

Stichting Pensioenfonds TNO Portfolio Sustainability Policy 2026 Quarter 1

Pensioenfonds TNO has drawn up a strategic ESG policy plan for 2023 - 2025, covering three themes:

- Healthy society
- Sustainable society
- Innovative society

with the following objectives:

- The investment portfolio must comply with the United Nations Global Compact Principles and OECD guidelines.
- The investment portfolio must be climate-neutral by 2050 at the latest.
- Investments must make a positive contribution to the three themes mentioned above.
- The investment portfolio should reflect the preferences of (former) participants and society's views on ESG-related issues.
- When investing, it is important to take into account all ESG risks that have an impact on the long-term risk profile.

On the one hand, the policy's implementation is effected through exclusions, engagement and voting.

On the other hand, we aim to make a positive contribution to various ESG goals through impact investing. To determine whether we are on the right path to creating a climate-neutral portfolio, we measure the CO₂ emissions at various levels.

This quarterly summary contains the most recent status of the themes listed above.

It has been decided to continue with the current ESG policy plan in 2026 until a new ESG policy plan has been drawn up, based in part on the ESG participant survey.

Impact investing within the investment portfolio

Investing in ways that makes a positive contribution to our ESG goals (impact investing)¹ generally means investing in unlisted investment instruments.

In the real estate category, we invest in housing for seniors and, through private equity investments, in innovative companies that focus on developing new medication.

In the current mandates for the category (listed) corporate bonds, we have also established a minimum percentage that must be invested in so-called Green Bonds. For example, this includes bonds that are used to finance specific green projects.

A distinction is made between the following categories of impact bonds that are defined in accordance with international standards, such as the Green Bond² Principles: Green bonds, Social bonds, Sustainable bonds, Sustainability-linked bonds.

These bonds are issued by (local) governments and companies, and are based on the premise that they have a positive sustainable and/or social impact. Some examples are delivering sustainable energy projects (Green bonds), or elderly care projects (Social bonds).

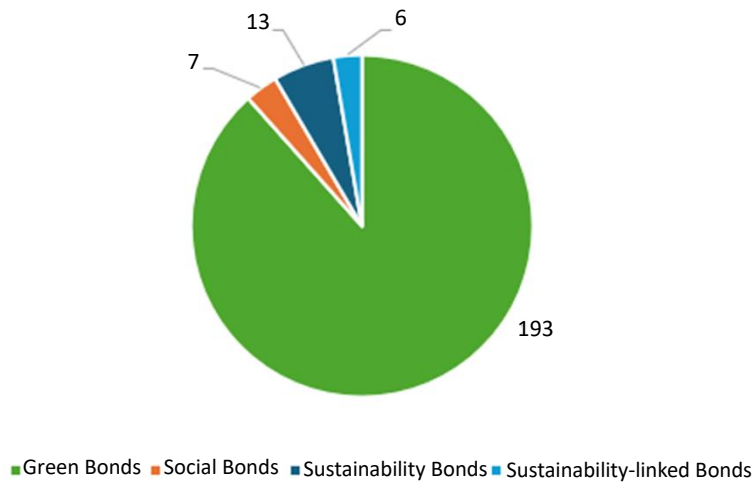
As at 31 March 2026, EUR 219 million of our portfolio was invested in impact bonds. That is virtually the same as the figure for the previous quarter. This means that approximately 13% of the fixed-income portfolio (excluding mortgages) is invested in impact bonds.

As regards government bonds, the vast majority is invested in Green bonds and a small proportion in other categories. In terms of volume, 'green' government bonds from Germany, the Netherlands and France carry the most weight. Relatively speaking, the corporate bond category is dominated by investment in other categories, although the amounts involved are smaller.

¹ According to the Global Impact Investing Network Impact (GIIN)'s definition, impact investments are investments made with the intention to generate positive, measurable social or environmental impact alongside a financial return.

² <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

Figure 1: Distribution across impact bond categories within Pensioenfonds TNO's portfolio



Q1 2026 Exclusion Policy

Pensioenfonds TNO excludes direct investments in some companies and countries. We do not want to invest in companies that violate one or more Global Compact principles, nor in companies involved in tobacco, the controversial weapons industry, fossil fuels, and companies that are sanctioned. Countries may be excluded from sanctions imposed by the UN and the EU, or because they have been classified as 'Not Free' by Freedom House, or for both reasons.

Table 1 details the precise criteria and how many companies and countries are excluded as of the end of March 2026.

As of the end of March, there are 682 companies on the exclusion list. That is slightly higher than at the end of 2025. Most companies are found in emerging markets and in the tobacco sector.

At the country level, a total of 60 countries are listed on the exclusion list.

Table 1: Number of excluded companies and countries as at the end of March 2026

Companies	Exclusion criteria	Description	Number of	Comment
Serious violation of UN GCP	Principle 1	Companies that do not support and respect internationally proclaimed human rights.	43	
	Principle 2	Companies that are complicit in human rights abuses.	87	Of which 23 are SOEs
	Principle 3	Companies that do not uphold freedom of association and effective recognition of the right to collective bargaining.	2	
	Principle 4	Companies that do not make efforts to eliminate all forms of forced or compulsory labour.	15	
	Principle 7	Companies that do not take a precautionary approach to environmental challenges.	33	Of which 1 SOE
	Principle 10	Companies that do not combat corruption, including extortion and bribery.	9	
Tobacco	Producers and retailers	Turnover dependence > 5%	134	
Controversial	Cluster munitions	AFM cluster munitions list	5	
	Controversial weapons	Turnover dependence > 0%	100	
Fossil fuels	Coal producers	Turnover dependence > 5%	64	
	Utilities	Turnover dependence > 50%	28	
	Non-traditional fossil fuels	Turnover dependence > 5%	75	
Other	Sanctions	Mainly Russian companies	87	Of which 10 SOEs
Total			682	

Countries	Exclusion criteria	Description	Number of
	Sanctions legislation	Countries sanctioned by the United Nations and/or the European Union.	19
	Freedom House	Countries that are 'NOT free'.	59
		Country that is 'Free' or 'Partially Free', but sanctioned.	1
Total (including overlap)			60

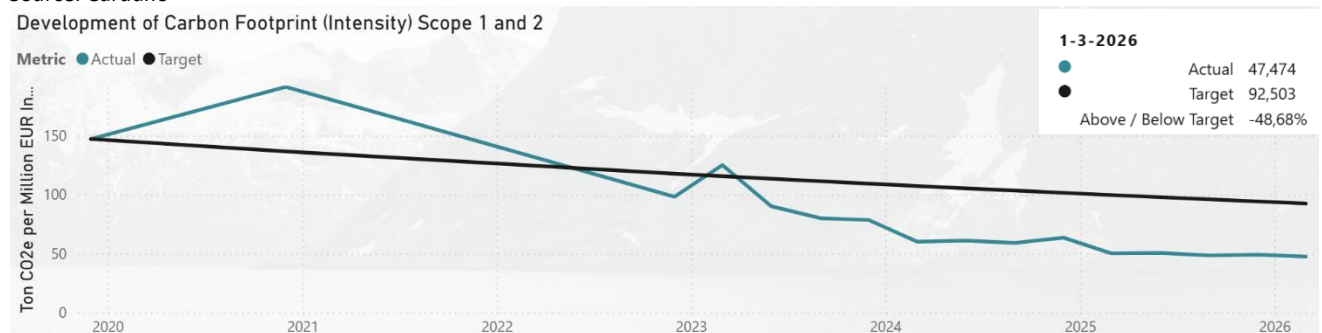
Progress on CO₂e reduction

Pensioenfonds TNO's sustainability policy takes the Paris (2015) climate targets as its starting point. One of the objectives is to slow down global warming, aiming for a maximum temperature rise of 1.5 degrees Celsius by 2050. Achieving this would require a reduction in CO₂e emissions (carbon dioxide or greenhouse gas) of at least 7% per year.

Pensioenfonds TNO measures the CO₂e footprint of its investments within the liquid equity portfolio and of its liquid corporate bonds (together approx. 50% of the total investment portfolio). This measurement is based on the Scope 1³ and Scope 2⁴ data of the companies involved in the relevant portfolios. **Figure 2** illustrates that the pension fund is well ahead of the CO₂e reduction target and has achieved a reduction of almost 49%.

Figure 2: CO₂e reduction target for liquid equity and liquid corporate bond portfolios

Source: Cardano



Post-2023, the main contribution is made by the equity investment fund with a specific Paris Aligned benchmark; see below. As regards corporate bonds, the benchmark (and therefore the portfolio) will be adjusted in the near term such that it will explicitly take reducing the portfolio's CO₂e emissions into account.

CO₂ reduction within Paris Aligned Benchmark (PAB) equity fund

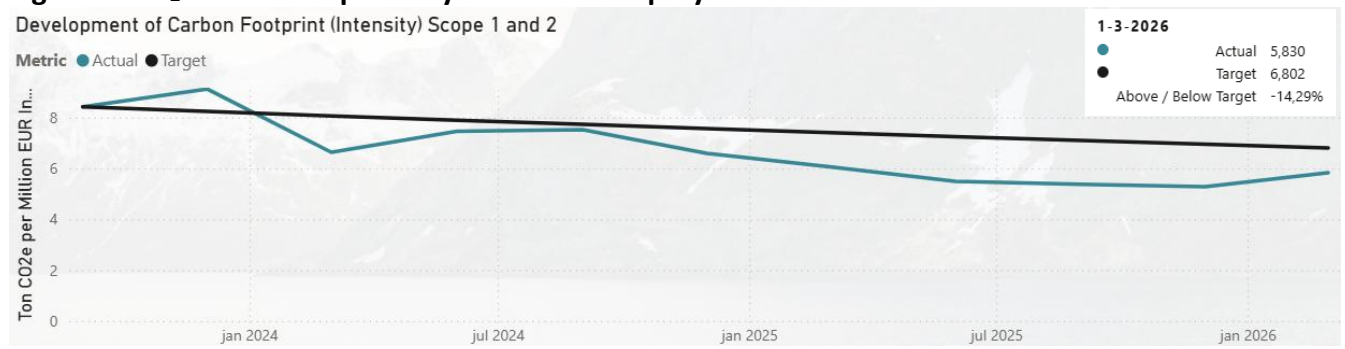
³ Scope 1: direct CO₂ emissions caused by an organisation's own facilities; e.g. own gas consumption and own fuel consumption.

⁴ Scope 2: a company's indirect CO₂ emissions from the generation of purchased and consumed electricity or heat.

Specifically for equities in developed markets, Pensioenfonds TNO invests in an investment fund with a so-called Paris Aligned Benchmark (PAB). The aim of this equity fund is to reduce carbon intensity by at least 10% year on year. In addition, this fund also takes a number of other sustainability aspects into account.

In August 2023, Pensioenfonds TNO began investing in this investment fund. **Figure 3** shows how CO₂e reduction developed over time. The black line shows the development towards the target; the path leading to a net-zero carbon footprint by 2050. The green line shows that the fund is outperforming this target by around 14%. The difference from the target varies over time, for example because the composition of the index changes slightly. Companies that initially made a relatively large contribution to the reduction may see their weighting decrease due to market fluctuations, which in turn reduces the reduction itself. Overall, the fund is still well on track to meet the reduction targets we have set.

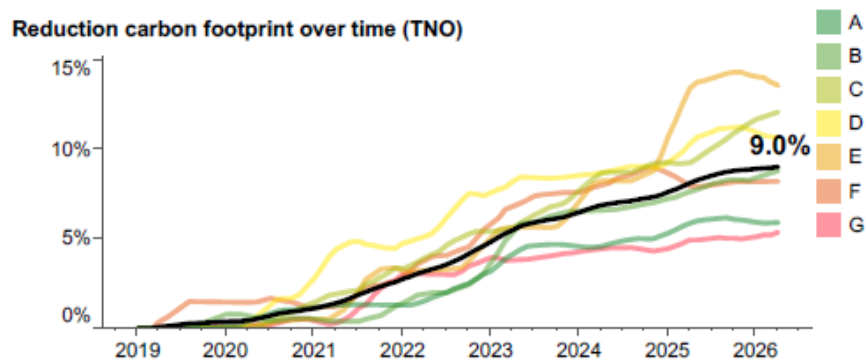
Figure 3: CO₂e reduction pathway for the PAB equity fund from 2023



CO₂ reduction within the mortgage portfolio

Pensioenfonds TNO invests part of its fixed-income portfolio in the mortgage category. DMFCO Asset Management manages MUNT Hypotheken's mortgage portfolio. MUNT Hypotheken provides mortgages to individuals on behalf of investors, such as Pensioenfonds TNO, that care about contributing to a more sustainable world. MUNT Hypotheken is committed to reducing the CO₂ emissions of the homes within its portfolio in order to align with the Paris Climate Agreement, which Pensioenfonds TNO also endorses. The advisers who provide MUNT mortgages, actively discuss ways with clients to make their current and future homes more sustainable and reduce CO₂ emissions.

The graph shows that, since the start in 2019 up to the end of Q1 2026, an average reduction of 9.0% has been achieved (black line), distributed across the various energy labels that a home can have. The biggest CO₂ reduction in an absolute sense is in homes with energy label C (17.4% of the portfolio), and the smallest reduction is in homes with the highest A+++ and A++ labels (which in itself is logical). In the MUNT Hypotheken portfolio, almost a third of homes have an energy label A or higher.



Reduction in carbon footprint based on energy label and in total. The reduction is the avoided CO₂ emission as percentage of the total original CO₂ emission (moving average over 4 months).

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Voting and engagement policy of Paris Aligned Benchmark (PAB) equity fund – Q1 2026

As well as the equity fund's commitment to reducing CO₂ emissions, we also have an opportunity to influence companies' policies by voting at shareholders' meetings.

In terms of our pension fund's voting behaviour, we sought to align with the sustainability themes that the pension fund considers important. Consequently the fund manager, acting on behalf of the pension fund, was asked to vote in line with the ISS SRI policy (<https://www.issgovernance.com/file/policy/active/specialty/SRI-International-Voting-Guidelines.pdf?v=1>). Besides a broad focus on climate, there is also a strong focus on social and governance issues such as the appointment of board members.

Incidentally, local regulations do not allow voting at every company meeting.

In the first quarter of 2026, 338 proposals were voted on at 29 shareholders' meetings, in line with ISS policies.

In this context, there were 15 votes against the management's proposal and 9 votes in favour of a proposal that the management voted against. At one meeting, ISS abstained five times in a vote on board members.

Engagement policy of other investment funds within Pensioenfonds TNO's portfolio

The engagement policies of our investment fund managers in the other categories of liquid investments are published on the following websites:

Emerging market equities:

- <https://www.northerntrust.com/united-kingdom/what-we-do/investment-management/stewardship>
- <https://about.vanguard.com/investment-stewardship/>

Bonds: LDI, European corporate bonds and emerging market bonds

- <https://www.blackrock.com/corporate/about-us/investment-stewardship>

European corporate bonds:

- <https://www.mandgplc.com/~media/Files/M/MandG-Plc/documents/responsible-investing/stewardship/mg-investments-annual-stewardship-report-2021.pdf>

Emerging market bonds:

- <https://www.nb.com/pages/public/global/esg-investing.aspx>

Engagement in real estate: GREEN reporting on 2024

In 2021, Pensioenfonds TNO joined GREEN (Global Real Estate Engagement Network) for the real estate category. This 30-member partnership focuses specifically on climate engagement with listed and unlisted real estate funds. Since the real estate sector bears much of the responsibility for energy consumption and CO₂ emissions, there are still substantial climate gains to be made by engaging in dialogue with this sector. GREEN reports annually on its dialogue with real estate companies and the extent to which they meet their targets.

GREEN publishes an annual report on progress made during the previous calendar year. The results for 2025 are not yet available, so we are currently reporting results for 2024.

In 2024, GREEN held climate policy discussions for the seven listed property funds in which we invest. In those discussions, GREEN focuses on several topics, such as specific climate targets or publication of energy use and CO₂ emissions, in order to enhance transparency and thus make headway with climate issues.

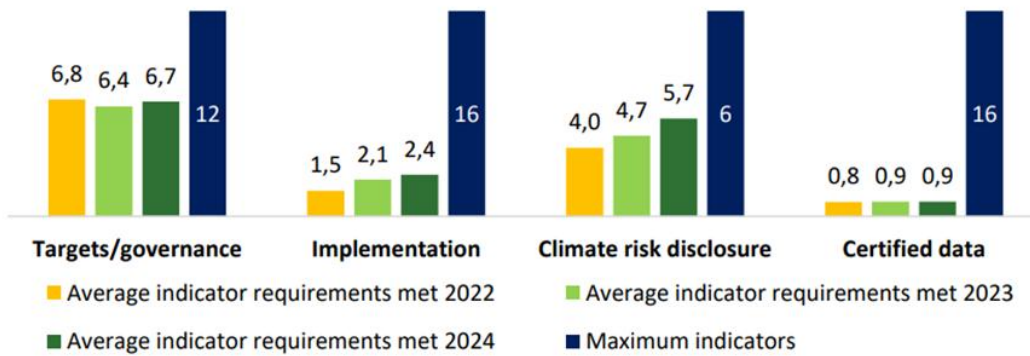
One example of GREEN's engagement policy bearing fruit is its engagement with the company Prologis. In 2022 and 2023, GREEN discussed the importance of a carbon emissions strategy with Prologis. In 2024, they included this section in their sustainability report.

Based on the discussions, GREEN produces a scoreboard, scoring companies on a 50-point scale. As well as illustrating how Pensioenfonds TNO's real estate portfolio scores over time, the scores can be compared with those of all the funds of all 30 members.

Figure 1 shows that the scores of the companies in which Pensioenfonds TNO invests have improved since 2022, especially in the area of climate policy implementation and the score for climate risk disclosure, which went from 4.0 to 5.7.

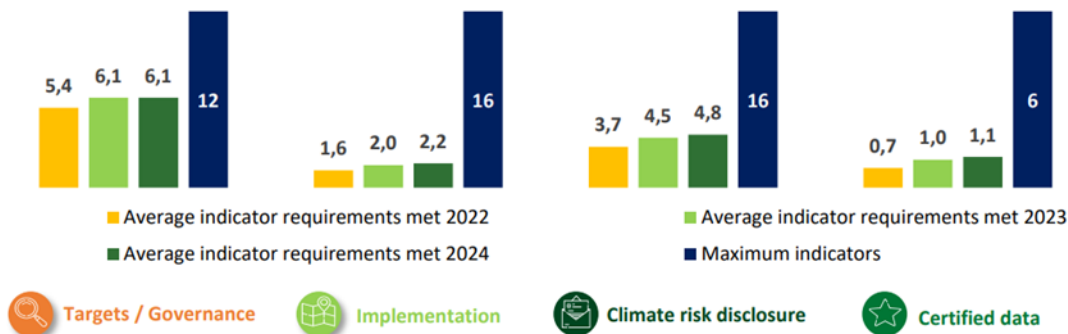
Figure 1: Pensioenfonds TNO dashboard score in 2022 - 2024

Average number of indicator requirements met in GREEN dashboard 2022, 2023 and 2024 compared (n=7)¹



Comparing Pensioenfonds TNO's scores with the entire universe, we can see that our pension fund scores are better in three areas (Targets, Implementation and Climate Risk Disclosure) and slightly lower in one area.

Figure 2: dashboard scores universe in 2022 - 2024



The dashboard figures and findings show that, on average, Pensioenfonds TNO's real estate investments have improved for the themes investigated by GREEN. Although developments may not always happen very fast, engagement is definitely bearing fruit. We will continue to participate in the GREEN programme for monitoring real estate managers with respect to ESG.