent (DU). Due to its high density, DU is generally used to increase the shock power of projectiles (so that e.g. they will be able to pierce through steel). The U-235 concentration used for these purposes is 0.7% or lower.

Whitye Phosporous (WP) munitions include any projectile (e.g. flares, grenades or mortars) containing WP that acts as a smoke-producing agent or tracer, as illumination, or as incendiary ammunition. Use of WP munitions can cause injuries or death if they are swallowed or inhaled, or as a result of severe burns. When used as a smokescreen, WP acts randomly and often severely affects dwellers of densely populated areas.

Controversial companies

Controversial companies are companies engaged in incidents and grave violations of human rights, labour, the environment, or corruption (violation of the UN Global Compact principles[10]). These companies have demonstrated that they are not open to engagement in regards to this behaviour, or do not respond adequately to incidents.

Before we invest in a company, we perform an investigation (due diligence) on all our liquid investment portfolios to help identify companies that may have, or clearly do have, a negative impact

[10] Ten Principles - UN Global Compact Network Netherlands

on society and/or the environment according to the UN Guiding Principles on Business and Human Rights (UNGP) and the OECD Guidelines for Multinational Enterprises. We enter into a dialogue with companies that can potentially improve their performance on these guidelines. We do not invest in companies that commit a gross violation of the UN Global Compact principles (see the text box International Standards below). These principles are derived from the UN Universal Declaration of Human Rights. We prepare a list of companies, and exclude companies that commit a gross violation of the UNGC principles from our investment portfolio. We use data provided by research firm Sustainalytics to identify the companies that should be excluded.

Tobacco production

Tobacco is a very harmful, even deadly product. It is deadly not only to the user, but also to non-users exposed to second-hand smoke. Worldwide, this causes millions of deaths every year and generates huge healthcare costs. The tobacco industry also carries legal risks and risks resulting from laws and regulations, and potential changes therein. Social rejection of smoking is growing increasingly strong. We exclude from our investment portfolio any companies that derive their only income from tobacco products[11]. Tobacco products include cigarettes, cigars, snuff and chewing tobacco, and e-cigarettes, as well as the cultivation of tobacco leaves. Companies that own a stake of more than 10% in a company involved in tobacco production are also excluded from our investment universe.

Coal and tar sands

As part of our climate action policy, we do not invest in companies that derive more than 5% of their revenue from thermal coal or oil production from tar sands. This applies to the entire liquid investment portfolio and, to the extent possible and practicable, to non-liquid investment portfolios[12]. For more details, please see Section 6.1 (Climate action).

Oil ans Gas producing companies

We only invest in oil and gas producers if they have a target to reduce their carbon emissions to net zero by 2050, in line with the commitments set out in the Paris Agreement. Moreover, these targets

[11] PNO Media obtains its data from data suppliers specialising in ESG research. We thus ensures that the exclusion list is aligned with our exclusion policy as much as possible.

[12] Since there are multiple investors participating in non-liquid investment funds, influence on policy is limited.

must be validated by an independent external organisation. We do not invest in oil and gas companies if they do not meet these basic requirements.
The process of engagement with the companies that still qualify as investees is subject to close monitoring. If these companies fail to adequately demonstrate their compliance with the Paris Climate Agreement within 2 years, we will no longer invest in these companies. In 2024, the pension we will further develop our policy on close monitoring of engagement with oil and gas producers.

7.2 Integration of international standards

International Standards

The OECD Guidelines for Multinational Enterprises are guidelines for multinational enterprises that operate in or out of OECD countries (or other countries that have adopted the OECD Guidelines). These are non-binding principles and standards for corporate social responsibility in a worldwide context, in accordance with applicable laws and internationally recognised standards. These guidelines cover the following subjects: disclosure of financial and non-financial information, human rights, employee rights, the environment, anti-bribery efforts, bribe solicitation and extortion, consumer interests, science and technology, competition, and taxation.

The UN Guiding Principles on Business and Human Rights (UNGP) were ratified unanimously by the UN Human Rights Council in 2011. UNGP comprises 31 principles, supported by 3 pillars: 1. states' duty to protect human rights, 2. corporate responsibility to respect human rights, and 3. access to remedy for victims of human rights violations. Companies must have appropriate policy measures and procedures in place as part of their effort to avoid a negative impact on human rights, and to respond adequately if such an impact occurs. The guiding principles offer a threefold approach that can be summarised as follows: 1. a public commitment to respect human rights that are embedded in a company's corporate culture, 2. an ongoing process of due diligence regarding human rights that the company uses to evaluate human rights risks, integrate findings into its decision-making, take action to mitigate these risks, track the effectiveness of these measures, and communicate its efforts internally and externally, 3. processes to offer remedy to anyone affected when the company has caused or contributed to such harm. This encompasses companies' own operations and employees, and also operations directly controlled by the companies, their immediate or strategic suppliers, and impacts that arise further on in the value chain, from third parties on which the companies have limited influence.

The ten principles of the UN Global Compact (UNGC) in the areas of human rights, labour, the environment and anti-corruption enjoy broad support among companies and investors worldwide. These principles have been derived from the UN Universal Declaration of Human Rights, the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work, the UN Rio Declaration on Environment and Development, and the UN Convention Against Corruption. The 10 principles are as follows: 1. businesses should support and respect the protection of internationally proclaimed human rights, 2. they should ensure that they are not complicit in human rights abuses; 3. businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4. the elimination of all forms of forced and compulsory labour; 5. the effective abolition of child labour; 6. elimination of discrimination in respect of employment and occupation; 7. businesses should support a precautionary approach to environmental challenges, 8. undertaking of initiatives to promote greater environmental responsibility, 9. encouragement of the development and diffusion of environmentally friendly technologies, and 10. working against corruption in all its forms, including extortion and bribery.

A great number of Dutch pension funds signed the IMVB covenant in 2018. This covenant sets out the commitments to implement international guidelines, including those prepared by the Organisation for Economic Cooperation and Development (OECD) and the United Nations (UNGP). The guidelines serve the purpose of identifying, prioritising and addressing the negative impact of a company (or the underlying chain) on the investment portfolio. The covenant's term has expired, but we still use the agreements as the basis for our (ESG) investment policy. The covenant's overriding goal was to make sure that pension funds record, in their policies and contracts with external managers, that they had adopted the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. Wherever possible, PNO Media will respect and record the commitments set out in the covenant in its relationship with its external asset managers. In this respect, the fund is governed by the OECD guidelines for institutional investors, and integrates relevant provisions of the covenant into its selection and monitoring framework. These provisions are incorporated into mandates or selection criteria for investment funds across all investment categories in which the fund invests. Wherever possible, we carry out an investigation (due diligence) to identify (potential) negative impacts on society and the environment, and we expect the same from our external asset managers.

PNO Media's due diligence

1. ***Policy***: in our ESG policy, we are governed by the OECD and UN guidelines, and we expect the same from our external managers. External asset managers are expected to familiarise themselves with our ESG policy and take it into account in their investment decisions. External asset managers are expected to integrate ESG data into their management systems and to consider ESG risks in their investment process.
2. ***Screening***: From time to time, we query our benificiaries about their expectations and preferences with respect to socially responsible investment. This helps the fund understand what our benificiaries find important, and helps us develop a responsible investment policy based on these findings. We have ESG data at our disposal that helps identify potential negative impact in our investments. To this end, we use the 'principal adverse impacts' of the EU Sustainable Finance Disclosure Regulation (SFDR) as a reference. Additionally, our ESG service provider screens the share and corporate bond portfolio to identify companies that cause the most serious negative impact in terms of severity, scale and irreversibility. The ESG service provider engages with these companies, and makes time-bound agreements to reduce negative impact. If a company does not co-operate in this regard, we exclude it from our investment portfolio.
3. **Mitigation**: We mitigate negative environmental and social consequences of our investments by voting at shareholder meetings, by engaging with companies, and by making time-bound agreements on improvements. We have also decided not to invest in companies and countries that do not meet our standards and values (see Section 7.1). Furthermore, we are guided by the Paris Climate Agreement in developing climate policy aimed at reducing negative impact.
4. ***Monitoring***: We monitors the implementation of our exclusion list by external asset managers on a daily basis. The external asset managers submit quarterly reports on the progress and implementation of the ESG policy. ESG implementation is an essential component of the external managers' quarterly assessment. Additionally, we have our own ESG data that allows us to monitor and review ESG implementation with regard to our investment portfolios.
5. ***Communication***: We publish quarterly reports on voting and engagement policies on our website. In these reports, we disclose the votes that have been made, and the progress of the engagement processes. Additionally, from time to time, we post updates to the ESG policy on our website and on social media.

6. ***Remedy and redress***: Generally, we will only have 'direct relation' to the negative impact caused by companies that we invest in. In such a case, we will use our influence to encourage the companies that have caused or contributed to negative impact to accept their responsibility, as set out in the OECD guidelines and the UNGP. This means that such companies must ensure, or help provide, access to remedy options.

In doing so, our external assets managers should prioritise the most serious negative impacts, based on their severity, scope, irreversibility, and probability. Where practical, the companies should seek the advice of external stakeholders or experts in the assessment and/or addressing of such impacts. If needed, we will do that ourselves as well. An external asset manager can use these findings in their work for the purposes of (de)selection and/or active ownership of companies. We expect our external service providers to actively monitor and report on the implementation of the due diligence process. Such reports should include, among other things, findings on negative impact within the investments administered by a given manager, and how the manager engages in prevention and mitigation, and/or encourages remedy or redress. We discuss this with the external managers, and make adjustments insofar as needed.

8. Communication

As a pension fund intended for the creative and digital industry, and specifically for media-related companies, we place a high value on accountability and a clear and transparent communication policy. For this reason, we wish to keep our participants as well informed on responsible investment matters as possible. In our annual report (responsible investment report), or on our website, we provide insight into activities and results across all investment categories, and for all the instruments mentioned in this policy document. It covers both successes and situations where we did not achieve what we had planned to achieve in a given reporting period. We give an account of our voting and engagement activities, including progress in engagement processes, the positive results of engagement, and/or engagement processes wherein the engagements have not yielded the desired results. Further details of voting and engagement activities, including votes for each company and on each agenda item at shareholder meetings, companies that the fund has engaged with and engagement efforts deployed over a given year are disclosed by us on our website. Every quarter, on our website, we publish a list of countries and companies that we invest in, and every six months, we publish a list of countries and companies that we exclude from our investment portfolio. We regularly use our website, social media or newsletters to publish examples of the results of our specific engagements with particular companies and industries. We also use these channels to explain amendments to our ESG policy.

SFDR and taxonomy

The SFDR is a transparency obligation, and part of the European Commission’s Action Plan for Financing Sustainable Growth. It also regulates reporting on how financial market participants deal with sustainability factors. It also includes a common ‘taxonomy’ (classification) that should be used to help understand what activities are sustainable. In line with the European SFDR Guidelines, the pension fund has posted a negative impact statement on the website. We do this to demonstrate that we take into account the negative impact that our investments can have on the environment and society. The pre-contractual information document, the annual report and the negative impact statement describe the measures we have taken in order to mitigate the negative impact of our investment portfolio on society and the environment. These documents can be found on PNO Media’s website: Policies, reports and records | PNO Media.

Appendix: Glossary

ALM	Asset and liability management	Asset and liability management is the process of comparing the value of assets (investments) against the value of liabilities (pension payments). This implies the use of scenarios of the future that take climate risk into account.
Investment portfolio		An investment portfolio is a set of investment vehicles, countries, and companies that a pension fund can invest in. Investments must meet certain criteria in order to be included in the portfolio.
Due diligence		This term is used in many different spheres. In the context of ESG investments, it refers to a step-by-step process carried out in order to determine whether a given investment decision has negative implications for society or the environment.
ESG	Environment social governance	Factors of environmental, social and good corporate governance
ESG integration		Consideration of financially material ESG risks and opportunities in investment decisions.
ICGN	International Corporate Governance Network	International network organisation of companies, investors and academics for the promotion of good corporate governance.
ILO	International Labour Organisation	
	International Socially Responsible Investment	A covenant, adopted in 2018, under which pension funds agreed to take into consideration investment risks to the environment and society in their investment activities. This covenant expired in 2023.
Integration of international standards		Integration of the guidelines of the Organisation for Economic Cooperation and Development (OECD) and the United Nations (UNGP) with investment mandates regarding to business operations, the environment, and human and employee rights. The guidelines serve the purpose of identifying, prioritising and addressing the negative impact of a company (or the underlying chain) on the investment portfolio.
IORP II	Institutions for Occupational Retirement Provision	European Union Directive for pension funds and premium pension institutions. IORP II establishes (inter alia) new governance requirements for pension funds.
OECD	Organisation for Economic Cooperation and Development	-
OECD Guidelines	OECD Guidelines for Multinational Enterprises	A set of principles for internationally operating enterprises, adopted in 2011, that covers the areas of supply chain responsibility, human rights, child labour, the environment, and corruption.
Paris Agreement	The Paris Climate Agreement	The Paris Agreement, part of the Climate Convention, is an international treaty aimed at limiting the warming of our climate. The agreement was presented at the 2015 Paris Climate Change Conference on 12 December 2015.
SDG	Sustainable Development Goals	The Sustainable Development Goals were adopted by the United Nations (in 2015) as the new 2030 Agenda for Sustainable Development.
SRD II	Shareholder Rights Directive	A European directive aimed at strengthening the position of shareholders and ensuring that companies make decisions that secure their own long-term stability.
UNGC	United Nations Global Compact	A set of principles established by the United Nations and companies, in the year 2000, that covers the areas of human rights, employee rights, the environment, and corruption.

UNGP	UN Guiding Principles on Business and Human Rights	A set of principles established by the United Nations (2011) that covers companies' responsibilities with respect to human rights.