Summary Annual Report 2021

There is work to be done

Index

Annex

01. Foreword

2021: There is work to be done

In 2021, major changes have been set in motion at MN: the renewal of the pension administration has been put on track, and preparations have been made for the detailing and implementation of the pension agreement. In addition, the transfer of PME's pension management to another administrator was completed and a start was made on privatising insurance and social schemes. These changes came on top of our regular services and were accompanied by a redesign of the organisation. So in 2021, MN had plenty of 'work to be done', which will not be any different in 2022.

A tough task and responsibility also for Frits van der Bruggen, the new chairman of the Board of Directors of MN. He succeeded Norbert Hoogers, who left MN last autumn, on 1 April 2022. In the intervening period, Fleur Rieter has been acting chairman in addition to her existing portfolio.

Frits van Bruggen: 'With the introduction of a new system, the entire pension sector faces an enormously important task. Parallel to this, MN is carrying out a large-scale reform of the pension administration. MN has already taken important steps in this respect. As one of the largest administrators in the sector, MN is a strong brand and the organisation is preparing for the future in a professional manner. Sound administration, stable positive returns and clear communication will contribute greatly to participants' insight into and confidence in their pension schemes. I think it is a wonderful prospect to be able to contribute to this.'

More compact, agile and efficient

The changes initiated or implemented in 2021 are the stepping stones for MN in its transition to a more compact, agile and decisive organisation with a focus on pension administration and asset management. Within these two core activities, MN wishes to add optimal value by being cost-efficient, innovative and sustainable. Market conformity in both price and quality of service is the starting point in this. At the same time, investments are being made in the organisation to be well prepared for the new pension contract.

Fleur Rieter: 'We want to strengthen our pension and asset management by setting these chains up to be as efficient as possible. We keep control, but for matters we do not necessarily have to do ourselves or where developments in the market go quickly, we seek cooperation with (external) partners or suppliers. Our cooperation with PGGM in reforming the pension administration is a good example of this. This cooperation on the use of the MAP platform brings MN opportunities for efficiency, scalability and risk reduction for the longer term.'

Resilient employees

Fleur Rieter: 'The fact that so many changes have been achieved side by side has only been possible thanks to our employees. We can be proud of that. A great deal of resilience was called for: as in 2020, continuity of service was ensured at all times, while most worked from home in 2021. And this in an organisation that is becoming smaller and in which work is organised differently. However, the developments also give us the opportunity to focus on pension administration and asset management as core activities.'

Look to the future

The pension world has been in a state of flux for some time now, moving towards the new pension system. Recent developments within MN act as a catalyst for MN's need to change. MN wishes to strengthen its position as a digital, data-driven pension provider and asset manager on the basis of its strategic partnership with PMT and other clients. It does so by continuing to develop based on the needs and wishes of its target groups - participants and employers - and by being an agile partner for its clients.

There is work to be done!

Frits van Bruggen
Chairman of the board of directors, member of the MN board of directors under the articles of association

Fleur Rieter
Finance & Risk director, member of the MN board of directors under the articles of association

02. About MN

MN profile

MN is a financial service provider with € 177.9 billion of (pension) assets under management (year-end 2021). MN supports clients Pensioenfonds Metaal en Techniek (PMT) and Bedrijfspensioenfonds voor de Koopvaardij (Bpf Koopvaardij) with asset management and pension administration. MN also provides the asset management for Pensioenfonds van de Metalelektro (PME), Bedrijfstak pensioenfonds Mode-, Interieur-, Tapijt- en Textielindustrie (MITT), Pensioenfonds Cargill, Stichting Pensioenfonds Essity, Pensioenfonds Forbo, the Ondernemingspensioenfonds Mn Services, and NV schade. Until 2023, MN will also manage (supplementary) income insurance for NV schade and WIA Metalektro and has done so for Bovemij until 2022. MN also provides services to the R&D funds and Social Funds in the Metal & Technology and Motor Vehicle sectors.

The relationship between MN and its clients is characterised by continuous cooperation, a long-term focus and a not-for-profit attitude. MN has a strong social profile: sustainability is self-evident in both our theory and practice.

A good pension in a better world

Every day, MN works on a good pension in a better world. This is done for two million people and approximately 36,000 employers in the Metal & Technology, Metalektro and Maritime sector. MN stands up for their income, now and in the future.

MN works for pension fund boards and social partners, and offers its clients an integral pension proposition with asset management and pension administration. MN employs specialists, technicians, administrators, strategists, consultants and innovators. MN is a target- and service-oriented service provider, with a focus on quality and transparency, and attention to people and the environment. Together with clients, MN works on future-proof solutions. Achieving good returns at the lowest possible cost is the main objective, so that members can enjoy a good pension in a better world.

03. Strategy, trends and developments

The pension sector has been subject to change for some time now, and recent developments within MN act as a catalyst for MN's need to change. MN is going to focus more on processes and activities where it can add real value for clients, employers and members. There is work to be done!

Changes within and outside of MN

We are seeing a number of major movements in the pension market. New competitive entrants are entering the pension administration and asset management market. Funds switch more easily to other managers and more consolidations and partnerships are formed to share (investment) costs and achieve economies of scale. These market movements are reinforced by the arrival of the pension agreement.

In addition, developments within MN act as a catalyst for the need to change. The departure of PME for pension administration and the planned privatisation and transfer of insurance to CoMetec, the new administrator, will lead to a decline in turnover and loss of cost coverage of approximately 25% from 2022 onwards. These developments have a major impact on the organisation and will require MN to make permanent adjustments.

Value for clients and members at prices in line with the market

In the next few years, MN will make every effort to remain in line with the market, both in terms of quality of service and costs. The focus will be on the ability to distinguishing yourself: MN does what it does best and adds value for clients, employers and members. As a result, MN is changing from a large organisation that does, manages and produces almost everything itself, to a medium-sized, flexible service provider that provides tailor-made solutions only in specific areas and that has more control over outsourced activities.

The first steps have been taken

The first steps to implement this have already been taken. An example is the cooperation between MN and PGGM to support pension administration by using an existing back office application (MAP). In other parts of the organisation, too, the focus lies on working smarter and more efficiently and reducing costs. At the same time, investments are being made in the organisation to be well prepared for the new pension contract.

Continuing to work on the new MN

Following the outline of the accentuated strategy, MN will be continually changing in the next few years. Key points in this change are:

- The focus is on what MN is really good at, what it adds value to, and how it distinguishes itself from other managers in the market. For the implementation of the other activities, smart(er) ways are being explored, such as remote organisation or cooperation with other parties in the market.
- Working towards a more efficient and agile organisation, in which market conformity in terms of price and quality of service is the starting point.
- Increasing our ability to distinguish ourselves, by continuing to develop based on the needs and wishes of our clients, employers and members.
- High-quality pension administration, excellent customer service and pension communication in line with the requirements of the new pension system.

- Asset management (fiduciary management and ESG) with a focus on explaining the responsible investment portfolios.
- Strengthening MN's position as a digital, data-driven pension provider and asset manager and, as such, being an attractive employer for current and potential employees and an agile partner for clients.
- Strengthening MN's social profile and remaining leading in the sector.

There is work to be done

MN is building a future-proof organisation that will remain open during its 'renovation'. This will demand a great deal from MN, both in its day-to-day work and when working on this 'renovation'. MN employees play a crucial role in this. MN is focusing on developing ownership, improving professionalism and increasing the employability of its employees. This will increase MN's agility and ability to execute. On to the future!

06. Responsible Asset Management

In 2021, MN Vermogensbeheer has achieved the set targets. The policy agenda of the clients, of which responsible investment is an important part, was successfully achieved, and the management and administration of the mandates was carried out with good results. Customer satisfaction has remained stable at a high level. With the data hub built by MN, becoming operational at the end of 2021, a major step has been taken in the digitalisation strategy. In addition, the first-line risk function has been strengthened and initial advice has been given on the investment and administrative implementation of the new pension system.

Policy agenda

For 2021, an ambitious policy agenda was established with the clients. At the end of the year, it was determined that all intended documents and implementations had been delivered and incorporated into updated and new strategies, mandates and accountability. In this, the integration of responsible investment has further increased. This has been achieved by intensive cooperation in the so-called MDTs (multi-disciplinary teams) with professionals from all relevant teams within MN Vermogensbeheer.

Responsible investment

For the clients of MN Vermogensbeheer, responsible investment has been an important item on the policy agenda for many years. It goes without saying that sustainability is playing an increasingly important role in all processes. By 2021, several new and updated strategies will have been finalised around this theme. For example, mandates have been issued on behalf of the clients to managers for infrastructure investment. A large part of these loans goes to renewable energy projects and energy-saving infrastructures. The new mandate for investments in North American real estate also has a high sustainability requirement, by only selecting managers with a good externally verified sustainability score.

Oil and gas have received a lot of attention in the financial sector this year. In 2021, a project was completed for PME, in which all oil and gas investments were identified and sold in a short period of time. MN, on behalf of PMT, has started an intensive engagement programme with all oil and gas companies in the portfolio, in order to achieve change through shareholder influence.

The Dutch real estate portfolio of PMT (which is managed by MN itself) rose from two to four stars in 2021 on the GRESB (international) sustainability benchmark (out of a maximum of five stars). The European real estate portfolios (managed by external managers) of clients already scored high on the GRESB, with four stars as well. MN Vermogensbeheer aims to make its real estate investments even more sustainable.

Divestment of oil and gas

PME Pensioenfonds, MN's second-largest client, has phased out its positions in oil and gas companies around the summer of 2021 as part of a more stringent climate policy. In total, sales amounted to approximately EUR 1.2 billion euros. MN Vermogensbeheer advised PME on the pros and cons of its decision and also facilitated the transition for PME. Thanks to good cooperation between the various departments, MN was able to complete this assignment expeditiously and adequately. The pension fund emphasised that the decision does not affect the performance of its overall portfolio.

Engagement programme

PMT announced in January 2022 that it will enter into consultations as a shareholder with all 44 listed companies in the oil and gas sector that it has in its portfolio. The same will happen with 8 utility companies. By means of shareholder engagement, PMT wants to encourage the companies to reduce their CO_2 emissions in a more rapid pace, in line with the Paris Agreement. MN advised PMT in this decision and, since the end of 2021, has also been carrying out the engagement programme with these listed companies.

Management

The management of the clients' portfolios has yielded good results. The number of external investment managers increased slightly to over 140. The increase in the number of managers was necessitated by the choice of increasingly focused mandates, which require greater specialisation from the external manager.

When outsourcing asset management on behalf of the client, MN Vermogensbeheer wishes to make use of the investment manager who best fits the strategy and the product mandate. MN strives for objectivity, uniformity and transparency in this process. To improve this process, a more in-depth framework of standards was drawn up by the end of 2021, by means of which current and new investment managers are assessed. Choosing the best investment manager (selection), continuously monitoring appointed investment managers (management), and informing clients clearly and transparently about the assessments (reporting) is an extensive process. MN therefore wishes to further digitalise and automate this process.

Customer satisfaction

Customer satisfaction remained stable at a relatively high level during the year. The number of customers also remained stable in 2021.

Digitalisation, administration and accountability

In 2021, the management of client portfolios will be meticulous and controlled. Account for management and results was rendered on time. In the second half of the year, the client portal was further improved and some dashboards were introduced for the largest clients. Wherever possible, the administrative teams made improvements to processes and systems to further reduce completion time and improve quality.

In 2021, a great deal was invested in digitalisation. Among other things, this ensured that the basis of the flexible information hub was completed by the end of the year. The data in this hub can be used as input for analysis, management and accountability in other systems. This creates a higher degree of flexibility in the use of applications and systems. For example, in the near future, the exclusion process for clients can be fully fed from the flexible information hub.

Conscious selection

As a long-term investor, MN attaches great importance to sustainability. This is reflected in the 'Conscious Selection' strategy, designed by MN in co-creation with PMT in 2016. Conscious Selection launched its equity portfolios in developed markets at the end of 2018. The strategy has now been integrated, where possible, into the emerging market equities, bonds and real estate investment categories. Conscious Selection is a method in which, in consultation with the clients, rules are drawn up about what a client does and does not want to invest in. The rules are an unambiguous translation of both the ethical and financial-economic principles of the client. Conscious Selection thus considers both business criteria and social factors.

Organisation

MN Vermogensbeheer (hereinafter also: Asset Management) strives for an entrepreneurial culture in which employees work in a data-driven way in order to respond adequately to new developments. Customer value and the customer portfolio being paramount is of importance in this.

For several years now, Asset Management has been focusing on collaboration and, where possible, in multi-disciplinary teams. A multi-disciplinary team (MDT) consists of staff with different skills and expertise who work together on a project or theme. Bringing together specialists from different teams on a structural basis is important, because the world of asset management is becoming increasingly complex. In addition, the major challenges of our time, such as climate change, the new pension contract and digitalisation, require multidisciplinary solutions.

Over the past year, several new MDTs have been formed, including the Pension Agreement MDT, the Climate MDT and the Research MDT. MDTs also regularly sit down with representatives of asset management clients in so-called chain meetings to coordinate interim results and solution approaches. In this way, the client is more closely involved in the advisory and implementation process.

In 2021, there were changes in the management team of MN Vermogensbeheer. As of 1 January 2022, the management team is back at full strength. The number of professionals within MN Vermogensbeheer has remained stable. During 2021, a large part of the staff worked at home because of the COVID pandemic. Nevertheless, productivity remains high and cooperation within and between teams is still perceived as positive.

MN and pension provider PGGM have set up a joint graduation programme. In the Academic Excellence Programme (AXP), master's degree students from several Dutch universities conduct data-driven research into new trading and investment strategies. In recent years, Asset Management has already cooperated with TU Delft in the field of data-driven research on several occasions. The ambition is for the AXP to become a sustainable cooperation with universities and to expand to include more students, programmes, universities, and pension market players.

In many areas, pension providers and asset managers have the same interests, for example when it comes to responsible investment. Asset Management operates as a network organisation and is active in many cooperative ventures and partnerships. In the field of sustainable investment, MN is a member of Climate Action 100+, Institutional Investors Group on Climate Change (IIGCC), Partnership for Carbon Accounting Financials (PCAF) and the Platform Living Wage Financials (PLWF), among others.

Impact investments

In addition to reducing non-financial risks in the investment portfolio, MN and clients also want to invest specifically in projects and companies that make a positive contribution to the environment and society. These 'impact investments' have the same risk and return requirements as other investments. Five themes have been selected for impact investments: energy transition, circular economy, innovation in Europe, affordable housing, and healthcare.

PMT and PME want to have invested EUR 2 billion and EUR 3 billion respectively in impact investments by 2025. Each of the pension funds had approximately EUR 1.5 billion in impact investments outstanding at the end of 2021. This will be further expanded in the coming years.

Laws and regulations

Regulations in the financial sector have been tightened in recent years. Asset managers therefore spend more time on compliance. One example of this is the Sustainable Finance Disclosure Regulation (SFDR). The detailing and implementation of this complex legislation received a lot of attention in 2021. In addition, the regulator is paying increasing attention to how pension investors have organised their cybersecurity, data privacy and know-your-customer/relationship systems and processes. Within Asset Management, attention is paid to this and implementation is ensured. Digitalisation is to ensure that the cost of compliance remains within acceptable limits.

Environment and future

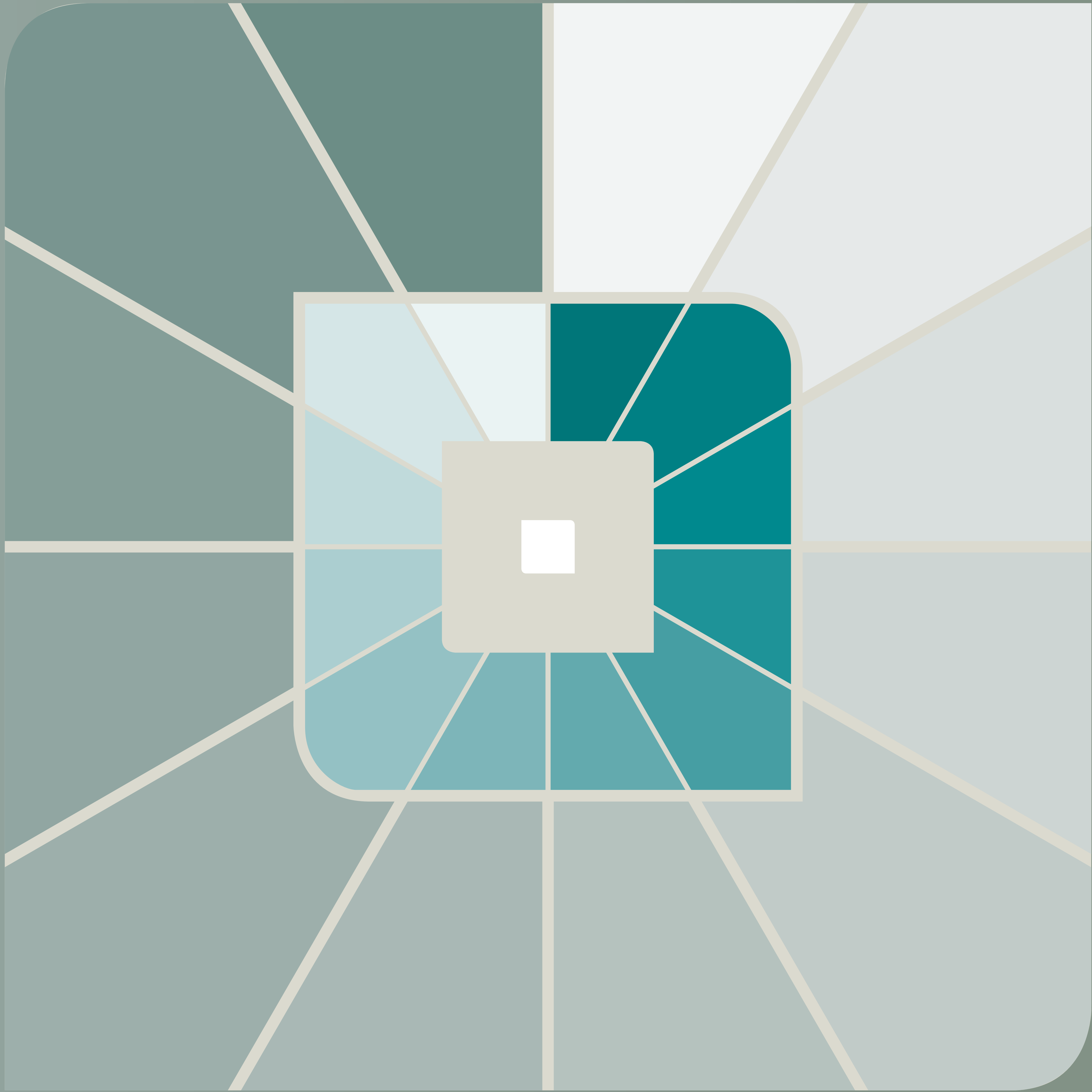
Financial markets

The global economy recovered in 2021 from the blow it received a year earlier when the global COVID pandemic broke out. Equities markets rose to record levels and interest rates also rose slightly, which was reflected in positive developments in pension funds' coverage ratios. Most estimates assume that the global economy will continue its growth, albeit at a lower level than in 2021. A key question is how financial markets will react to possibly sustained high inflation in the course of 2022, and how central banks will respond with monetary policy. The economic consequences of the COVID pandemic may also not yet be fully understood.

The new pension system

The new pension system will have an impact on how the invested assets of members are managed. Although stakeholders, including pension funds, are still working on the precise details of asset management under the new system, it is clear that the pension assets of participants will become more personal and will move more with the financial markets. Within Asset Management, several multidisciplinary teams are working on the preparations for the new system. These teams work together with clients and other teams within MN. It is expected that Asset Management and Pensions in particular will work together more intensively to prepare clients and MN for the new contract.

Annex



Task Force on Climate-related Financial Disclosures: Report

Governance, administrative overview

The final responsibility for the overall investment policy of MN lies with the board of directors of Vermogensbeheer B.V., part of MN N.V. 1 The Asset Management team is operationally responsible for the implementation of asset management for MN's clients.

The Asset Management team reports to the board of MN Vermogensbeheer B.V. A multi-disciplinary expert task force on climate risks and opportunities is working on various projects including, for example, alignment with the Paris Climate Agreement. This expert task force includes representatives from different parts of the investment chain. The head of responsible investment of MN is also represented on the board of the Institutional Investor Group on Climate Change (IIGCC).

MN and clients' strategy

In collaboration with its clients, MN adapted its clients' strategic investment framework in 2018 and explicitly included principles relating to climate change. These principles have again been included in the adjustments to the strategic investment frameworks of MN's clients.

1. Investment beliefs > 2. Strategy formation > 3. Selection and monitoring > 4. Investment decisions > 5. Reporting

Figure 1: overview of the investment chain of PMT and PME

Climate risks and opportunities

MN and its clients recognize two reasons for taking climate change into account in the portfolio: the limitation of financial risks, and the desire to contribute to a liveable world.

Financial risks

The financial risks can be divided into transition risks and physical risks.

- Transition risks are mainly related to the consequences of a stricter climate policy, which is necessary to achieve the objectives of the Paris Climate Agreement. For example, costs for companies may increase as a result of higher CO_2 taxes and investments related to fossil fuels may have to be written off early if the transition to clean energy sources is made.
- Physical risks are related to the consequences of an increase in temperature on earth. For example, the financial performance of organisations is affected by changes in the availability and quality of water, food safety and extreme temperature changes.

Investment opportunities

In addition to the climate-related risks, MN's clients also see clear investment opportunities. MN's clients translate this into an impact investment programme through the positive impact framework that contributes to the Sustainable Development Goals (SDGs). In addition, the percentage of equities that touches on the SDGs, the so-called Sustainable Development Investments, is measured annually. It defines various themes of which two touch on climate investment opportunities:

- Energy transition
- Circular Economy

Investment beliefs

The clients' Strategic Investment Framework sets out the investment, executive, and risk management principles. In the investment principles, responsible investment is explicitly mentioned in relation to two principles.

The first added investment principle states that the investments of MN’s clients have an impact on the real economy and society. With the inclusion of this principle, MN and its clients can take responsibility in principle for the consequences of its investments on the real world. It thus forms the basis for taking into account the impact of investment choices on the world. The second added investment principle states that MN and its clients are convinced that only investments that take into account sustainability, or Environmental, Social and Governance (ESG) factors, are profitable in the long term. The harmful consequences of an economic activity cannot be passed on to people, society and the environment indefinitely.

MN’s clients have included a risk management principle which relates to the impact of climate change on the clients' investments. On behalf of clients, MN monitors ESG risks explicitly: the risks of a changing world on the investments of clients. These include, at least, financial loss due to regulations or other government interventions, and financial risk due to climate change and disruptive economic change. The inclusion of the principles described above in the investment principles enables MN and clients to use them as a foundation through the rest of the investment chain. The following processes contribute to the identification of climate-related risks and opportunities.

Strategy formation

In 2019, several strategies were revised by clients of MN, further detailing how to deal with climate-related opportunities and risks:

- Screening - MN screens asset managers on ESG factors, taking the integration of climate aspects in the investment policy and the reporting thereon into account.
- Impact investments - MN makes targeted investments within the energy transition. PMT and PME have a ‘Kader Positieve Impact’ (Positive Impact Framework). With this, the impact investment programme is shaped, including the theme and contribution to the energy transition.
- ESG integration - PMT and PME made an accurate selection of companies in which investments are and are not made, and imposed preconditions on companies to be included in the equity portfolio. PMT and PME want companies to design their business operations in a responsible way, taking into account E, S, and G. How companies address climate change is an important condition in this respect. In 2019, a similar strategy was applied to the emerging countries

equities portfolios and in 2020, a similar strategy was applied to the business loan portfolios.

- Engagement - MN conducts dialogue on behalf of its clients with companies in the equity portfolios that, in absolute terms, contribute to a large part of the portfolio's carbon footprint. For PMT, this concerns all oil and gas companies in its equity portfolio, a number of utility companies with coal in the energy mix, and companies on the demand side of energy, in the cement, chemicals, industrials and steel sectors. On behalf of PME, MN is conducting dialogue with a number of utility companies with coal in the energy mix and companies on the demand side of energy in the cement, chemicals, industrials and steel sectors. A major part of this is done by MN in collaboration with Climate Action 100+.
- Exclusion - PME has not invested in fossil oil and gas extraction and distribution since 2021. In 2021, PME was the first pension fund to sell all investments in this sector.
- ESG integration - Mandatory participation in the GRESB sustainability benchmark for real estate investments.

Resilience strategy - taking different climate scenarios into account

PMT and PME had a scenario analysis carried out for their portfolios by MN, in cooperation with MSCI. The aim was to identify climate-related opportunities and risks in a forward-looking manner. It is an instrument to map the robustness of the portfolio in the light of possible variations in the future. Scenario analysis provides additional insight into the risks of the portfolio and supports decision-making for measures to manage climate-related opportunities and risks.

Methodology

MSCI charts the potential positive and negative impact on equity and corporate bond portfolios as a result of climate-related risks and opportunities. This year, for the first time, an assessment of the physical climate risks has been added.

Transition risks

Three scenarios are used to calculate transition risks; a scenario in which global warming is limited to 1.5 degrees, a 2-degree scenario and a 3-degree scenario. MSCI estimates the potential costs a company will have to incur to comply with future climate laws and regulations based on the policies of the country in which it produces. The greater the difference with the current scenario trajectory, the more policy measures are theoretically needed to achieve the new trajectory. A 1.5 degree trajectory therefore requires more far-reaching government policy measures than a 3 degree scenario. On the basis of the policy measures, MSCI calculates emission ceilings per company that it then uses to calculate the possible impact on the market valuation of a company. An important assumption of MSCI is that there will be an orderly and gradual transition. At the moment when the transition is stressful, for example due to rapid manifestation of physical risks or political or public unrest, the transition costs can be many times higher.

Climate-related opportunities

MSCI uses a model to calculate climate-related opportunities. MSCI's ESG Research model is intended to provide an indication of which companies could be beneficiaries if global warming mitigation policies are in line with 3 degrees, 2 degrees or 1.5 degrees, and if these policies are implemented on a global level. MSCI estimates climate-related opportunities by estimating the value of patents of companies related to green technologies and estimating the 'future green revenue' of each company from the development and sale of low-carbon emission technologies.

Physical climate risks

To estimate physical climate risks, MSCI uses a model in which the following is steps are taken:

- The value of assets and revenue streams at a particular location is estimated per company;
- The expected change in chronic and acute (weather) conditions at the different locations is estimated, where possible using scientific models; where this is not possible, an estimate is made based on historical trends. The chronic risks considered are extreme heat, extreme cold, heavy precipitation, heavy snowfall and heavy winds. The acute climate risks considered are tropical cyclones, coastal floods, river floods, lower river water levels (relevant for energy production companies) and forest fires.
- An estimate is made of the annual additional costs (or revenues) resulting from changing weather conditions;
- The expected additional costs over the next 100 years are converted to a present value.

In essence, one scenario is calculated for physical risks; this is a scenario in which current policies are continued (similar to the NGFS Current Policies scenario). Because the impact estimates are lined by considerable uncertainty, two variants of this scenario are calculated: one based on the average impact estimates (the 'average' variant) and one based on a very pessimistic impact estimate (the 'aggressive' variant).

We emphasise that this data provides only a first estimate of the physical climate risks. The assumptions made in the various steps involve considerable uncertainty. For example, the quality of estimates of the value of assets and revenue streams of companies in the various locations may be questioned. Nor is there a solid scientific basis for estimating the direct and indirect damage to companies for all climate risks. Finally, the calculations are incomplete. For example, they do not yet take into account the impact on production chains of companies and their adaptability.

The reported outcomes include both the transition risks and the physical risks to the value of the corporate bond and equity portfolios of PMT and PME. In addition, PMT and PME report individually on the figures selected by MSCI. MN does not report on these results, as it is difficult to aggregate the figures.

- The analysis shows that climate-related financial transition risks increase in scenarios where current CO_2 emissions need to be reduced more, such as in the 2-degree and 1.5-degree Celsius scenarios. As a result, companies will have to switch more quickly to other production techniques or will have to deal with different earning models. This is expected to involve more costs.
- Risks are greatest in emerging market equity portfolios. Within the corporate bond portfolios, the risks are relatively limited. This is because bonds have a limited duration and because bondholders have the primary right to repayment if a company has financial problems.

- As indicated previously in this report, the transition may also involve opportunities.
- The portfolio-wide effects mask significant sectoral differences. The energy, aviation, maritime transport, construction and materials, and utilities sectors are particularly high-risk. There are also significant outliers at the company level, both positive and negative. MN pays attention to both the risks that these sectors entail and the opportunities that arise in these sectors.
- Further analysis of the data shows that with regard to physical risks, the expected increase in extreme temperatures and floods in particular has a potentially significant negative impact on the investments. For the investments in corporate bonds, the impact is relatively limited, due to the limited maturity of these investments.

Integrated risk management

Climate risks are included in the investment principles of PMT and PME and, based on these, MN identifies, assesses and manages PMT and PME climate-related risks through various processes.

1. Investment beliefs > 2. Strategy formation > 3. Selection and monitoring > 4. Investment decisions > 5. Reporting

Figuure 2: components of the investment chain used to identify and manage climate risks

Control and identification

Climate risks are identified and controlled via various regular processes in the investment chain. MN gains knowledge by, among other things, participating in IIGCC working groups and boards, participating in seminars where knowledge about climate risks is exchanged, participating in panels on climate risks, being a member of various expert organisations such as the IIGCC and the PRI, supporting and sponsoring the DNB climate risk working group and maintaining contact with peers. The insights gained by virtue of the above are used as input when reviewing investment categories. In this way, climate risks are taken into account integrally.

Manager selection and monitoring

MN's clients have their own ESG questionnaire to which external asset managers are obliged to respond. This examines whether they possess sufficient knowledge about the CO_2 intensity of the portfolios they manage. MN ensures that (external) asset managers deal with responsible investment in the same way as MN and its clients. In the selection and monitoring of external asset managers, a Planet score is assigned, with points being awarded for the level of policy, climate integration, and reporting.

For property managers, participation in the GRESB sustainability benchmark is mandatory. MN's clients want asset managers in other investment categories to be signatories to the UN Principles for Responsible Investment (UNPRI), to have a clear climate policy and to have a good climate integration process in place. This is monitored annually.

Investment decisions & dialogue programme

MN conducts intensive dialogue on behalf of its clients with companies in the equity portfolios that, in absolute terms, contribute a large part to the portfolio's carbon footprint. For PMT, this concerns all oil and gas companies in the equity portfolio and for PME a number of utility companies with coal in the energy mix, and companies on the demand side of energy, in the cement, chemicals, industrials and steel sectors. On behalf of PME, MN is conducting dialogues with a number of utility companies with coal in the energy mix and companies on the demand side of energy in the cement, chemicals, industrials and steel sectors. A major part of this is done in collaboration with the Climate Action 100+ initiative, the largest coordinated joint climate dialogue initiative to date. Participants are members of various climate networks of institutional investors such as the International Investor Group on Climate Change (IIGCC). The Climate Action 100+ Group of investors joins forces to talk to the top 160+ companies that are the largest CO_2 emitters. On behalf of its clients, MN asks companies to firmly anchor the climate theme in governance processes, to reduce CO_2 emissions in line with the objective of the Paris Climate Agreement and to report on progress in accordance with the TCFD framework. MN maps the extent to which companies show progress. MN clients may decide to exclude companies that show insufficient progress after an ongoing dialogue, or that do not have a clear strategy for navigating the energy transition in the future. MN's clients decided to exclude three companies on these grounds in 2021.

Credit and equity analysts include climate and ESG factors in business and sector analyses. With regards to credit, bondholder engagement talks are held during road shows, country visits and conference calls. Part of the conversation concerns, for example, the use of renewable energy.

Organisation of risk management

Risk management is an integral part of the business operations of pension funds and pension administrators and is based on the 3LoD model. The primary responsibility for controlling risks lies with the risk takers responsible, such as portfolio managers (first line). The Risk Management & Compliance department forms the second line within MN and helps to draw up the frameworks and guidelines within which risks must be managed. Monitoring compliance with the management and the carrying out of independent monitoring of risks is also part of the Risk Management & Compliance department's duties. Both management lines are monitored by the Audit department (third line).

Metrics, objectives and results

MN has various metrics and objectives that relate to climate risks and opportunities and reports on these in regular reports.

1. Investment beliefs > 2. Strategy formation > 3. Selection and monitoring > 4. Investment decisions > 5. Reporting

Figure 3: components of the investment chain relevant to units of measurement and targets

Units of measurement used

MN maps out climate risks and opportunities in the portfolios using the units of measurement below.

Climate-related opportunity indicators

- MN, PMT and PME measure the carbon footprint for scope 1 and 2 of the equities portfolios. The results of the measurement of MN's carbon footprint are listed below.
- In 2018, PMT and PME committed to the climate agreement for the financial sector. PMT and PME thus commit themselves to the goals of the agreement with regard to the reduction of CO_2 emissions. The sector has been reporting on the climate impact of financing and investments since 2020 and has drawn up action plans to reduce it.
- On behalf of clients, MN looks at the possible negative impact on the valuation of the equities and bond portfolios as a result of future legislation and regulations (transition risks) in accordance with MSCI's methodology.
- On behalf of clients, MN looks at the possible negative impact on the valuation of the equities and bond portfolios as a result of changes in the physical environment (physical risks) in accordance with MSCI's methodology.

In addition, PMT and PME make investments with impact and make investments that contribute to the UN Sustainable Development Goals.

- PMT has set itself the target of having invested €2 billion in new impact investments by 2025. At the end of 2021, the Net Asset Value of PMT's impact investments amounted to € 1,630 million, of which € 357 million was within the energy transition theme and € 73 million within the circular economy theme.
- At the end of 2021, the Net Asset Value of PME's impact investments amounted to € 1,648 million, of which € 719 million was within the energy transition theme and € 73 million within the circular economy theme.

MN's carbon footprint

Measuring the carbon footprint of the equity portfolio each year is part of MN's climate policy. It is also part of the agreements of the Montreal Pledge that PMT and PME signed during the climate summit in 2015.

This year, MN will report the carbon footprint of the entire portfolio for the first time.

MN carbon footprint 2021 for the entire portfolio

Assets	79,675 million euro
Emission Exposure, Scope 1 en 2 (based on market capitalization)	4,379,171 tonnes CO_2e
Emission (based on market capitalization)	9,9 kg CO_2e (9,900 euro)
Emission Exposure, Scope 1 and 2 (based on EVIC)	7,401,169 tonnes CO_2
Emission (based on EVIC)	9,3 kg CO_2e (9,300 euro)

When calculating MN's carbon footprint, scope 3 emissions (indirect emissions caused by the activities of another organisation in the chain) are currently not included. Although the quality of modelled scope 3 data is improving consistently, in our opinion there is still too little reliable scope 3 data available. The scope 3 emissions can only be included meaningfully when double counting is taken into account. However, there is currently no clear standard in the market for compensating for double counting. However, for certain industries and companies, scope 3 emissions are an important indicator of possible climate-related risks. For this reason, MN includes scope 3 emissions in its policy when relevant.

To calculate the carbon footprint of the equities portfolio, in recent years a methodology was used that determines the emissions of an investment based on the value of the investment in relation to the total market capitalisation of a company. This methodology cannot be applied to the bond portfolio because market capitalisation does not take into account the total debt position of a company. Both the Partnership for Carbon Accounting Financials (PCAF) and the European Technical Expert Group on Sustainable Finance (EU TEG) therefore recommend using enterprise value including cash (EVIC) to calculate the carbon footprint of corporate bond portfolios. This makes it possible to add up the emissions from both portfolios and calculate the carbon footprint for both equities and bonds.

II MN climate policy

MN wishes to aid in limiting climate change and in managing the financial climate risks of its clients' investments. This is done by mapping out the current and expected carbon emissions of the investments, having engagement conversations with CO2-intensive companies, and voting in favour of climate-friendly policies and investing in renewable energy on behalf of clients at shareholder meetings. In addition, MN is developing screenings, together with its clients, through which companies that make insufficient efforts to reduce carbon emissions are removed from the portfolio.

Financial sector commitment to the climate agreement

Relevant investments for financial sector commitment to the Dutch climate agreement

In line with the agreements made in the financial sector commitment to the Dutch climate agreement, MN intends to report the carbon footprint for all relevant investments and to set carbon reduction targets for 2030 by 2022 at the latest.

Relevant investment categories

MN currently considers the following investment categories to be relevant:
- Listed equity
- Corporate bonds
- Real estate
- Infrastructure

The following factors are mainly considered in determining the relevance of an investment category:
1. The opportunities that exist for influencing the carbon emissions of these investments.
2. The opportunities that exist for measuring the contribution of the investments to the energy transition.
3. The size of the investment category in the portfolios of MN's clients.

The listed equity investment category is clearly relevant. We can influence this investment category on behalf of our clients through the voting policy, through engagement, and by excluding certain investments from the portfolio. In this investment category, there are relatively many possibilities to measure the carbon impact of investments, and the investment category forms a substantial part of the investment portfolio.

An investment category such as private equity is relevant from the first perspective; for example, MN can select and assess managers who manage private equity portfolios partly on the basis of their ambitions regarding the climate theme, and MN can instruct them to consider carbon emissions in their investment decisions. The portfolio is a much smaller, but also substantial, part of our clients' investment portfolios. However, the options for measuring the carbon impact of these investments are still so limited that it does not seem meaningful to report a carbon footprint or set targets on this basis. Therefore, we have not (yet) labelled this investment category as relevant in the context of climate commitment, but we are preparing an investment policy for this investment category with our clients that takes climate aspects into account.

For the real estate, corporate bonds and infrastructure investment categories, we estimate that sufficient information is available to be able to reflect, based on data, the carbon impact of our investments and to formulate a first quantitative target before the end of 2022. In addition, the insight into the contribution that our investments make to reducing carbon emissions is still incomplete and is expected to improve in the coming years. It is likely that we will fine-tune our objectives and action plans on the basis of that improvement. The size of all relevant portfolios is € 90.1 billion, i.e. 53% of the value of the total investment portfolio. The size of the liquid equity portfolios is € 48.8 billion, i.e. 54% of the value of the relevant investments.*

The carbon footprint of our investments

Since 2015, MN has measured the carbon footprint of its clients' listed equity portfolios. The clients report on this in their annual reports. In the context of the obligations arising from the signing of the Dutch Climate Commitment, the carbon footprint of the listed equity portfolios of all clients is also shown below.

MN's insight into the carbon emissions of the relevant investments is still incomplete. In this annual report, the choice has been made to only report the carbon emissions of the liquid equity portfolios for the time being, because these can be measured in a sufficiently reliable manner. MN aims to expand the carbon reporting in the coming years and also to report the carbon emissions for the other relevant investments.

Methodology for measuring the carbon footprint

Scope

MN measures the carbon footprint of all its clients. The measurement of the carbon footprint of PMT and PME relates to the listed equity portfolios and bond portfolios. This was based on the holdings as at the end of 2020. On this basis, the emission intensity (kgCO_2e) per 100 euros invested in the equity portfolio was calculated. The emission figures include the scope 1 and 2 carbon footprint. Scope 1 concerns direct emissions, e.g. from the use of company facilities and vehicles. Scope 2 concerns indirect emissions associated with the production of electricity purchased.

Indicator and measurement method

The carbon footprint of the equity portfolio is expressed in emission intensity, measured as Emission Exposure per 100 EUR invested. This statistic shows how many kilograms of CO_2 an investor finances with each 100 euros invested. It is important that all data used are measured at the same time, in this case at 31 December 2020.

* For the value of the relevant portfolios, the figures as at year-end 2020 were used, as this is also the value used in the calculation of the carbon footprint of the equity portfolio.

Equity/Debt - portfolio	Sector	Euro EUR	Of wich relevant reported based on market capitalization EUR Scope 1 +2	Of which CO_2-levels from question 2.1 based on market capitalization EUR invested	CO_2e-indicator(s) from question 2.1 based on EVIC tCO_2e Scope 1 +2	CO_2e-indicator(s) from question 2.1 $kgCO_2e$/100EUR invested	CO_2e-indicator(s) from question 2.1 tCO_2e	CO_2e-indicator(s) $kgCO_2e$/100EUR
Listed equity mandate PME	BASIC MATERIALS	€ 1,081,358,237	€ 1,081,358,237	€ 1,081,358,237	438,462.5	40.5	314,765.1	29.1
Listed equity mandate PME	COMMUNICATIONS	€ 2,696,802,595	€ 2,696,802,595	€ 2,591,618,190	25,215.1	0.9	18,435.6	0.7
Listed equity mandate PME	CONSUMER, CYCLICAL	€ 1,699,780,311	€ 1,699,780,311	€ 1,689,881,995	72,223.1	4.2	50,783.7	3.0
Listed equity mandate PME	CONSUMER, NON-CYCLICAL	€ 4,738,296,743	€ 4,738,296,743	€ 4,732,167,831	62,893.0	1.3	49,151.0	1.0
Listed equity mandate PME	DIVERSIFIED	€ 9,504,337	€ 9,504,337	€ 9,504,337	15,994.2	168.3	9,078.5	95.5
Listed equity mandate PME	ENERGY	€ 333,802,465	€ 333,802,465	€ 306,971,007	206,579.5	61.9	120,645.9	39.3
Listed equity mandate PME	FINANCIAL	€ 2,855,733,555	€ 2,855,733,555	€ 2,815,233,372	8,988.9	0.3	5,132.4	0.2
Listed equity mandate PME	INDUSTRIAL	€ 2,310,446,937	€ 2,310,446,937	€ 2,306,918,005	293,413.4	12.7	193,399.8	8.4
Listed equity mandate PME	TECHNOLOGY	€ 3,447,277,253	€ 3,447,277,253	€ 3,429,965,028	51,600.0	1.5	43,984.8	1.3
Listed equity mandate PME	UTILITIES	€ 608,840,730	€ 608,840,730	€ 608,115,722	415,450.9	68.2	251,472.5	41.4
Listed equity mandate PMT	BASIC MATERIALS	€ 1,240,398,116	€ 1,240,398,116	€ 1,240,398,116	492,898.3	39.7	356,175.1	28.7
Listed equity mandate PMT	COMMUNICATIONS	€ 2,811,100,671	€ 2,811,100,671	€ 2,704,132,793	25,866.6	0.9	18,653.3	0.7
Listed equity mandate PMT	CONSUMER, CYCLICAL	€ 1,986,100,169	€ 1,986,100,169	€ 1,972,255,641	86,127.8	4.3	55,831.9	2.8
Listed equity mandate PMT	CONSUMER, NON-CYCLICAL	€ 5,356,562,126	€ 5,356,562,126	€ 5,350,122,710	75,596.1	1.4	57,364.1	1.1
Listed equity mandate PMT	DIVERSIFIED	€ 9,626,514	€ 9,626,514	€ 9,626,514	16,277.4	169.1	9,240.7	96.0
Listed equity mandate PMT	ENERGY	€ 795,461,576	€ 795,461,576	€ 765,498,279	514,944.3	64.7	304,456.7	39.8
Listed equity mandate PMT	FINANCIAL	€ 3,185,669,111	€ 3,185,669,111	€ 3,137,566,851	9,854.0	0.3	5,608.2	0.2
Listed equity mandate PMT	INDUSTRIAL	€ 2,400,737,828	€ 2,400,737,828	€ 2,397,163,020	368,324.8	15.3	242,463.1	10.1
Listed equity mandate PMT	TECHNOLOGY	€ 3,538,311,704	€ 3,538,311,704	€ 3,519,567,353	53,031.7	1.5	45,356.3	1.3
Listed equity mandate PMT	UTILITIES	€ 843,743,509	€ 843,743,509	€ 842,998,728	678,787.7	80.4	410,727.7	48.7
Corporate bond mandate PME	BASIC MATERIALS	€ 609,227,933	€ 609,227,933	€ 512,176,507			289,698.1	56.6
Corporate bond mandate PME	COMMUNICATIONS	€ 1,331,265,565	€ 1,331,265,565	€ 1,093,407,651			13,836.3	1.3
Corporate bond mandate PME	CONSUMER, CYCLICAL	€ 1,323,070,670	€ 1,323,070,670	€ 1,110,051,982			80,371.6	7.2
Corporate bond mandate PME	CONSUMER, NON-CYCLICAL	€ 3,002,096,781	€ 3,002,096,781	€ 2,660,687,043			93,813.9	3.5
Corporate bond mandate PME	DIVERSIFIED	€ 17,757,270	€ 17,757,270	€ 8,931,894			4,126.7	46.2
Corporate bond mandate PME	ENERGY	€ 612,057,102	€ 612,057,102	€ 505,333,082			198,602.7	39.3
Corporate bond mandate PME	FINANCIAL	€ 1,901,659,172	€ 1,901,659,172	€ 1,494,473,534			8,208.4	0.5
Corporate bond mandate PME	INDUSTRIAL	€ 1,032,905,782	€ 1,032,905,782	€ 862,938,785			224,357.9	26.0
Corporate bond mandate PME	TECHNOLOGY	€ 559,125,136	€ 559,125,136	€ 523,907,527			2,816.2	0.5
Corporate bond mandate PME	UTILITIES	€ 1,117,640,943	€ 1,117,640,943	€ 889,908,096			533,260.4	59.9
Corporate bond mandate PMT	BASIC MATERIALS	€ 1,245,508,699	€ 1,245,508,699	€ 1,009,038,173			595,764.2	59.0
Corporate bond mandate PMT	COMMUNICATIONS	€ 2,286,565,137	€ 2,286,565,137	€ 1,844,783,950			23,267.6	1.3
Corporate bond mandate PMT	CONSUMER, CYCLICAL	€ 2,534,031,427	€ 2,534,031,427	€ 2,111,628,611			173,012.6	8.2
Corporate bond mandate PMT	CONSUMER, NON-CYCLICAL	€ 5,537,090,388	€ 5,537,090,388	€ 4,903,622,748			185,559.8	3.8
Corporate bond mandate PMT	DIVERSIFIED	€ 23,127,673	€ 23,127,673	€ 15,935,311			4,767.0	29.9
Corporate bond mandate PMT	ENERGY	€ 1,121,498,794	€ 1,121,498,794	€ 893,614,319			330,751.7	37.0
Corporate bond mandate PMT	FINANCIAL	€ 3,701,300,882	€ 3,701,300,882	€ 2,865,412,122			17,339.2	0.6
Corporate bond mandate PMT	INDUSTRIAL	€ 2,055,841,315	€ 2,055,841,315	€ 1,705,774,593			473,072.7	27.7
Corporate bond mandate PMT	TECHNOLOGY	€ 985,341,590	€ 985,341,590	€ 908,729,918			5,702.2	0.6
Corporate bond mandate PMT	UTILITIES	€ 1,978,625,133	€ 1,978,625,133	€ 1,442,209,300			981,629.4	68.1
MN Listed equity fund Europe	BASIC MATERIALS	€ 61,796,425	€ 61,796,425	€ 61,796,425	16,134.5	26.1	12,909.8	20.9
MN Listed equity fund Europe	COMMUNICATIONS	€ 41,766,641	€ 41,766,641	€ 41,766,641	720.0	1.7	277.9	0.7
MN Listed equity fund Europe	CONSUMER, CYCLICAL	€ 47,456,711	€ 47,456,711	€ 45,857,435	1,186.1	2.5	1,078.2	2.4
MN Listed equity fund Europe	CONSUMER, NON-CYCLICAL	€ 237,010,408	€ 237,010,408	€ 237,010,408	3,503.5	1.5	2,665.5	1.1
MN Listed equity fund Europe	DIVERSIFIED	€ 0	€ 0	€ 0	-		-	
MN Listed equity fund Europe	ENERGY	€ 47,459,464	€ 47,459,464	€ 47,459,464	29,910.5	63.0	15,778.4	33.2
MN Listed equity fund Europe	FINANCIAL	€ 96,486,151	€ 96,486,151	€ 94,637,798	165.3	0.2	75.7	0.1
MN Listed equity fund Europe	INDUSTRIAL	€ 93,670,725	€ 93,670,725	€ 93,670,725	28,535.0	30.5	18,463.8	19.7
MN Listed equity fund Europe	TECHNOLOGY	€ 48,531,797	€ 48,531,797	€ 48,531,797	208.5	0.4	186.7	0.4
MN Listed equity fund Europe	UTILITIES	€ 46,383,083	€ 46,383,083	€ 46,383,083	35,587.8	76.7	21,474.6	46.3
MN Listed equity fund North America	BASIC MATERIALS	€ 30,173,736	€ 30,173,736	€ 30,173,736	11,783.1	39.1	9,072.6	30.1
MN Listed equity fund North America	COMMUNICATIONS	€ 96,386,683	€ 96,386,683	€ 96,386,683	530.0	0.5	402.0	0.4
MN Listed equity fund North America	CONSUMER, CYCLICAL	€ 66,665,865	€ 66,665,865	€ 66,665,865	2,648.0	4.0	1,789.4	2.7
MN Listed equity fund North America	CONSUMER, NON-CYCLICAL	€ 194,800,377	€ 194,800,377	€ 194,800,377	1,767.8	0.9	1,403.0	0.7
MN Listed equity fund North America	DIVERSIFIED	€ 0	€ 0	€ 0	-		-	
MN Listed equity fund North America	ENERGY	€ 19,417,090	€ 19,417,090	€ 17,414,567	10,332.2	53.2	7,569.9	43.5
MN Listed equity fund North America	FINANCIAL	€ 88,193,757	€ 88,193,757	€ 86,577,642	125.5	0.1	121.7	0.1
MN Listed equity fund North America	INDUSTRIAL	€ 77,945,992	€ 77,945,992	€ 77,945,992	4,562.5	5.9	3,720.4	4.8
MN Listed equity fund North America	TECHNOLOGY	€ 157,743,053	€ 157,743,053	€ 157,024,140	799.6	0.5	705.8	0.4
MN Listed equity fund North America	UTILITIES	€ 28,632,427	€ 28,632,427	€ 28,632,427	20,850.7	72.8	12,165.4	42.5
MN Listed equity fund Far East	BASIC MATERIALS	€ 21,493,932	€ 21,493,932	€ 21,493,932	6,491.2	30.2	4,784.0	22.3
MN Listed equity fund Far East	COMMUNICATIONS	€ 11,490,294	€ 11,490,294	€ 11,490,294	261.6	2.3	177.7	1.5
MN Listed equity fund Far East	CONSUMER, CYCLICAL	€ 30,254,176	€ 30,254,176	€ 30,254,176	1,595.2	5.3	888.7	2.9
MN Listed equity fund Far East	CONSUMER, NON-CYCLICAL	€ 47,056,793	€ 47,056,793	€ 47,056,793	918.8	2.0	739.4	1.6
MN Listed equity fund Far East	DIVERSIFIED	€ 0	€ 0	€ 0	-		-	

Equity/Debt - portfolio	Sector	Euro EUR	Of wich relevant reported based on market capitalization EUR Scope 1 +2	Of which CO_2-levels from question 2.1 based on market capitalization EUR invested	CO_2e-indicator(s) from question 2.1 based on EVIC tCO_2e Scope 1 +2	CO_2e-indicator(s) from question 2.1 $kgCO_2e$/100EUR invested	CO_2e-indicator(s) from question 2.1 tCO_2e	CO_2e-indicator(s) $kgCO_2e$/100EUR
MN Listed equity fund Far East	ENERGY	€ 4,135,076	€ 4,135,076	€ 4,135,076	4,697.4	113.6	2,094.2	50,6
MN Listed equity fund Far East	FINANCIAL	€ 50,622,133	€ 50,622,133	€ 50,622,133	236.4	0.5	87.8	0,2
MN Listed equity fund Far East	INDUSTRIAL	€ 32,022,350	€ 32,022,350	€ 32,022,350	2,994.0	9.3	1,796.1	5,6
MN Listed equity fund Far East	TECHNOLOGY	€ 9,724,020	€ 9,724,020	€ 9,724,020	243.2	2.5	207.3	2,1
MN Listed equity fund Far East	UTILITIES	€ 4,883,712	€ 4,883,712	€ 4,883,712	7,202.7	147.5	5,263.3	107,8
MN Emerging markets listed equity fund	BASIC MATERIALS	€ 56,429,322	€ 56,429,322	€ 54,292,815	98,057.0	173.8	52,156.6	96,1
MN Emerging markets listed equity fund	COMMUNICATIONS	€ 144,537,776	€ 144,537,776	€ 132,005,132	2,378.4	1.6	2,078.9	1,6
MN Emerging markets listed equity fund	CONSUMER, CYCLICAL	€ 68,393,441	€ 68,393,441	€ 64,804,279	13,435.8	19.6	5,187.2	8,0
MN Emerging markets listed equity fund	CONSUMER, NON-CYCLICAL	€ 53,500,249	€ 53,500,249	€ 52,378,463	4,778.0	8.9	2,600.5	5,0
MN Emerging markets listed equity fund	DIVERSIFIED	€ 2,122,678	€ 2,122,678	€ 2,122,678	8,571.8	403.8	1,964.2	92,5
MN Emerging markets listed equity fund	ENERGY	€ 41,434,767	€ 41,434,767	€ 41,401,962	43,737.5	105.6	27,124.6	65,5
MN Emerging markets listed equity fund	FINANCIAL	€ 129,567,104	€ 129,567,104	€ 128,833,385	1,473.3	1.1	686.7	0,5
MN Emerging markets listed equity fund	INDUSTRIAL	€ 47,065,702	€ 47,065,702	€ 45,089,459	104,071.0	221.1	50,504.8	112,0
MN Emerging markets listed equity fund	NONE	€ 5,141,195	€ 5,141,195	€ 0	-	-	-	
MN Emerging markets listed equity fund	TECHNOLOGY	€ 164,673,174	€ 164,673,174	€ 163,714,585	10,962.6	6.7	8,915.1	5,4
MN Emerging markets listed equity fund	UTILITIES	€ 17,489,187	€ 17,489,187	€ 14,066,894	83,242.3	476.0	87,249.3	620,2
MN IG EUR Corporate bond fund	BASIC MATERIALS	€ 90,127,732	€ 90,127,732	€ 73,126,725			19,220.8	26,3
MN IG EUR Corporate bond fund	COMMUNICATIONS	€ 107,797,372	€ 107,797,372	€ 104,726,581			1,311.7	1,3
MN IG EUR Corporate bond fund	CONSUMER, CYCLICAL	€ 120,805,304	€ 120,805,304	€ 119,725,943			3,899.6	3,3
MN IG EUR Corporate bond fund	CONSUMER, NON-CYCLICAL	€ 370,535,878	€ 370,535,878	€ 332,525,334			13,998.8	4,2
MN IG EUR Corporate bond fund	DIVERSIFIED	€ 2,740,467	€ 2,740,467	€ 2,740,467			16.1	0,6
MN IG EUR Corporate bond fund	ENERGY	€ 58,497,919	€ 58,497,919	€ 49,768,678			17,638,9	35,4
MN IG EUR Corporate bond fund	FINANCIAL	€ 417,681,038	€ 417,681,038	€ 324,137,491			2,745.2	0,8
MN IG EUR Corporate bond fund	INDUSTRIAL	€ 144,468,522	€ 144,468,522	€ 119,921,644			42,638.4	35,6
MN IG EUR Corporate bond fund	TECHNOLOGY	€ 65,391,536	€ 65,391,536	€ 62,580,533			430.0	0,7
MN IG EUR Corporate bond fund	UTILITIES	€ 137,460,859	€ 137,460,859	€ 83,821,505			54,048.8	64,5
MN IG USD Corporate bond fund	BASIC MATERIALS	€ 3,011,467	€ 3,011,467	€ 3,011,467			713.8	23,7
MN IG USD Corporate bond fund	COMMUNICATIONS	€ 11,669,947	€ 11,669,947	€ 11,669,947			75.2	0,6
MN IG USD Corporate bond fund	CONSUMER, CYCLICAL	€ 16,877,269	€ 16,877,269	€ 16,877,269			406.8	2,4
MN IG USD Corporate bond fund	CONSUMER, NON-CYCLICAL	€ 100,705,898	€ 100,705,898	€ 100,152,765			2,792.7	2,8
MN IG USD Corporate bond fund	DIVERSIFIED	€ 0	€ 0	€ 0			-	
MN IG USD Corporate bond fund	ENERGY	€ 12,935,528	€ 12,935,528	€ 11,888,742			4,296.2	36,1
MN IG USD Corporate bond fund	FINANCIAL	€ 5,080,220	€ 5,080,220	€ 5,080,220			0.5	0,0
MN IG USD Corporate bond fund	INDUSTRIAL	€ 20,921,568	€ 20,921,568	€ 20,355,298			858.2	4,2
MN IG USD Corporate bond fund	TECHNOLOGY	€ 19,936,570	€ 19,936,570	€ 19,936,570			68.4	0,3
MN IG USD Corporate bond fund	UTILITIES	€ 44,194,990	€ 44,194,990	€ 41,294,218			24,817.5	60,1
MN HY EUR Corporate bond fund	BASIC MATERIALS	€ 29,559,944	€ 29,559,944	€ 19,710,324			27,792.0	141,0
MN HY EUR Corporate bond fund	COMMUNICATIONS	€ 71,067,324	€ 71,067,324	€ 38,840,795			553.7	1,4
MN HY EUR Corporate bond fund	CONSUMER, CYCLICAL	€ 83,723,173	€ 83,723,173	€ 56,328,451			7,391.7	13,1
MN HY EUR Corporate bond fund	CONSUMER, NON-CYCLICAL	€ 49,761,523	€ 49,761,523	€ 25,092,803			1,347.8	5,4
MN HY EUR Corporate bond fund	DIVERSIFIED	€ 485,147	€ 485,147	€ 0			127.8	
MN HY EUR Corporate bond fund	ENERGY	€ 18,959,258	€ 18,959,258	€ 7,900,116			10,218.6	129,3
MN HY EUR Corporate bond fund	FINANCIAL	€ 10,599,117	€ 10,599,117	€ 7,205,959			88.5	1,2
MN HY EUR Corporate bond fund	INDUSTRIAL	€ 40,538,783	€ 40,538,783	€ 28,785,446			8,186.8	28,4
MN HY EUR Corporate bond fund	TECHNOLOGY	€ 3,385,235	€ 3,385,235	€ 1,550,263			14.9	1,0
MN HY EUR Corporate bond fund	UTILITIES	€ 19,064,447	€ 19,064,447	€ 15,657,637			10,970.7	70,1
MN HY USD Corporate bond fund	BASIC MATERIALS	€ 12,218,636	€ 12,218,636	€ 10,382,312			7,937.7	76,5
MN HY USD Corporate bond fund	COMMUNICATIONS	€ 48,070,008	€ 48,070,008	€ 42,556,451			339.4	0,8
MN HY USD Corporate bond fund	CONSUMER, CYCLICAL	€ 57,073,096	€ 57,073,096	€ 42,503,889			2,195.3	5,2
MN HY USD Corporate bond fund	CONSUMER, NON-CYCLICAL	€ 41,230,353	€ 41,230,353	€ 37,199,427			776.7	2,1
MN HY USD Corporate bond fund	DIVERSIFIED	€ 705,075	€ 705,075	€ 0			589.3	
MN HY USD Corporate bond fund	ENERGY	€ 33,367,969	€ 33,367,969	€ 28,408,148			9,837.1	34,6
MN HY USD Corporate bond fund	FINANCIAL	€ 11,275,608	€ 11,275,608	€ 9,088,853			168.9	1,9
MN HY USD Corporate bond fund	INDUSTRIAL	€ 26,773,854	€ 26,773,854	€ 21,083,583			3,507.5	16,6
MN HY USD Corporate bond fund	TECHNOLOGY	€ 13,217,307	€ 13,217,307	€ 8,919,855			71.2	0,8
MN HY USD Corporate bond fund	UTILITIES	€ 5,689,683	€ 5,689,683	€ 4,460,656			4,181.3	93,7
Total		**€ 79,675,454,971**	**€ 79,675,454,971**	**€ 73.165.772.584**	**4,379,171.3**	**9.9**	**7,401,169.8**	**9,3**

Emission allocation

In line with the ownership principle of the Greenhouse Gas Protocol, an investor becomes the 'owner' of (part of) a company's emissions when he owns shares in the company. The amount of emissions allocated to the shareholder is in proportion to the number of shares held. When an investor owns 0.1% of a company, 0.1% of the company's total emissions are allocated to the investor. At portfolio level, emissions are aggregated on the basis of allocated emissions.

A common term for the allocated emissions is Emission Exposure. The Emission Exposure is calculated by multiplying the total emissions of a company by the percentage owned by the investor of the company.

Data sources and data quality

The source data used to calculate the carbon footprint for the equity portfolio are provided by ISS and show the emissions of companies as at the end of 2020. This data supplier, in turn, obtains data from four different sources:

- CSR or annual reports: many companies measure their greenhouse gas emissions themselves and publish them in their annual report or CSR reports.
- Carbon Disclosure Project: a part of the companies publish their emissions through the Carbon Disclosure Project (CDP), a non-profit organisation that supports companies in this process.
- Other reports, for example from NGOs: companies that do not publish emissions data themselves are sometimes investigated by external parties who then publish the data.
- Modelling: together with the Swiss Federal Institute of Technology (ETH) in Zurich, ISS has developed a model to estimate the emissions of companies for which published data is missing or unreliable.

Ambition and vision of carbon emission reduction objectives

Together with its clients, MN wishes to develop a climate policy aimed at bringing about a change in the real economy. Through our climate policy, we want to encourage the companies in which we invest to reduce their emissions to a level that is in line with the goals of the Paris Climate Agreement. In order to achieve the goals of the Paris Agreement, it is necessary for every company to make an effort to reduce carbon emissions sufficiently. This applies in particular to the companies in carbon-intensive sectors; they play an important role in the energy transition.

The use of carbon reduction targets per sector fits well with this approach, in our opinion. What level of emissions reduction is deemed sufficient differs from sector to sector. This depends on the options a sector has for reducing emissions. We believe that it is important to take this into account. Unlike carbon reduction targets at portfolio level, sector targets cannot be achieved by simply reducing investments in carbon-intensive sectors, but by investing within each sector in the companies that are on track to reduce emissions sufficiently.

We put this ambition into practice by developing a suitable climate policy together with our clients. The tools we use in doing so are active ownership, ESG integration, exclusions and impact investments. The TCFD report provides a number of examples of such actions.

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