

Sustainability policy in the Stichting Pensioenfonds TNO portfolio – Q4 2025

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

- Healthy society
- Sustainable society
- Innovative society

The resulting objectives are as follows:

- 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 current and former participants' preferences and society's views on ESG-related themes.
- Investments should take into account all ESG risks that impact 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 the current ESG policy in 2026, until such time that an ESG participants survey has been conducted in February 2026, which is to provide direction for the Pension Fund's sustainable policy.

Impact investing in 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 Bond²Principles: 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).

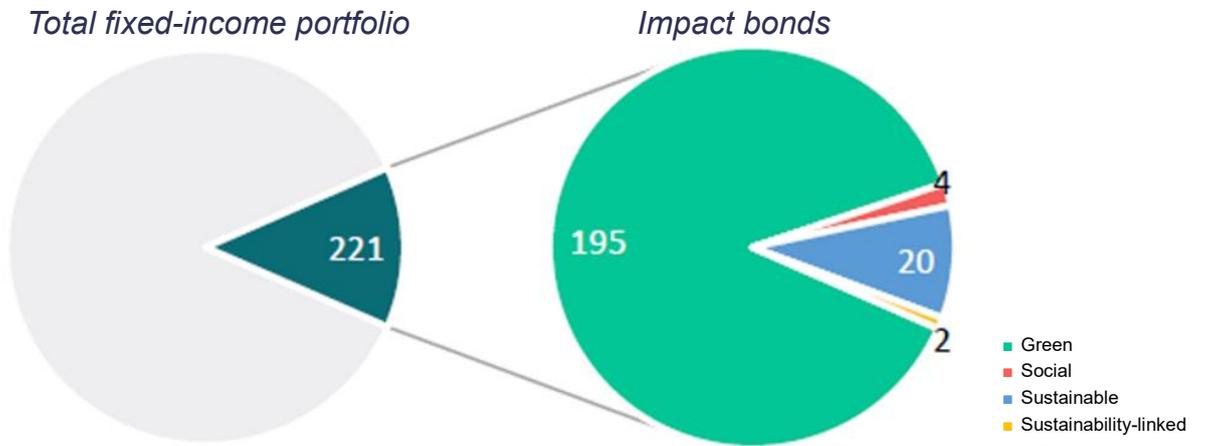
Our portfolio had EUR 221 million invested in impact bonds as at 31 December 2025, which is more than the amount invested at the end of the third quarter of 2025.

As regards government bonds, the vast majority is invested in Green bonds and a small proportion in the 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 the 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 in Pensioenfonds TNO's portfolio, within the total bond portfolio.



Q4 2025 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.

As regards countries, we do not want to invest in those countries that are classified as 'Not Free' or are subject to sanctions according to our data provider 'Freedom House'.

Table 1 details the precise criteria and how many companies and countries are excluded as of the end of December 2025.

Compared to the previous quarter we can see that, overall, the number of company exclusions has decreased from 683 at the end of September 2025 to 656 at the end of the fourth quarter. There are limited variances by category, with the largest shift being in the 'Fossil-free' category. On balance, 16 companies were readmitted there, because currently they derive less than 5% of their revenue from these activities.

At the country level, a total of 60 countries are listed on the exclusion list. One country is 'Partially Free' (Lebanon), but is subject to EU and UN sanctions.

Table 1: Number of excluded companies and countries as of the end of December 2025

Companies	Exclusion criteria	Description	Number of companies	Comment
Serious violation of UN GCP	principle 1	Businesses that do not support and respect internationally proclaimed human rights.	43	
	principle 2	Businesses complicit in human rights abuses.	87	of which 23 are SOEs
	principle 3	Businesses that do not uphold freedom of association and effective recognition of the right to collective bargaining.	2	
	principle 4	Businesses not committed to eliminating all forms of forced or compulsory labour.	15	
	principle 7	Businesses not taking a precautionary approach to environmental challenges.	33	Of which 1 SOE
	principle 10	Businesses not working against corruption, including extortion and bribery.	9	
Tobacco	Producer and retailer	Turnover dependence >5%	137	
Controversial	Cluster munitions	AFM cluster munitions list	5	
	Controversial weapons	Turnover dependence >0%	98	
Fossil fuels	Coal producers	Turnover dependence >5%	60	
	Utilities (coal)	Turnover dependence >50%	28	
	Non-traditional fossil	Turnover dependence >5%	74	
Other	Sanctions	Mainly Russian companies	65	Of which 10 SOEs
Total			656	

Countries	Exclusion criteria	Description	Number of countries
	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

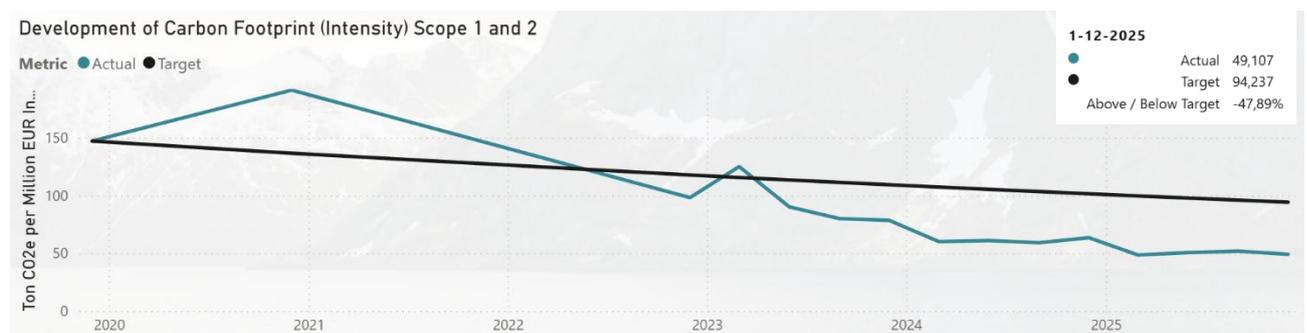
Progress on CO₂e reduction

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 for the liquid equity portfolio and for 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 48%.

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.

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.

CO₂ reduction of Paris Aligned Benchmark (PAB) equity fund

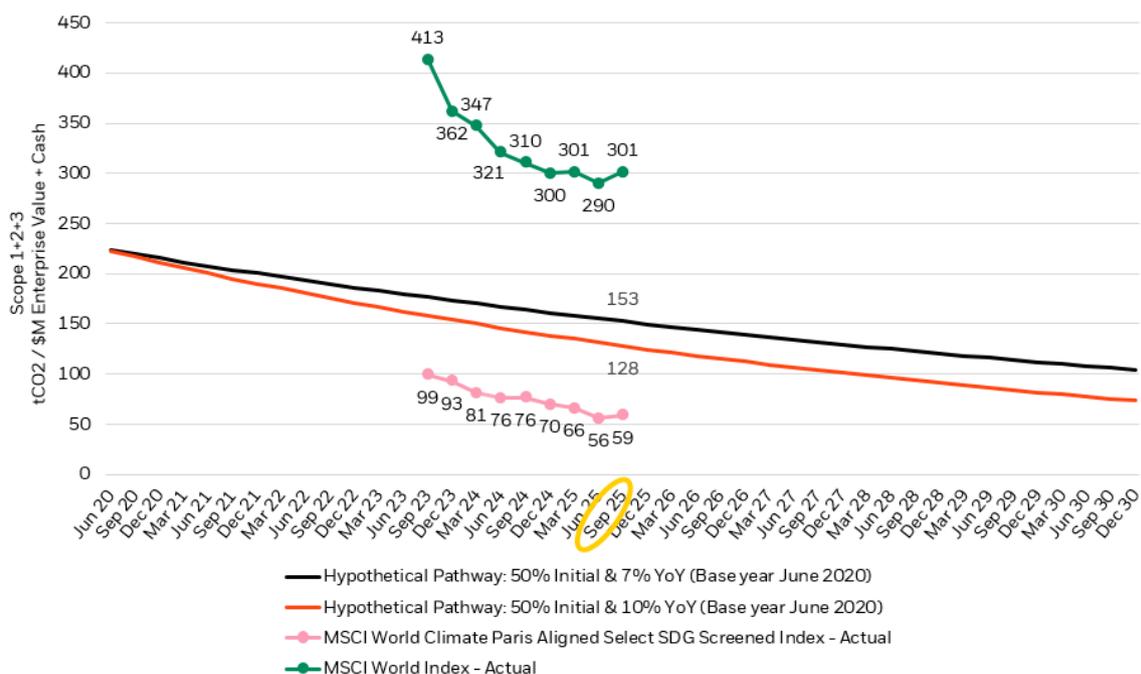
Specifically for equities, for developed markets Pensioenfonds TNO invests in an investment fund with a so-called Paris Aligned Benchmark (PAB). The aim of this equity fund is to reduce carbon intensity by at least 10% year on year. In addition, this fund also takes into account a number of other sustainability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

Figure 3 illustrates several things. First, the CO₂ emissions of the PAB equity fund from 30 June 2020 (start of fund) to date. The red line shows what the fund's path would have been with a reduction in CO₂e intensity. In September 2025 – there is a quarterly lag for reporting the CO₂ emissions for this fund – at a constant 10% annual decrease, this value would be 128 (and therefore 153 at a 5% decrease).

The pink line shows the actual path of the equity fund since Pensioenfonds TNO invested in the fund. We started investing in the fund in August 2023, at which point the fund had a value of 99. Currently its value is 59, which is still well below the 10% reduction scenario. The green line shows the scenario of what would have happened if we had not invested in this Paris Aligned fund, but in the broad MSCI World index, which includes, for example, oil companies (which we do not currently invest in). 301 is a big difference compared with our current value of 59.

Figure 3: CO₂e reduction path of PAB equity fund

Carbon Emission Reduction Pathway

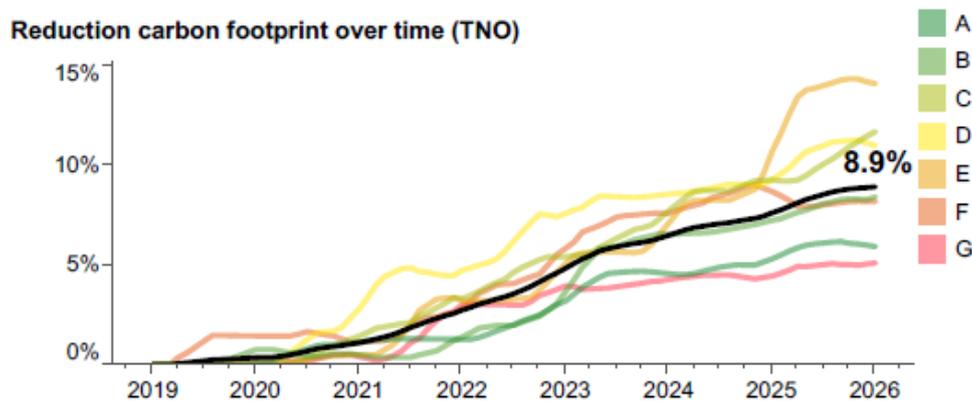


Source: BlackRock, MSCI as of 30/09/2025.

CO₂ reduction in 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 in its portfolio in order to align with the Paris Climate Agreement, which Pensioenfonds TNO also endorses. The advisers who provide MUNT mortgages actively discuss with clients ways to make their current and future homes more sustainable and reduce CO₂.

The graph shows that, since the outset in 2019, an average reduction of 8.9% 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% of the portfolio), and the smallest in the highest A+++ and A++ homes (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).

Voting and engagement policy of Paris Aligned Benchmark (PAB) equity fund – Q4 2025

As well as the equity fund's commitment to reducing CO₂ emissions, we also have the 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's meeting.

In the fourth quarter of 2025, 372 proposals were voted on at 34 shareholders' meetings, in line with ISS policies.

41 votes (~11%) were cast against management's proposals and 18 votes were cast in favour of a proposal that management voted against. Moreover, ISS abstained one time from voting.

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

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

Emerging markets 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 markets 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 markets 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. As 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.

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.

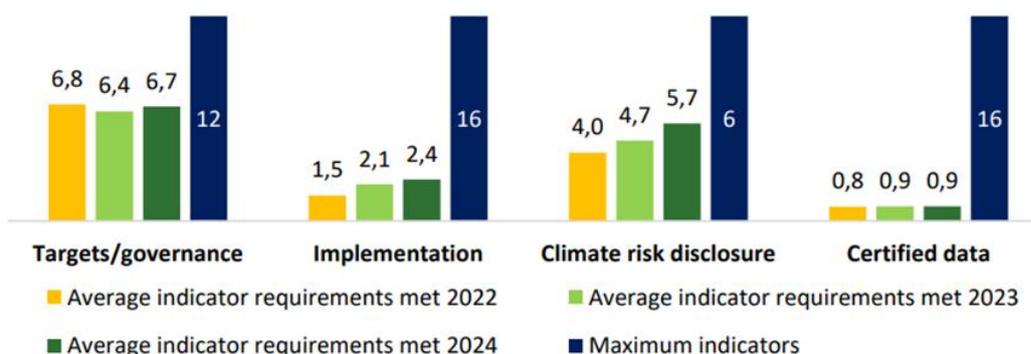
One example of GREEN's engagement policy bearing fruit is its engagement with the company Prologis. In 2022 and 2023, GREEN discussed the importance of a carbon emissions strategy with Prologis. In 2024, they included this section in their sustainability report.

Based on the discussions, GREEN produces a scoreboard, scoring companies on 50 points along a 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.

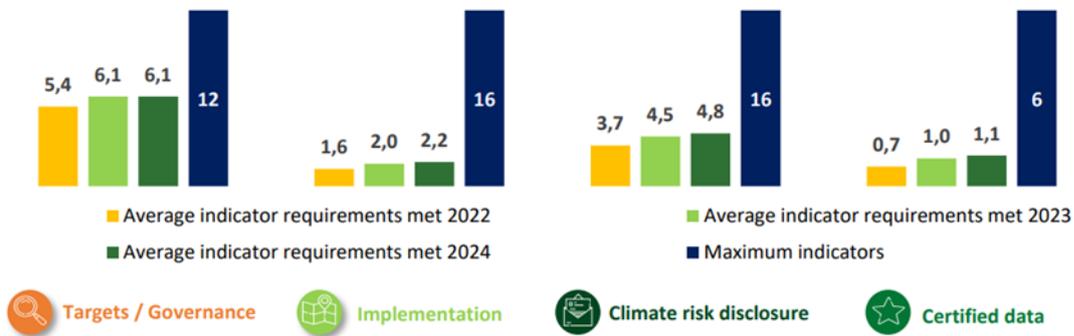
Figure 1: Pensioenfonds TNO dashboard score in 2022 - 2024

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 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 participating in the GREEN programme for monitoring real estate managers in regard to ESG.