

**PMT Strategic
Investment Framework
2026-2029**

Inhoudsopgave

1	Introduction	4
2	Objective	6
3	Investment beliefs	7
4	Implementation principles	8
5	Risk management principles	21

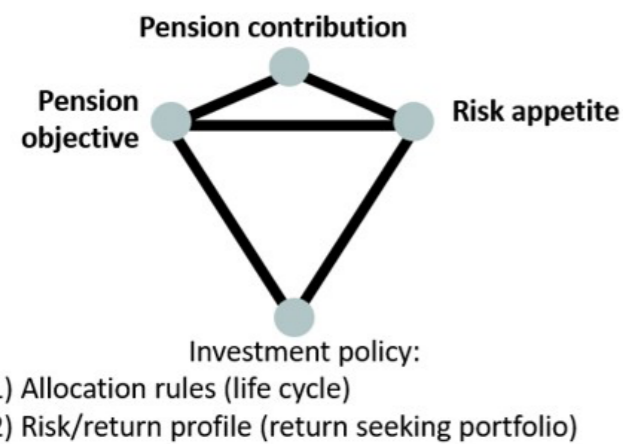
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1 INTRODUCTION

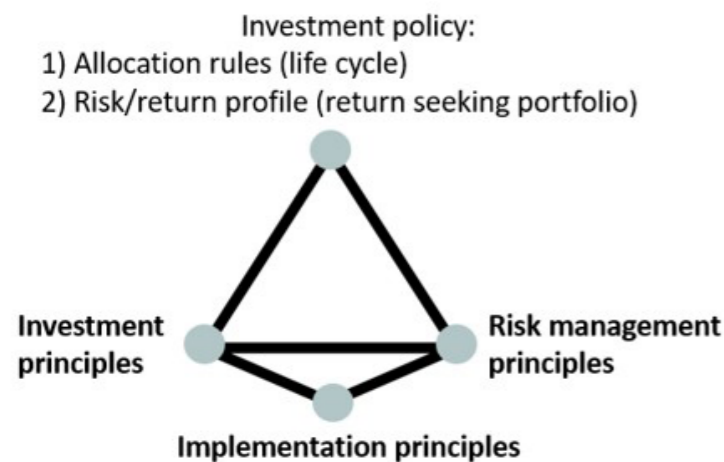
The strategic investment framework (SBK) is described using a schematic representation of the investment policy and the dimensions that influence it.

At the administrative level, the investment policy is a balance between the following factors:



The pension objective is determined by social partners (representation of employers and unions). PMT distils this into pension ambitions that must then be realised. PMT's ambition is to offer participants a good pension within the financial possibilities available. Contributions and investment returns are the means by which pension benefits are financed. The contribution is determined by social partners and the investment return is limited by the risk appetite of the participants. The investment policy has two important components that influence each other: the allocation rules and the composition of the return seeking portfolio.

There are various investment portfolios with a similar return/risk profile that are nevertheless not interchangeable for the board. The board can use principles to guide the composition of the investment portfolio:



In order to achieve its objective with an investment portfolio that matches the identity and ambitions of the pension fund, PMT's investment approach is guided by three types of principles:

- Investment principles: the investment principles (also referred to as investment beliefs) set out where PMT wants to achieve returns and believes it can achieve them. These are PMT's convictions about the functioning of the economy and financial markets.
- Implementation principles: the implementation principles (also referred to as policy beliefs) lay down the governance, organisation and practical implementation of the investment process.
- Risk management principles: the risk management principles lay down the methodology for evaluating and adjusting the risk profile of the investment portfolio.

The objective and the various principles are elaborated on in the rest of this document.

The board uses this strategic investment framework for the following purposes:

- With the SBK, the board determines which investment portfolio it considers appropriate for its supporters, identity and ambitions.
- Working with a top-down framework for a board and investment committee offers
- Advantages in the design, management and evaluation of the investment portfolio. It streamlines the chain and gives the board control over implementation.
- The framework supports consistent decision-making over time.
- The framework assists in communication with participants and the outside world about the investment returns achieved and how the fund invests.

This Strategic Investment Framework will be updated at least when a new risk appetite is determined (and earlier if necessary). Pension funds are legally required to conduct a Risk Preference Survey among their participants once every five years. Based on this, the new risk appetite and allocation rules are determined.

2 OBJECTIVE

Mission

Our mission is to ensure that all participants receive an affordable, sustainable pension that retains as much purchasing power as possible. We are aware of current trends and anticipate future developments. We work in partnership with participants, employers and social partners. The interests of our participants always come first. We provide an excellent service and give participants – both online and in person – a clear understanding of their pension and the options available to them. We are also transparent about the contributions paid in.

Contributions and life cycle

In order to fulfil this mission, the fund must first and foremost ensure that it has sufficient capital. PMT administers the pension scheme as agreed in the collective labour agreement. To this end, it receives pension contributions that are invested and then used in the future for pension payments.

Contributions are paid by employees and employers in an agreed ratio. The amount of the pension benefit is also determined by the interest rate and the return on investment. Participants have an age-dependent exposure to the return portfolio. The risk appetite of participants is guiding for the life cycle (Life cycle refers to the gradual reduction of risk in the investment portfolio as participants get older).

Required excess return

Investment risks are taken in the return portfolio. In a Solidarity Pension Scheme, each participant has exposure to the same return portfolio. The return portfolio has a long-term excess return target of 3% above the short-term interest rate, as laid down in the Strategic Investment Portfolio. In the short and medium term, there may be significant fluctuations in the excess return. Future financial, economic, political and demographic developments are difficult to predict. PMT wants to achieve the excess return target in a way that contributes to a sustainable economy and society, in a manner that is explainable and transparent, at an acceptable cost level and with no more risk and complexity than necessary. All these elements are further elaborated in the principles.

3 INVESTMENT BELIEFS

In order to achieve the objectives of its investment policy, PMT applies a number of investment principles (investment beliefs). These indicate where PMT wants to achieve returns and believes it can do so. They represent PMT's convictions about the functioning of the economy and financial markets.

- 1. Taking investment risk is rewarded in the long term.**
[basis for the strategic policy]
- 2. The number of sources of return and risk is limited and based on underlying economic activity.**
[basis for structuring the return portfolio into three asset clusters: high-yield, real estate and equities]
- 3. Taking interest rate risk is not rewarded in the long term.**
[basis for (largely) hedging the interest rate risk resulting from the life cycle]
- 4. In the long term, illiquid investments are additionally rewarded.**
[basis for investing in illiquid investments]
- 5. Currency risk between countries at a similar stage of economic development is not structurally rewarded.**
[basis for (largely) hedging risk on developed currencies]
- 6. The economic environment and movements in financial markets influence risk premiums and the relative attractiveness of investment choices.**
[basis for regular portfolio evaluation]
- 7. Achieving a consistently higher return than a benchmark is unlikely in liquid markets.**
[basis for active benchmark choices and passive execution]
- 8. Investments have an impact on the world.**
[basis for the Sustainable investment policy]
- 9. Socially responsible investing contributes to a more future-proof portfolio.**
[basis for integrating ESG factors into investment choices]

4 IMPLEMENTATION PRINCIPLES

In achieving the objective of its investment policy, PMT bases itself on a number of implementation principles. These principles determine how the portfolio is structured and how the governance, organisation and practical implementation of the investment process are organised.

A. Portfolio structure

1. The focus is on the excess return of the return portfolio relative to the short-term interest rate

The objective of the return portfolio is to achieve a long-term excess return of 3% relative to short-term interest rates. This objective is derived from the interplay between pension ambition, contribution payments and risk appetite in combination with the chosen life cycle.

The excess return target for the total return portfolio is translated into return targets at each lower level in the investment structure. These are laid down in the cluster characteristics and strategy documents. Working with these targets ensures structured management of the portfolio. Targets support the board in structuring the portfolio and ensure that the entire implementation chain is in line with the board's targets. An excess return target provides direction for the cluster distribution and the underlying product mandates and offers structure for reports and evaluations. In this way, complexity can be managed and PMT ensures that the right issues are addressed at every level because a clear division of responsibilities is created.

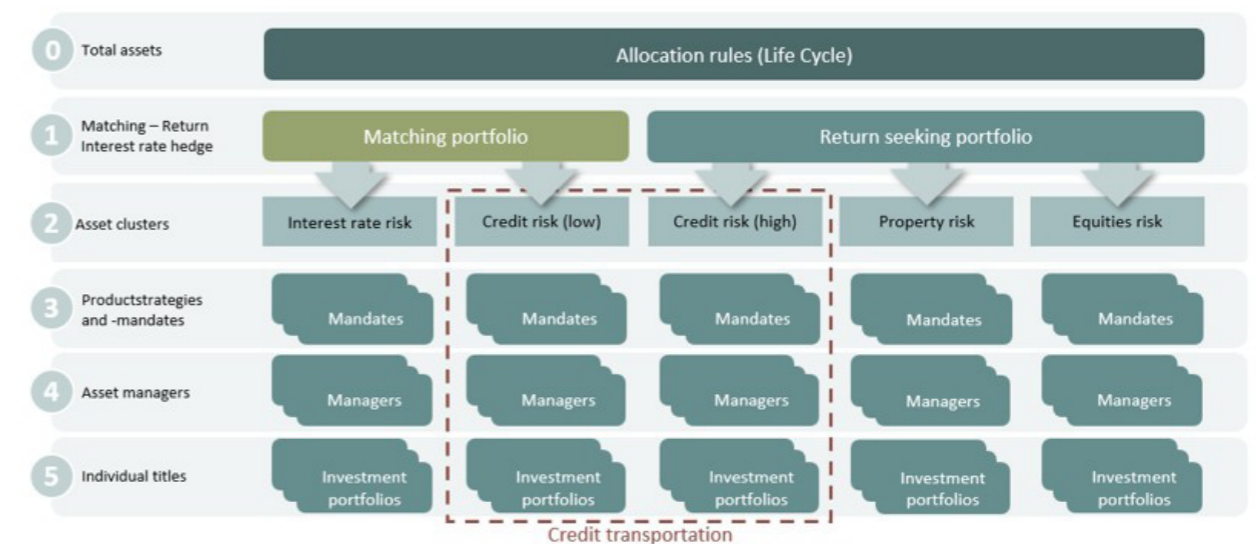
2. Investing according to a life cycle structure

The risk profile of participants is determined by the combination of the risk profile of the investment and the exposure to an investment. As the investment horizon of participants is longer, in theory more and riskier investments can be made in the return portfolio. Young participants have a long investment horizon, which means the emphasis is on returns. There is sufficient time to recoup losses and the pension contribution (which is still relatively high compared to the assets) can be invested at lower prices (assuming average positive returns in the long term). A large return portfolio with many shares is well suited to the situation of young people. This is less the case for older participants with a shorter investment horizon. Older participants are better suited to a diversified return portfolio with the most stable returns possible.

However, within the solidarity-based contribution scheme, every participant has the same return portfolio in practice. By removing the borrowing restriction, the wishes of young and old participants with a collective portfolio can still be reconciled. At the collective level, it is possible to invest in a diversified return portfolio with a better risk-return profile than a return portfolio consisting solely of equities. For older people, pension benefits become more stable as a result of this diversification, in combination with the solidarity reserve. Older people retain exposure to the broadly diversified return portfolio. And younger people can still achieve a sufficiently high return with exposure of more than 100% to the return portfolio.

3. Five investment levels within the investment structure

Within the investment portfolio, a distinction is made between five levels (further explanation is provided under B. Portfolio management):



4. Matching and return seeking portfolio

PMT conceptually divides the Level 1 portfolio into a matching portfolio and a return seeking portfolio. The objective of the matching portfolio is to replicate the protection return. The objective of the return portfolio is to generate excess returns. Within the return portfolio, PMT distinguishes three investment risks that are expected to be rewarded in the long term (fundamental risk premiums):

- Credit risk; the associated credit risk premium is received when lending money to parties that entail credit risk; the remuneration is received in the form of interest (coupon);
- Property risk; the associated risk premium is received when making real estate and infrastructure available to third parties; the remuneration is received in the form of (stable) rental income and (limited) increase in value;
- Equity risk; the associated equity risk premium is received when investing in a company's equity and is therefore a compensation for entrepreneurial risk; the compensation is received in the form of dividends and increase in value.

5. Minimum scope of product strategies

Within an asset cluster, various product strategies with one or more associated product mandates may be positioned. The basic principle here is that each asset cluster may consist of a maximum of five underlying product strategies, whereby these product strategies must have a clear, demonstrable added value for the asset cluster and the total investment portfolio. PMT has opted for this principle because, within the framework of the governance budget, the investment portfolio should not consist of too many fragmented strategies.

B. Portfolio management

1. Investment horizon

PMT considers the long term of all future pension payments to be the guiding principle. All investment decisions are therefore evaluated from a long-term perspective and based on long-term risk-return assumptions. In the shorter term, circumstances may arise that put pressure on the longer-term objective. PMT therefore strives to deal consciously and in a balanced manner with the tension within the investment policy between possible shorter-term preconditions and the longer-term objective.

2. Own objective as a guideline

PMT bases its actions on its own objective. It measures its results against this objective. It does not allow itself to be distracted by peer group pressure in its policy.

3. ALM analysis

PMT uses ALM analyses as an assessment tool for the composition of the portfolio.

4. Portfolio evaluation

The investment portfolio is periodically assessed against the objective. Because predicting short-term market movements does not form a suitable basis for a prudent investment policy, PMT refrains from pursuing a tactical policy.

5. Basic attitude: 'the portfolio is good, unless'

Investing is not an exact science. Small shifts in the portfolio rarely lead to demonstrably different results. Therefore, the basic attitude is that the existing (cluster) composition is capable of achieving the cluster objective until the contrary has been demonstrated. This means that the burden of proof for changing the portfolio is high.

6. Management and governance of the five investment levels

PMT establishes the method of management and governance for each of the five investment levels. PMT considers structured management of the portfolio to be a good way of controlling complexity and ensuring that the right issues are addressed at each level, resulting in a clear division of responsibilities. Further agreements on the operation of this system are laid down in the portfolio evaluation policy. The framework for the various levels is defined in such a way that there is a hierarchy, particularly with regard to the risk profile: level 1 prevails over level 2, and level 2 prevails over level 3.

Level 1

Management

At levels 1 and 2, the board determines the allocation rules, i.e. the strategic composition of the matching and return portfolios. The level of interest rate hedging and the ratio between the matching and return portfolios is determined by the allocation rules and the participant base and may vary from month to month as a result of changes in these factors and realised returns.

Governance

At level 1, the board determines policy and the Investment Committee (CBL) implements policy and provides advice. In concrete terms, this means that the CBL must maintain the portfolio within the bandwidths set by the board and bring the portfolio back within the bandwidths set by the board when these are exceeded, in accordance with the rebalancing policy.

The board lays down policy choices in the annual investment plan. The board may deviate from this plan in the interim by means of resolutions. The CBL lays down how it will steer within the policy implementation scope by means of resolutions.

Level 2

Management

At level 2, PMT manages the return portfolio based on the distribution across asset clusters, including bandwidths. For the asset clusters, the board establishes strategic characteristics that the clusters must meet, including the cluster's objective and the risk-return profile (taking costs into account). In the asset clusters, the bandwidths for the underlying product strategies are constructed in such a way that they are in line with the risk profiles of the higher level.

The objective of the matching portfolio is to achieve the specified interest rate hedge per participant and thus replicate the protection return. The manner in which this is done is laid down in the matching framework, which sets bandwidths for various risk measures. PMT consciously chooses to take credit risk within the matching portfolio. The excess return in the return portfolio includes the excess return that arises from this (credit transportation).

The way in which PMT deals with currency hedging is laid down in the currency policy, as part of the cluster characteristics. Bandwidths for currency risk are also included in a strategy document and mandate.

Governance

The board determines policy, while the CBL implements policy and provides advice. In concrete terms, this means that the CBL must maintain the portfolio within the set limits and bring the portfolio back within those limits when they are exceeded, in accordance with the rebalancing policy. The board lays down policy choices in the annual investment plan. The board may deviate from this in the interim by means of resolutions. The CBL lays down in resolutions how it manages within the policy implementation scope.

Level 3

Management

Level 3 concerns the implementation of the asset clusters with product strategies and mandates that best suit their strategic characteristics, plus the distribution across these product strategies. At level 3, management is carried out through the substantive design of strategy documents and mandates. This includes the composition of the benchmark, the universe, the choice between active/passive, the use of instruments, costs, risk management, etc. The content of the strategy documents and mandates is driven by the economic environment, financial markets and other environmental factors that influence the optimal design. Decisions are driven by the extent to which mandates meet the characteristics of the asset clusters. This is assessed on the basis of risk premiums, the economic environment and financial markets.

Governance

The CBL is the policy-making and policy-implementing body at this level. The dual role is mitigated by the fact that the board at level 2 determines the characteristics of the asset clusters. Based on these characteristics, the CBL determines the asset clusters, which include the underlying product strategies and underlying mandates and how these are allocated. There are bandwidths for each product strategy.

If the bandwidth at level 3 is exceeded, consultation and decision-making take place in the CBL. Since there are illiquid products within the asset clusters, it is not always possible and/or desirable to rebalance quickly. Therefore, in specific cases, it is possible to temporarily accept an overshoot at level 3. In that case, the portfolio at levels 1 and 2 must be positioned within the bandwidths. If the portfolio at level 3 remains outside the bandwidths (and thus the risk appetite), causing the return/risk profile of the portfolio to deviate for a longer period of time, for example because it is not possible to make (sufficient) adjustments due to illiquid investments, the board will decide on the advice of the CBL.

The CBL adopts the strategy documents. The adoption of the underlying mandates is delegated to the administrative office, unless it concerns a new mandate, in which case the CBL decides. Proposals for this are submitted by the Fiduciary Platform PMT (FPP) (see further section Cooperation with MN) as an advisory body. PMT may have these proposals reviewed by a third party. MN is responsible for implementing policy and executing the mandates within the given guidelines.

An exception applies to new illiquid product strategies and new liquid product strategies that involve important reputational aspects: these are submitted to the board for approval. These are laid down in strategy documents for the asset clusters, the annual investment plan, policy documents and proposals in the CBL and the board.

Level 4

Steering

At level 4, steering is achieved by selecting, appointing and dismissing individual asset managers through the conclusion and termination of investment management agreements (IMAs). In addition, management is exercised by allocating and withdrawing funds from appointed asset managers. Decisions are driven by the suitability of individual asset managers to fulfil a role in the execution of the mandate.

Governance

The CBL establishes the policy for the selection and monitoring of asset managers. As a general rule, MN selects asset managers within the mandates (this must be in line with the guidelines issued by PMT in its selection and monitoring policy and outsourcing policy). An exception applies to internal asset managers at MN, which is decided by the CBL. When a proposal is made to appoint an internal asset manager at MN, two separate recommendations are always submitted to the CBL, one on behalf of the administrative office and one on behalf of MN.

A second exception applies to specific manager selection and investments within illiquid product strategies, which are decided by the CBL. These are further elaborated in the board's internal regulations. These stipulate that the CBL has mandated the administrative office to decide on these specific manager selections and investments within illiquid mandates, provided that two conditions are met:

- The proposal falls entirely within the mandate.
- There are no sensitive or reputational aspects, which may be indicated by the following: MN's risk opinion, an unsatisfactory response by MN to questions from the administrative office and/or a lack of agreement within the administrative office between the Chief Investment Officer (CIO) and the Integrated Risk Management Manager.

If both conditions are not met, the proposal is referred to the CBL. If the CBL considers the reputational risk for PMT to be so high that it cannot decide on this independently, the CBL submits the proposal to the board.

Level 5

Management

At level 5, an appointed asset manager manages a portfolio consisting of underlying investments within the terms and conditions of the IMA.

Governance

The administrative office or the CBL has established mandates on the basis of which MN has appointed individual asset managers via IMAs. The appointed asset manager manages the investments in the relevant portfolio within the limits of the IMA. MN checks whether the portfolio is in line with the IMA.

C. Investment mandates

1. Preference for few links and physical implementation

PMT opts for as few links as possible in the implementation of asset management. PMT therefore prefers transparent, physical investments over synthetic constructions and mandates with built-in leverage or tax optimisation.

2. Use of derivatives

PMT permits the use of derivatives insofar as they contribute to a reduction in the risk profile or facilitate effective and efficient portfolio management. PMT is cautious about the use of non-linear derivatives.

3. Preference for efficient beta implementation

For reasons of cost control, explainability and manageability, PMT focuses at mandate level on achieving the targeted risk premiums as efficiently as possible. The starting point for this is the relevant investment universe, which is

then tested against the principles and other conditions set by PMT. The guiding principle here is to take conscious, manageable and explainable risks that are sufficiently compensated

4. Execution of mandate

PMT believes that the best way to execute its mandate is by focusing on efficient portfolio management, reducing unnecessary complexity, striving for the highest possible level of transparency and accountability, and adopting a cost-conscious approach to the execution of the mandate.

5. Preference for mandates in its own name

PMT is convinced that it is in its interest to retain ownership of the conditions of management, costs, transparency and voting rights where possible and to be able to implement its exclusion policy. PMT therefore prefers to invest through discretionary mandates rather than through funds. Investment securities are therefore registered in the name of PMT. The possibility of discretionary investments is weighed against the (transaction) costs and operational feasibility. An exception applies to some illiquid product strategies, such as private equity and international real estate, because a discretionary mandate is not possible for PMT.

6. Selection of asset managers

Asset managers are always selected in the interests of PMT's participants. The choice is primarily based on quality and expected financial results. In this context, financial results mean the best possible return at an appropriate level of risk, after deduction of costs. The best possible return is a return that is in line with the set objective.

7. Illiquid product strategies

In the event of the proposed appointment of an asset manager or investments within an illiquid product strategy, the CBL or the administrative office must approve the appointment or investment by approving an investment proposal.

8. Monitoring of asset managers

PMT monitors the appointed asset managers. PMT has defined requirements that the monitoring process must meet, particularly in the area of performance and risk information. The monitoring process involves frequent contact with the asset managers. The information from this process is included in the quarterly and annual reports provided to PMT.

D. Costs

1. Costs in relation to added value

Cost control is an important issue for PMT. This does not mean that costs must be as low as possible, but that they must be in proportion to the added value of the expected returns.

2. Performance fees

PMT is not in favour of performance fees and therefore prefers not to allow them. PMT will only permit the use of performance fees if an illiquid investment category, which PMT needs in order to achieve its objectives, proves inaccessible without accepting performance fees. If PMT does permit performance fees, this can only be under the following conditions:

- The performance fee is always capped.
- Where a performance fee is permitted, there must also be a mechanism in place whereby the asset manager in question also shares in poor results. This can be achieved, for example, by requiring a fund manager to invest in the same investment as PMT and thus suffer the consequences of a poor result from this investment.

Performance fees must also be proportionate to the added value of the expected returns.

3. Costs are an integral part of all investment choices

The costs involved are taken into account in every investment choice. This includes both transaction costs and management fees. If financial results are a criterion for an investment choice, financial results are defined as after deduction of costs. For illiquid investments that account for a large share of PMT's total costs, a maximum cost level is set that is in line with the added value of the investment category and the intensity of management in that category.

4. Monitoring and control of costs

PMT retrospectively checks the extent to which the actual costs deviate from the forecast costs and adjusts the investment plan for the following year accordingly. PMT draws up an annual cost overview for this purpose. PMT has its asset management costs assessed annually and compared with a benchmark in order to gain insight into the total costs and the costs per category, and to analyse where improvements can be made.

E. Taxation

1. Interests of the participant

The interests of the participant are paramount. This means that PMT aims to achieve a good return and pay its fair share of tax in relation to this, but no more than is necessary.

2. Compliance with legislation and regulations

PMT complies at all times with applicable legislation and regulations as well as relevant international guidelines (e.g. the OECD Guidelines). PMT also anticipates future laws and regulations and takes social developments into account. PMT provides information if and when requested by the authorities on legal grounds. PMT ensures that this also applies to the asset managers it engages.

3. Minimising erosion of returns

PMT minimises the erosion of investment returns by taxes arising from the structures necessary to invest in the underlying assets through funds. In doing so, PMT aims to approximate as closely as possible the situation and tax burden of a direct investment.

4. Tax structures

PMT belegt via fiscale structuren die een logische functionele opbouw hebben in relatie tot belegging en beheer. Afwijkingen van een dergelijke logische opbouw dienen door de manager onderbouwd en verklaard te worden.

5. Jurisdictions

PMT uses transparent jurisdictions. This means that PMT does not enter into investments that use tax structuring via jurisdictions that are considered "Partially Compliant" or "Non Compliant" by the OECD or that have no rating at all.

6. Transparency

PMT is transparent about its stance on taxation and communicates openly about its tax policy.

7. Commitment of asset managers

PMT requires the asset managers it engages to commit to PMT's tax principles.

8. Service providers

PMT expects its service providers to act in line with PMT's interests and wishes in the area of taxation.

F. Responsible investment

PMT believes that responsible investment is in line with its financial objectives. Responsible investment contributes to a sound assessment of the long-term sustainability of investments. That is why PMT wants to take ESG (Environmental, Social, Governance) factors into account in all its investments. PMT also wants to take into account the social impact of investments. In line with the wishes of its participants, PMT strives to prevent negative effects of its investments as much as possible and, where possible, to achieve a positive social impact. PMT wants to contribute to economic stability and sustainable economic growth.

The following implementation principles guide the implementation of responsible investment and establish a link between the strategic ambitions and the context in which responsible investment is carried out, the themes on which it focuses and the instruments used to embed the themes in the investments.

Strategic ambitions and context

Responsible investment does not stand alone, but serves PMT's strategic ambitions and takes place within a broader context. These implementation principles discuss those strategic ambitions and context and their significance for responsible investment at PMT.

1. Alignment with the membership

PMT implements its ambitions with regard to responsible investment in a manner that is in line with the interests of its membership of employees and employers in the metal and engineering sector. To this end, PMT periodically conducts a participant and employer survey and incorporates the results into the design of its responsible investment policy. The views of the participants are reflected, among other things, in the themes on which PMT wants to have a positive impact, the themes that are emphasised in the engagement framework and the approach to climate change and energy transition. PMT believes that the metal and engineering sector – in the Netherlands and beyond – can make a difference when it comes to new energy technologies and different ways of working.

2. Conscious and explainable

PMT wants to invest consciously and strives to implement this throughout its entire investment portfolio. This means that PMT wants to know what it is investing in and be able to explain why. In doing so, PMT also wants to be open and transparent about the investments it makes. PMT also wants to clearly and verifiably justify its choices regarding responsible investment.

3. Integral part

PMT approaches responsible investment as an integral part of the investment process. This means that responsible investment is applied throughout the entire investment chain. Responsible investment is addressed in every strategy document, mandate and investment proposal.

The selection and monitoring of asset managers takes into account the integration of material ESG risks and opportunities.

Because PMT believes that responsible investment contributes to a sound assessment of the long-term sustainability of investments, PMT wants to include information about ESG factors in its investment decisions. This 'ESG integration' means that PMT wants to incorporate relevant ESG information into the formulation of investment strategies and mandates, into the selection and monitoring of external asset managers, and into the active investment decisions that are made.

4. Compliance with national and international laws and regulations

The most important international treaties and directives are the Universal Declaration of Human Rights, the European

Convention on Human Rights, and the fundamental treaties of the International Labour Organisation of the United Nations (ILO). In line with its dialogue policy, PMT is committed to freedom of association and the right to collective bargaining, as well as to the elimination of all forms of forced labour, child labour and labour discrimination. PMT endorses the Paris Climate Agreement and implements it through its Climate Action Plans. PMT is a signatory to the United Nations Principles for Responsible Investment (PRI). The OECD Guidelines for Multinational Enterprises (OECD Guidelines), the UN Guiding Principles on Business and Human Rights (UNGPs) and the UN Global Compact principles (UNGC principles) play an important role in PMT's responsible investment policy. The UNGPs, OECD Guidelines and the associated OECD guidance for institutional investors are endorsed and form the guideline for the way in which factors relating to the environment, human rights and good corporate governance (ESG factors) are taken into account when making investment decisions. The OECD guidelines prescribe what is known as 'due diligence'. Performing due diligence steps is a continuous process and is therefore embedded in the investment processes. PMT's responsible investment policy complies with the Pension Funds Code.

Themes: ESG

The topics surrounding responsible investment are dynamic. ESG factors are the themes that summarise what responsible investment means to PMT. These three themes are explained below. How the themes are then operationalised in PMT's investments is explained under the heading 'instruments'.

5. Environment and climate

PMT provides affordable, sustainable pensions that retain their value as much as possible for all participants. A sustainable pension also means that it can be enjoyed in a healthy world. This means that PMT wants to take into account the impact that investments have on the environment. But it also means that PMT pays attention to the value retention of investments in a changing climate. PMT believes that the metal and engineering sector – both in the Netherlands and abroad – can make a difference when it comes to new energy technologies and different ways of working. PMT wants to contribute to this.

In order to implement these climate principles, PMT has drawn up action plans for the relevant investment categories. In short, the policy means that PMT wants a portfolio in which all investments make an appropriate contribution to the Paris Agreement, without excluding sectors with potential for change in advance. The ultimate ambition is to reduce the emissions of the total investment portfolio to net zero by 2050, thereby also contributing to change in the real economy. In this way, PMT hopes to contribute to the goal of limiting global warming to a maximum of 1.5 degrees. PMT measures the carbon footprint of its equity portfolio annually and actively monitors the rest of its investment portfolio with the aim of reducing its carbon footprint. PMT has formulated reduction targets for the equity portfolio for 2030 for each sector. These are the most CO₂-intensive sectors: oil and gas; utilities; aviation; aluminium; automotive; cement; and steel. PMT also seeks to reduce the CO₂ emissions of the companies in which it invests by means of its engagement framework. PMT initially opts for dialogue and does not immediately exclude companies with high CO₂ emissions.

With every product strategy review, PMT examines how climate risks can be mitigated in the portfolio and how a contribution can be made to the energy transition. In addition to adjusting the benchmark based on ESG criteria, PMT considers it particularly important in actively managed portfolios that the selection and monitoring of managers takes into account climate risks and the contribution that the manager can/wants to make to the energy transition.

In addition to climate change, the E in Environment encompasses countless other issues, such as pollution, the use of raw materials and scarcity. PMT wants to be aware of these developments, opportunities and risks. First and foremost, this is to be able to assess the consequences for investments, but also to be aware of the consequences of investments on these themes.

6. People, law and society (Social)

The theme of 'people & law' covers topics such as labour rights, health and safety, and human rights. It is important not only that people around the world are able to do their work safely and healthily, but also that they are entitled

to a decent wage and do not have to fear speaking out about abuses in and around the workplace. The metal and engineering sector knows better than anyone that health and safety at work are important issues, and PMT wants to reflect this in its investment policy. Guaranteeing these rights is essential for promoting a broader set of fundamental labour and human rights, including combating child labour and access to education.

The manufacturing industry faces the major challenge of achieving better compliance with labour standards throughout the supply chain. Growing transparency and rapidly changing technological possibilities require major investments in labour. In addition, PMT continues to ask companies to report on the impact of their own activities on human rights in the region. PMT not only holds companies accountable in this regard, but also supports cooperation between industry, government and civil society organisations in order to increase support and efficiency.

7. Governance

PMT believes that company management and boards of directors should strive for good governance. A reliable government is also important for countries to which PMT lends money. Firstly, because sound and accountable governance leads to better investment results in the long term. But also because PMT believes that remuneration structures must be responsible. This is laid down in PMT's voting policy, among other things. PMT exercises its influence at shareholders' meetings on this point.

Instruments

PMT uses various instruments to operationalise the E, S and G themes and the topics that fall under them. These are deployed depending on the theme. PMT decides which instruments to use, taking into account the effectiveness of the instrument for the theme in question.

8. Exclusion

As a responsible investor, PMT strives to bring about improvements at companies where this is necessary, by exercising its shareholder rights and engaging in dialogue. There are also a number of companies that are part of sectors in which PMT does not wish to invest under any circumstances. PMT will therefore not invest in such companies. PMT also does not want to invest in companies whose activities have a disproportionate negative impact on people, the environment or good governance. PMT also does not want to invest in (1) companies that manufacture products that contravene international treaties signed by the Netherlands, or (2) companies whose products contravene the principles of PMT. PMT may also exclude companies (3) on the basis of unsuccessful dialogue (this instrument is described in more detail in the following section on 'active shareholderism'). Finally, PMT applies a country exclusion policy that is based on compliance with international treaties to which the Netherlands is a party. Each quarter, PMT determines on the basis of criteria whether EU and/or UN sanctions lead to the exclusion of a particular country. These criteria are included in the exclusion policy.

9. ESG integration

PMT considers ESG criteria in its investment decisions in three ways:

1. ESG criteria are taken into account when determining the investment strategy for each type of investment
2. In implementing its investment strategies, PMT examines ESG
3. When selecting and monitoring managers and asset managers who execute the investment mandates, PMT monitors whether they properly integrate ESG criteria into their investments.

10. Active shareholding

PMT is an active shareholder. PMT closely monitors how the companies in which it invests deal with ESG criteria. PMT has dialogue programmes in which it addresses ESG-related risks and opportunities with companies. PMT does this in order to better assess the risks of companies and, where possible, to reduce them, and to contribute to a liveable world. PMT considers in advance the topics it will discuss with a company and distinguishes between thematic engagement aimed at achieving strategic ESG goals and engagement based on controversies and incidents. Active

shareholding also means that PMT votes at shareholder meetings in the Netherlands and abroad and, if necessary, participates in legal proceedings to recover financial losses. Active shareholding also means that PMT wants to engage in dialogue with governments and regulators about policy and regulations.

11. Sustainable Development Investments/Impact Investments

Where possible, PMT aims not only to prevent negative consequences of investments, but also to invest in solutions to social problems while maintaining returns. PMT wants its investments to contribute to the United Nations' Sustainable Development Goals (SDGs), or in other words: Sustainable Development Investments (SDIs). Some of the SDIs are referred to as "impact investments". Impact investments are investments in which the intention to achieve a positive, measurable impact in terms of environmental and social factors goes hand in hand with a financial return. This concerns both solutions for and the prevention of social problems. The five themes that PMT has chosen to make an impact through investments are: energy transition, circular economy, innovation in Europe, affordable housing, and healthcare.

G. Impact investing in the Netherlands

1. Positive attitude

PMT takes a positive view of impact investing in the Netherlands. This positive attitude stems from the interests of the participants, who have ties with the Netherlands both during the pension accrual phase and the benefit phase. The scope of this positive attitude must therefore always be assessed in relation to the interests of the participants. Investing in the Netherlands also fulfils PMT's social responsibility.

2. Specification of preferences

The employees and employers in PMT's membership base benefit from a healthy Dutch economy with a thriving business community (the market sector) and associated employment opportunities. Given PMT's membership base, there is a particular preference for the following impact themes:

- Innovation: stimulating and increasing access to financing for greater innovative strength within the Netherlands (broader than just the own sector).
- Energy and infrastructure projects in which metal and technology play a role in realisation and/or maintenance.

3. Visibility

PMT believes that efforts to invest in the Netherlands should be visible in a general sense. However, PMT does not pursue a direct, visible investment relationship for individual investments in Dutch companies, particularly when these are companies affiliated with PMT.

4. Position in the investment framework system

PMT recognises that it has a top-down investment approach in which propositions for impact investments in the Netherlands are often not automatically eligible, partly due to their novelty and limited scope. This does not mean that these cannot be suitable investments. The Impact Investment Policy offers opportunities to deviate from the limits in the product mandates on a number of points. The following requirements apply without prejudice:

- The characteristics of the investment must fit within an asset cluster.
- The relationship between return and risk must be justifiable.
- The quality of the manager must meet the usual standards.
- Manageability must meet the usual standards.

The following points may deviate from the normally applicable guidelines and preferences:

- The requirement that each asset cluster may consist of a maximum of five underlying product strategies. The investment framework already provides for an exception if there is good justification for this.
- The preference for investing through mandates in one's own name rather than through funds. In many cases, fund structures are actually a good vehicle for investments in the Netherlands, particularly for avoiding a direct investment relationship and for facilitating cooperation with other pension funds.
- The requirement for a multi-year track record. Given the novelty of many propositions, this is not available and the relationship between return and risk must be assessed differently.

5. Decision-making

The CBL can make decisions within the given framework on propositions in the field of impact investments in the Netherlands. If the CBL believes that there are significant social or political sensitivities associated with a proposition, the CBL will leave the decision-making to the board.

H. Transparency

1. Transparency as the norm

PMT's basic principle is that transparency is the norm, unless there are demonstrable adverse consequences associated with it. This principle stems from the fact that PMT invests contributions paid by employers and employees. PMT wants to account for the costs incurred and show how the investments contribute to the pension.

2. Transparency about policy

PMT provides insight into the policy frameworks it uses when investing participants' contributions, including by making this strategic investment framework publicly available.

3. Transparency about policy implementation

PMT provides insight into the implementation of its investment policy by reporting on the results achieved by the investment portfolios.

4. Transparency regarding responsible investment

PMT provides insight into its responsible investment policy and its implementation.

5. Transparency regarding costs

PMT provides insight into the costs of asset management by adhering to the Recommendations on Implementation Costs of the Pension Federation.

6. Transparency regarding securities in the portfolio

PMT provides insight into the individual securities in its portfolio. Possible exceptions due to adverse consequences may arise in particular from a confidentiality obligation, reputation or liability risk, competition sensitivity and the costs of transparency.

7. Transparency regarding history

PMT provides insight into the historical development of the fund by making the annual contributions, payments and investment returns since its inception in 1948 publicly available.

I. Collaboration with MN

1. Fiduciary manager

PMT has appointed MN as its fiduciary manager. PMT considers MN to be a strategic partner. PMT remains ultimately

responsible and has the final say.

2. PMT Fiduciary Platform

The board considers it important that there is a link between the Investment Committee(CBL) and the fiduciary manager. To this end, the board office organises a platform with the fiduciary manager's permanent contact persons. The primary tasks of this platform are:

- Preparing the meeting documents for the Investment Committee.
- Supervising the implementation of decisions made by the Investment Committee. The Investment Committee may delegate further decision-making on aspects of this implementation to the administrative office.
- Reporting on the portfolio and the implementation of decisions made by the Investment Committee.

Within this platform, the administrative office has final responsibility for submitting meeting documents to both the Investment Committee and the board. The aim is to submit the best possible advice to the CBL that is appropriate for PMT. If the administrative office and MN disagree on this, two different pieces of advice will be submitted.

For investment proposals (level 4), topics that directly affect MN in the implementation or topics that directly affect PMT in the implementation, a separate recommendation will be submitted on behalf of the administrative office in all cases.

3. MN's presence at the Investment Committee (CBL)

MN's services benefit from a broad knowledge of PMT. MN's presence at CBL meetings enables it to better prepare notes.

4. Research and development

PMT considers MN to be its primary partner in the field of research and development of knowledge about investing in the pension context. MN develops and maintains this knowledge by being active in financial markets on behalf of PMT, through contacts with external managers, through knowledge exchange with peers and the academic world, and through its own research.

5. Broad contact with MN

In order to make knowledge available to the CBL, PMT maintains contact with a broad representation of MN. This is also done in order to keep in touch with the various disciplines of MN that play a role in PMT's investment process. This contact is primarily conducted through the administrative office and under the direction of MN's Fiduciary Advice unit.

6. Selection and monitoring of asset managers

Asset managers are always selected in the interests of PMT participants. The choice is primarily based on quality and expected financial results. In this context, financial results mean the best possible return at an appropriate level of risk, after deduction of costs. The best possible return is a return that is in line with the set objective. Asset managers at MN itself may also be selected; this is referred to as internal management. Under no circumstances may the choice of an asset manager be driven by the interests of MN or its employees. The CBL decides on proposals for internal management.

5 RISK MANAGEMENT PRINCIPLES

The risk management principles set out the procedure for determining, evaluating and adjusting the risk profile of the investment portfolio.

1. The risk appetite determines the risk profile of the investment portfolio

PMT uses the RPO results to determine the pension objective and the accepted uncertainty in this regard. The risk appetite of participants provides a legal limit for the risk profile of the investment portfolio. To determine the risk appetite, PMT uses the constant relative risk aversion coefficient (gamma) derived from the risk preference survey. The gamma of a participant is used to derive the appropriate allocation to the excess return (in accordance with the Bodie, Merton and Samuelson 'BMS' model and a qualitative translation of the RPO). The risk attitude results in a risk budget. This forms the basis for the strategic design of the portfolio at the various levels in the investment structure. The strategic design is then tested stochastically. In addition, the strategic portfolio is tested by PMT from an implementation perspective so that feasibility can be guaranteed even in the event of extreme market movements.

2. Risk management objective

PMT's risk management is aimed at achieving the objective of the required excess return within the framework of a high level of risk control.

3. No more risk than necessary

PMT strives to minimise the risk involved in achieving the target required excess return, taking into account (a combination of) various types of risk, such as economic, financial and market risks, implementation risks, premium risks, etc.

4. Risk must be rewarded

PMT only takes risks if it can reasonably be expected that this will be rewarded with a corresponding return.

5. Diversification

PMT opts for diversification across investments with different low-correlated risk sources, as this reduces risk.

6. Basis voor sturen op risico

Bij elk benodigd rendement bestaat een portefeuillesamenstelling die het minste risico oplevert. Dit is voor PMT de basis voor het sturen op risico.

7. The use of derivatives must be limited

A large return portfolio and high interest rate hedging go hand in hand with high leverage, in the sense that a relatively high level of interest rate hedging is pursued with a limited matching portfolio.

The collective investment portfolio must therefore be assessed from an implementation perspective. From an operational point of view, for example, incomplete interest rate hedging is desirable in order to be able to manage the leverage in the matching portfolio at the total portfolio level.

PMT is also cautious about using derivatives within the return portfolio. In addition, rebalancing, collateral management and liquidity risk control measures are used to keep leverage under control at the overall level and thus ensure that PMT remains fully in control even under extreme market conditions and can absorb shock scenarios.

8. Restrictions on the size of illiquid investments

PMT allows illiquid investments in both the matching and return portfolios. PMT assesses whether it can benefit from

an illiquidity premium by assessing the extent to which illiquid investments offer added value over comparable liquid investments. In addition, PMT assesses whether the total size of illiquid investments is appropriate for the investment horizon, the strategic investment framework and the liquidity requirements arising from short-term risks. Here too, PMT wants to be in control of the management of the portfolio at all times, even under extreme market conditions.

9. Own risk indicators to underpin and guide policy

PMT bases the structure of its matching and return portfolio on modelling of reality, using assumptions for returns and risks that are as realistic as possible. PMT manages the risks in the portfolio primarily on the basis of its own risk framework and criteria. The structure is then assessed to determine whether it complies with the statutory standards set by the supervisory authorities. The investment policy must be assessed on the basis of the economic simulations and mapping prescribed by the DNB (the URM projection method).

Limits are formulated for the various relevant parameters for the different investment risks. PMT also uses a top-down structure for risk management, with appropriate risk management measures and associated risk indicators for each level in the investment structure.

10. Risk scenarios in the economic environment

In addition to the risk indicators, PMT monitors potential risk scenarios arising from the economic environment via a quarterly dashboard and (historical) stress tests.

11. Risk scenarios in the real, social and political environment

PMT monitors ESG risks: the risks of a changing world on PMT's investments. These include, in any case, financial damage due to regulation or other government intervention, financial risk as a result of climate change and disruptive economic changes. In addition, the implementation principles for responsible investment further elaborate on how PMT deals with ESG risks.

12. Definition of interest rate hedge

PMT defines the interest rate hedge on the basis of market interest rates.

13. Definition of interest rate risk

Interest rate risk is defined as 'DV01': the change in euros for a 0.01% decrease in interest rates. Interest rate risk is broken down into the level, slope and curvature of the interest rate curve.

14. Definition of credit risk in the matching portfolio

Credit risk in the matching portfolio is defined on the basis of the Duration Times Spread (DTS) measure.

15. Rebalancing is not mechanical and predictable

Due to premium payments, pension payments, portfolio developments, returns achieved and interest rate changes, the actual investment portfolio will deviate from the desired portfolio. A large deviation (in either direction) is undesirable. Participants then either take too much risk in comparison with their risk appetite or receive too little return. Rebalancing brings the actual portfolio back into line with the desired portfolio so that the risk-return profile of the portfolio remains in line with what was used in the allocation rules construction. This usually involves buying and selling investments. If the limit is exceeded, the rebalancing policy stipulates how and within what period the portfolio must be returned to within the permitted bandwidth and which triggers are used for this purpose. In this regard, level 1 is more important than level 2, and level 2 is more important than level 3. Rebalancing involves efficient portfolio management, with the aim of striking the right balance between transaction costs and relative risk. This means that the investments move within an acceptable range versus the target allocation, taking into account the (market) volatility, correlation and rebalancing costs of investment products, as well as an overall risk aversion for deviations from the target allocation.

16. Crisis policy

PMT only sees grounds for deviating from the established policy and regular meeting schedules in very exceptional crisis situations. If an additional meeting is held in such a situation, the default decision is not to implement any changes to the current policy. This prevents hasty decisions – driven by the idea that 'something' must be done – as much as possible. PMT has laid down further procedural agreements for consultation in crisis situations in PMT's financial crisis plan.