



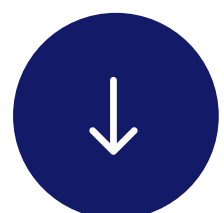
MN Socially Responsible Investment

Annual report
2015



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← Introduction



In late 2015, world leaders meeting in Paris concluded an historic agreement on global climate policy. When addressing institutional investors at this summit, US former Vice-President Al Gore argued that sustainable development should be part of their fiduciary duties. What's more, ignoring climate change and other material ESG factors would be a breach of fiduciary responsibility.

It goes without saying that the main task of a pension fund is to ensure a pension for the affiliated members. It is vital for the investment portfolios to yield satisfactory returns at appropriate risks. A sound pension must be possible when members are entitled to it. But if the average member has another thirty years to work until retirement, he or she will expect to be able to live in a sustainable and stable society. Focusing on financial return alone is not enough to guarantee quality of life for future pensioners.

Pension funds and their members are part and parcel of society and if they are not aware of the changes taking place in the world, no satisfactory return can be achieved. It is therefore vital that various societal risks that may influence the investment result are also factored in. In 2015, the UN launched the Sustainable Development Goals, including a new agenda for sustainable economic growth. That agenda is driven by objectives for people, planet and prosperity by 2030. This long-term horizon is in line with the long-term vision of pension funds that have thought in terms of decades and generations since their inception.

We are pleased to present you with the MN socially responsible investment annual report. We wish to share our ambitions and how we wish to achieve them with a wider public. In recent years, MN has laid a solid foundation in its SRI policy by means of the exclusion policy, voting policy, engagement programme and an increasing integration of ESG. In 2015, a climate strategy was added. The funds have asked MN to engage with businesses that emit excess CO₂. We will urge these companies to find solutions that are more innovative and environmentally friendly. Our stakeholders know from experience the challenges that are involved in climate change and energy transition. This is a sector that faces up to its responsibilities and is convinced that sustainable innovations and investing in opportunities can in fact make a difference.

The aim of our funds is to avoid the negative consequences of investments for society and to achieve a positive social impact where possible. These considerations are also important to members. Surveys among the members of one of our largest clients have shown that more than half of them believe that the investment policy of their fund must be geared not only to restricting damage to society, but also to making a positive social contribution. In other words: do no harm, do good.

This is the juncture at which we are concluding 2015 and looking ahead to 2016, when we will be taking specific measures to substantiate the trend towards a positive impact. We look forward to doing so in partnership with our clients, in communication with the members, with a focus on the future and with a view to society and the real economy.

Karlijn van Lierop, MN Head of Responsible Investment

The Hague, 19 April 2016

← Socially responsible investment

2 January 2015

Germany introduces the statutory minimum wage of EUR 8.50 per hour

In 2008, MN started developing socially responsible investment (SRI) policy. The first step involved formulating exclusion policy. MN subsequently expanded this policy into four pillars in consultation with clients and fund customers. In addition to exclusion, this involves applying environmental, social and governance (ESG) criteria to the various types of investments, active ownership and impact investing. Solid progress has been made within these pillars, particularly as regards exclusion and active ownership. ESG integration is continuing to expand and in the case of impact investing, attention is shifting from preventing negative impact to ensuring a positive contribution.

MN manages more than EUR 114 billion for its clients and fund customers. In 2015, we concluded agreements with them on an overarching SRI vision. In this vision, the financial objective is leading and constitutes the starting point when applying responsible investment. Responsible investment can contribute to achieving the return objective and can coincide in the long term with the return-driven approach.

7 January 2015

Terrorist attack on the editorial board of the French publication Charlie Hebdo.

When assessing the extent to which a company is able to create value in the long term, the same factors will eventually be factored in based on the return-driven and the SRI approach. Clients and fund customers support this basic starting point and have included the following investment principles in their policy: 'investments can be profitable only if the economy can develop responsibly' and 'the driving force behind the long-term value creation of an investment class is underlying economic activity'.

It has been agreed with clients and fund customers that in 2016, MN will assess the pros and cons of a more conscious equity selection. Clients and fund customers have started investing in equity by passively following a broad index. An increasing number of names have been deleted on the basis of exclusion and negative screening. Investigations have shown that members would like to exclude far more names or sectors. This raises the question of whether a more intentional selection of fewer companies would be a logical follow-up. A proper assessment of the pros and cons is required because making a conscious selection involves many pitfalls. These include the extent of diversification, risks, costs, governance and the implementation method.



MN believes in the co-existence of financial and social return on investments. That is clear from its socially responsible investment policy. This policy is derived from the United Nations Principles for Responsible Investment (PRI). MN has been a signatory to the UN PRI since 2009 and is therefore a member of a worldwide organisation of almost 1,500 institutional investors, banks and asset managers who have joined forces to develop responsible investment. The six UN principles for responsible investment endorsed by MN are:

20 January 2015

Dutch Senate reaches agreement on the student loan system for university and higher professional education students

- we will incorporate environmental, social and governance issues into investment analysis and decision-making processes’
- we will be active owners and incorporate economic, social and governance issues into our ownership policies and practices;
- we will seek appropriate disclosure on environmental, social and governance issues by the entities in which we invest;
- we will promote acceptance and implementation of the principles within the investment industry;
- we will work together to enhance our effectiveness in implementing the principles;
- we will each report on our activities and progress towards implementing the principles.

22 January 2015

ECB announces QE programme totalling EUR 1,140 billion

To implement these general principles and reach a consensus on what ‘socially responsible’ actually means, we have chosen to apply ten leading principles of corporate social responsibility and socially responsible investment. These are based on various standards and conventions, including the four key standards of the International Labour Organisation, international treaties relating to weapons, UN Global Compact and the OECD Guidelines for Multinational Enterprises. It is MN’s policy that all clients and fund customers apply these principles. These ten leading principles are listed on the following page.

24 January 2015

Brazil suffers its worst drought in eight years



Leading principles

12 February 2015

Swedish central bank
announces a QE programme
of SEK 10 billion

1. MN seeks to provide solid and responsible investment returns, whilst being mindful of the social impact of its policies, prevent that its policies give rise to or exacerbate social problems, and, in its capacity as a pension administrator, contribute to resolving social issues. In doing so, MN will have regard to changing social views and standards.
2. Businesses should develop and implement a strategy which will generate shareholder value in the long term. This implies that the company must generate economic returns, serve its customers and generally, ensure continuity and employment.
3. Businesses should set up a corporate governance framework that protects the rights of minority shareholders, gives management sufficient powers to implement the company's strategy and policies, and ensures adequate checks and balances, independent supervision, stakeholder engagement and compliance with national legislation and codes.
4. MN will not directly or indirectly invest in companies and/or other investment vehicles that manufacture products in violation of international treaties signed by the Netherlands.
5. Businesses should, within their sphere of influence, support and respect the protection of internationally proclaimed human rights and make sure that they are not complicit in human rights abuses.
6. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining, and endeavour to ban all forms of forced and compulsory labour, child labour, and discrimination in respect of employment and profession.
7. Businesses should support a precautionary approach to environmental challenges, undertake initiatives to promote greater environmental responsibility and encourage the development and diffusion of environmentally friendly technologies.
8. Businesses should work against corruption in all its forms, including extortion and bribery.
9. Businesses should encourage, monitor, and apply these principles to their business partners and subcontractors and accept responsibility for applying these principles across the supply chain.
10. Businesses should be transparent and report on their activities and progress towards implementing their policies

20 February 2015

European finance ministers
grant Greece a four-month
emergency aid extension







Gerald Cartigny
Chief Asset Management Officer
Executive Board member

'A movement that was once unthinkable, is now unstoppable'. That was how UN Secretary General Ban Ki-moon described the fight against climate change in December 2015, which reached a provisional climax when an historic climate agreement was reached in Paris. This agreement creates clarity regarding the long-term global decarbonisation process and ensures that the restriction of global warming to below 2° C remains within reach. Perhaps less obvious but certainly just as important was the realisation that we must not only reduce carbon emissions, but we must also manage the risks that result from climate change. Think, for instance, of infrastructure projects to combat the effects of floods and storms. This is referred to as 'climate resilience'.

MN and its clients consider properly managing climate risks and facilitating an orderly and justified transition to a low-carbon, climate-resilient economy to be part of the fiduciary responsibility. Ambitious international climate agreements help us to fulfil this role. A focus on the climate impact of investments fits into the wider trend of responsible investment, which is now firmly embedded in the world of institutional investors. In addition to the link that it has with our fiduciary role, the advantage of responsible investment is that it can also contribute to achieving the return goal and it therefore provides a better pension for members in the long term. Moreover, the question is not only whether members can enjoy their well-earned pension, but also how can they enjoy it. The new generation of those entitled to pensions also have a right to a healthy, clean and safe quality of life in 30 years' time.

The presence of MN at the climate summit in Paris reflects the importance that our clients attach to responsible investment and it was a successful conclusion to the work performed in 2015. The momentum to make progress regarding climate was clearly evident in Paris. Institutional investors are keen to collaborate in addressing climate change. In Paris, I was approached by several Dutch but also international parties about supporting and strengthening one another. The role played by companies and investors was referred to in Paris as an important reason why this summit was different to previous meetings.

The importance of responsible investment is also underlined by this first MN Socially Responsible Investment Annual Report. By investing responsibly, we contribute to achieving the financial objectives of our clients and customers and bringing about a high-quality pension for the members. This also involves transparency and detailed reporting. I hope that you obtain a clear picture of the responsible investment activities and that you are inspired by the initiatives.



INTERVIEW:
Maarten van Andel, PANalytical

PANalytical produces instruments and software that perform chemical analyses of all types of materials. Customers range from the petrochemical industry to drug manufacturers. 'Our systems can analyse what comes out of a blast furnace or pipe and they therefore contribute to making production processes cleaner and more efficient', says Maarten van Andel, General Manager of PANalytical. In 2005, the company started a long-term process of reducing energy consumption and CO2 emissions. That has led to a savings and recycling policy that yields hundreds of thousands of euros a year. It is also an impressive example for the circular economy, even though Van Andel thinks the hype surround the term

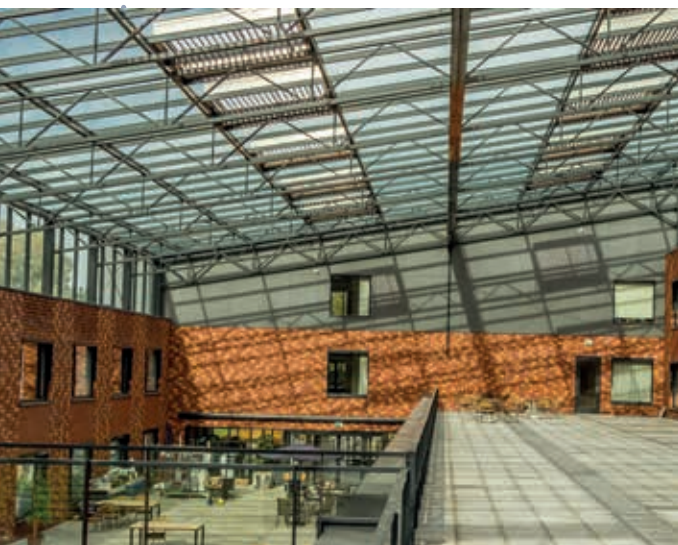
'circular economy' is exaggerated. The approach results in both financial and environmental advantages that PANalytical 'could no longer do without'. Van Andel summarises the approach as follows. 'Firstly, we recycle our own products. Our aim is to recover them all. If that requires a financial incentive, that is possible'. PANalytical currently recovers between 60 and 80% of its X-ray tubes and it is targeting 100%. PANalytical retrieves many components from its recovered products that can be used again immediately. Furthermore, precious metals and other rare materials are returned to suppliers. The company works with reusable packaging and has a strict waste separation policy.



INTERVIEW
Kor Foekens van Colt International B.V.

From the Fresh Factory concept of proper climate control in distribution centres to fire safety in animal sheds for the Sustainable Cattle Farming yardstick, Colt International manufactures systems that ensure that people and animals can remain safe and healthy, even under challenging circumstances. Kor Foekens, commercial director of Colt International, explains. 'The idea behind the Fresh Factory is based on the notion that if we have solutions for fresh, i.e. well

ventilated, houses and offices, that must be possible for factories too.' One of those factories is Roti in Amsterdam, where all the biodegradable waste is collected to produce biofuel. 'Every day, Roti receives hundreds of containers with frying fat, fruit, vegetables and other food waste. The lids are open all day. Thanks to our ventilator solution, it smells better than your biodegradable container at home,' says Foekens. Another group of employees who benefit from the innovative approach of Colt International, are those working in distribution centres. 'In distribution centres, there are many people, many computers and, for instance, fork-lift trucks. In places where a lot of people work and where there are many lamps and equipment, it can get very warm. We have also used our knowledge and technology in such centres to provide fresh air, which benefits productivity,' Foekens explains.



← Active ownership

6 March 2015

MN participates in the Institutional Shareholder Services Forum with international investors to perfect the strategic voting policy

Active ownership means that MN assesses companies regarding their strategy, policy and activities on the basis of their ESG (Environmental, Social and Governance) criteria. MN substantiated its active ownership by engaging with companies in which we invest. For us, active ownership also means that we vote at shareholders' meetings at home and abroad and we participate in legal proceedings, if necessary, with the aim of recovering losses.

Engagement programme

In the case of an engagement programme, MN consults on behalf of clients with companies to establish where ESG factors can be improved in the short and long term. The consultations are geared to changing a company by way of clear milestones and timelines.

Type engagement	Typical timeline for reaching an objective	Number of objectives per engagement	Possible exclusion proposal if no clear improvement is evident?
Dutch listed company	1-2 years	1-4	No
Downside risk	3 years	1-4	Yes
Sector theme	2 years	1-4	Yes
Ad hoc	1 years	1-4	Yes

11 March 2015

British commercial TV channel INT purchases Talpa Media for EUR 500 million

The programme consists of four parts:

The first part is the engagement with a number of Dutch listed companies. These consultations take place in cooperation with other major investors combined in Eumedion (see page 21). The aim of these types of engagement is to bring about improvements. During the engagement programme, progress is measured and assessed. The extent to which a company is willing to cooperate and be transparent is an important indicator. The companies with which MN is engaging and the progress made regarding ESG are reported on a quarterly basis.

12 March 2015

Iceland withdraws its EU membership application

The second part is engagement focusing on limiting the downside risk. These are companies that are violating international standards for corporate social responsibility and the guidelines of the UN Global Compact. Furthermore, MN may start an engagement with companies that are considered a downside risk on the basis of our research sources. In this case too, MN initiates an engagement only if we hold a significant position in the company.

25 March 2015

Dutch House of Representatives agrees to the construction of three large wind farms in the North Sea

The third category of companies is selected on the basis of themes that are defined as important by our clients. This is what is referred to as 'thematic engagement', which is intended to change companies regarding a certain theme. For instance, it was decided in late 2015 to engage with companies that are responsible for above-average pollution. We are assuming



1 april 2015

Na dertig jaar komt einde
aan Europese melkquotum

a period of one or two years in which to achieve pre-determined objectives. This is a group of ten to no more than twenty companies. Within the chosen themes, we will focus on companies that still have to make major improvements regarding ESG criteria.

Finally, MN may opt on an ad hoc basis, as a supplement to the existing engagement list, to consult with companies who are involved in incidents and/or disputes by calling them to account directly regarding their behaviour. A condition is that MN has in any event an interest of EUR10 million in the company.

MN uses all available instruments to substantiate active ownership. These include voting at shareholders' meetings, engagement and submitting (whether or not with other parties) shareholder resolutions. In cases where companies nevertheless fail to make improvements, we will take legal action as a last resort. We will do so only if we believe that such action is expedient and if we can recover losses as a result. Of these three instruments, the engagement programme occupies a very important place.

MN's engagement programme is intended to achieve the following objectives:

- boosting long-term value creation and preventing investment losses as a result of poor ESG performance;
- responding to moral obligations and obligations ensuing from the investment policy;
- being seen as a responsible investor by members, and
- complying with statutory obligations.

In 2015, in close consultation with clients, MN evaluated the engagement programme and investigated how it can be used to obtain greater impact. It was concluded that better results could be obtained if MN were to introduce greater focus and intensify the engagement. This means that consultations will be held with fewer companies. In this way, consultations with the companies that are now part of the engagement programme can be further substantiated. In 2015, this policy was developed and implemented. MN now focuses more on the quality of the consultations and less on the quantity. That means the more emphasis is being placed on a number of important themes, sectors or countries. MN may also decide to designate themes, sectors or countries as key objectives for a certain period, e.g. as the result of an incident. The core themes selected by clients in the new engagement policy are: climate change, people & rights and remuneration policy.

Climate change

Climate is changing, this is clear. According to a study by the US National Aeronautics and Space Administration (NASA), February 2016 was the warmest February since measurements began in 1880. Unfortunately, the conclusion is that humans and their greenhouse gas emissions are very likely the most important cause. That means that a number of things have to change. MN believes that institutional investors can play an important role in bringing about that change in behaviour.

12 april 2015

Hillary Clinton stelt zich
officieel kandidaat voor
de Amerikaanse
verkiezingen van 2016



15 April 2015

European Commission
opens antitrust proceedings
against Google

Climate change is a real risk, but it also offers opportunities for pension funds in all investment classes and for all durations, even in the short term. Countries throughout the world are concluding agreements to lower carbon emissions and to gradually reduce dependence on fossil fuels. That means that energy efficiency and the growth of renewable energy must be boosted. These global agreements can have a major impact on certain sectors. Companies that currently have carbon-intensive earnings models will have to focus on transition in order to guarantee their survival. Conversely, other companies are in a very favourable position to meet the demands for low-carbon products and services. This presents opportunities.

In addition, the increasing number of natural disasters, such as floods, droughts and desertification is impacting the ownership of businesses, e.g. damage to land and production facilities. Climate change can also have a major impact on natural resources that companies need to manufacture their products, e.g. as a result of water shortages, crop failures or the loss of areas of forest or fishing grounds. Furthermore, climate change is speeding up the demand for new technologies. This could mean that various new products or earning models become outdated earlier than expected.

22 April 2015

European Commission
opens antitrust proceedings
against Gazprom

MN and its customers cannot protect themselves entirely from the impact of climate change on their investments. However, companies that are properly prepared and/or have a strategy to benefit from the opportunities offered by climate change will be more resilient in the long run in dealing with the consequences and can therefore be more successful.

People & Rights

The People & Rights theme covers employment rights, health and safety and human rights. Our customers that have members in the Metal and Electrical Engineering Industry and the Metal and Engineering Industry are well aware of the fact that health and safety at work is very important and MN wishes to demonstrate that in its investment policy criteria. MN also believes that cooperating successfully with the community is vital to the sustainable success of companies. The lack of protection of basic human and employment rights, poor safety performance and a failure to maintain proper relations with communities where the company is located, may lead to dissatisfaction among the local population and companies may be unable to justify their right to remain there. If a company receives poor publicity as a result and is called to account by social organisations, substantial reputational risks may result. That may have consequences for the share price, the capacity to do business successfully with other companies and for attracting talented employees. These risks apply not only to the company itself, but also to the suppliers and customers of the company. The People & Rights theme is therefore relevant to almost all sectors and greatly depends on the countries in which a business is active.

29 April 2015

With a view to impact
investing, MN participates
in the Green Bond Seminar
to map out and to increase
the opportunities for
Green Bonds



9 May 2015

World Health Organization declares Liberia free of Ebola

Clothing and textile engagement programme

In July 2015, as a member of a broadly-based delegation headed by Lilianne Ploumen, Dutch Minister for Foreign Trade and Development Cooperation, MN visited clothing workshops in Bangladesh on behalf of its clients, including sector pension fund Mode Interieur Tapijt en Textiel (MITT). Together with MITT, MN has set up the clothing and textile engagement programme. MN invests in major clothing companies that sometimes purchase products in the early stage of the chain from clothing workshops in countries such as Bangladesh, where employment conditions are not always as we would like them to be. MN believes not only that proper working conditions and the protection of human rights must be observed, but also that improving those working conditions can result in greater prosperity in a country. During the visit, MN was able to see that the Bangladesh Accord on Fire and Building Safety, which was concluded after the collapse of the Rana Plaza factory in 2013, is starting to have benefits and that major clothing brands are really making an effort to improve conditions. MN is proud of the fact that even before this disaster, in which more than 1,100 people were killed, it had an active engagement programme with the textile sector and that international attention has increased the pressure on companies even more.

Remuneration policy

Since the public outcry during the financial crisis regarding excessive remuneration, the focus on pay policy has hardly diminished. The fuss led to the introduction of pay limits, particularly for banks. However, taking into account a proportional remuneration policy is relevant for all sectors in which it is clear that managers receive pay that is not in proportion to their performance and beyond the limits of social acceptability. MN will raise the issue of remuneration policy in various sectors in future consultations. Assessments will include companies where the ratio of the lowest paid employee to the highest paid director exceeds a certain limit. Attention will also focus on whether the remuneration policy incentives benefit the interests of long-term shareholders. Remuneration policy is also a key consideration when selecting and monitoring parties that invest on behalf of MN.

20 May 2015

Joint fine imposed on Barclays, Citigroup, JP Morgan and RBS of USD 5.8 billion for currency manipulation



21 en 22 May 2015

MN participates in the Paris Climate Finance Week to put forward solutions as part of the debate surrounding climate funding and sustainable investments

22 May 2015

Researchers demonstrate that glaciers on Antarctica are melting quicker than at first thought

28 May 2015

US state Nebraska abolishes the death penalty

Exploration in the North Pole region

MN is concerned about climate change and is actively participating in a number of bodies with other major investors to bring about an economy with a low carbon footprint. We have deliberately opted to continue to invest in producers of fossil fuels and to engage with these companies regarding their activities and the consequences of the energy transition. In addition, several companies in the fossil fuels industry have expressed the intention to drill in vulnerable nature areas, such as the North Pole. MN has major doubts about these activities.

For this reason, MN participated in 2015 in an active dialogue with a number of major oil and gas companies about how they deal with the risks of drilling in the North Pole area.

The consultations were constructive and MN is very satisfied with Shell's decision to cease drilling for oil in the North Pole area 'for the foreseeable future', but MN remains concerned about the economic feasibility of these projects. MN would like oil and gas companies to provide more information about their activities in the region. Following the dialogue, information has been received from Shell, Exxon and Eni. However, the quality and transparency thereof differs per company. The Italian oil group Eni is keeping to its plans to drill for oil in the North Pole area at the end of this year. Exxon is still working there too. We continue to believe that the current oil prices and the operational risks associated with drilling in the North Pole area weigh heavily because of the financial and social consequences. On the basis of the information that it has now received, MN is considering possible follow-up measures to obtain more insight into the opportunities and risks of oil and gas extraction in the North Pole region, so as to arrive at a better choice for the investment policy.

Volkswagen

In the past year, the scandal surrounding Volkswagen's rigged software has had our full attention. Volkswagen created special software for its diesel vehicles that made it look as if they met the emission requirements of the US and Europe. Together with other institutional investors, MN has expressed its concerns to VW in writing. Since 2011, we have been engaged in legal proceedings against Porsche and Volkswagen because Porsche failed to state at the time that it was intending to take a stake in Volkswagen. Consequently, Volkswagen is refusing to engage with MN regarding the software fraud and the emissions. We recently decided to join the legal proceedings against Volkswagen for what has now become known as 'dieselgate'.

Mylan

In the past year, MN has stepped up the engagement with the US pharmaceutical company Mylan. Mylan supplies one of the three drugs used in the US to carry out the death penalty. The pressure on Mylan by various institutional investors has resulted in the company banning the use of its muscle relaxing drug pancuronium bromide for lethal injections in US prisons.



2 June 2015

Employees of the Nigerian central bank are arrested for currency fraud

8 June 2015

The G7 agree to eliminate greenhouse gases before the end of the century by phasing out fossil fuels

13 t/m 19 June 2015

At the invitation of Lilianne Ploumen, Dutch Minister for Foreign Trade and Development Cooperation, MN participates in a multi-stakeholder mission to Bangladesh to visit clothing industry companies

15 June 2015

US gun maker Colt files for bankruptcy

BHP

MN is engaging with the Australian-UK mining company BHP Biliton about the way in which the company is guaranteeing human and employment rights and about fracking, a method of extracting shale gas by creating fractures in the rock in which the gas is trapped. This resulted in BHP providing more information about its fracking activities: 32 instead of 13 indicators, including strategy, policy and objectives. What is still lacking is openness about, for instance, methane gas emissions and water management.

In November 2015, a dam burst at BHP Billiton's Samarco mining activities in Brazil. This resulted in a huge mud slide and flood that cost 17 lives and destroyed 200 houses and 600 people had to be evacuated. The precise cause of the accident is still unknown. Recovery and repair measures are being taken and negotiations about a USD 7 billion damage settlement are in progress. In consultations with institutional investors and the UN, BHP is being transparent and constructive. In 2015, MN also initiated engagement with other mining companies relating to human rights. That was part of the joint PRI engagement. The basis of the consultations with Glencore, Anglo-American and Vedante was the results of an analysis that these companies were failing to comply with the UN Guiding Principles, an international human rights standard. Specific failures per company were brought to their attention.

The Involved Investor

Active ownership means formulating an effective policy and making deliberate choices. On behalf of PME, MN manages an equity portfolio of 30 companies that have been selected partly on the basis of a satisfactory ESG score. We believe that corporate responsibility goes hand in hand with favourable financial results because these companies are already deliberately focusing on future opportunities and threats. We will also be actively engaging with these 30 companies selected by MN for their financial and sustainability performances. We want to get to know them better in order to gain a better insight into their activities with a view to the challenges ahead.

Voting at shareholders' meetings

The voting policy is evaluated annually and adjusted if necessary. In recent years, adjustments have been made to take account of several changes to the law, but also to respond to a growing focus on remuneration. In 2015, MN proposed bringing its voting policy into line with new EU legislation relating to independent auditor circulation. As regards remuneration, MN wishes to tighten the rules concerning the claw back arrangement. If bonuses are paid out on the basis of incorrect figures, a company must have the opportunity to claw back bonuses that should not have been paid to managers. The tightening relates to the fact that MN now wishes to apply the claw back in all jurisdictions, irrespective of whether such an arrangement is customary in a certain market.



16 June 2015

US businessman Donald Trump announces his candidacy for the US presidential elections in 2016

The voting policy is implemented on the instructions of MN by Institutional Shareholder Services (ISS). Each year, MN assesses whether ISS is implementing the voting policy correctly and whether the policy still suffices. In 2015, MN voted on behalf of clients at 3,190 meetings, which corresponds to 94.3% of all meeting at which MN could vote.

In the Netherlands, MN also expresses its opinion at shareholders' meetings. In some cases MN is actually present at such meetings and in others it has itself represented by other institutional investors. For instance, MN works closely with members of Eumedion, a Dutch platform for corporate governance institutional investors. In the context of Eumedion, MN is lead investor of Aegon, Heineken and Unilever and in 2015 it addressed the shareholders of these companies on behalf of its own clients and other institutional investors. In this way, MN can influence companies.

Legal proceedings

17 June 2015

MN travels to the Arctic region to investigate in more detail how Shell operates, based on continuing concerns and the associated risks relating to oil exploration

Unfortunately, fraud is still committed regularly by companies. Examples include incorrect information in the annual financial statements or when shares are issued, as a result of corruption or by providing misleading information to shareholders. If MN has invested in those companies, it may suffer financial damage. The legal proceedings programme ensures that part of that damage can be recovered from the company. That is certainly the case in the US where this is normal practice. In recent years, it has become clear that such legal proceedings are possible in other countries too. The legal programme may also have an indirect effect: it contributes to improving governance and risk management at listed companies.

22 June 2015

The European Union extends sanctions against Russia by six months

MGM

Class actions are collective proceedings in Australia, Canada and the US that target companies that have committed statutory violations and – in doing so – caused financial damage for our clients. MN is participating in a class action against the US entertainment company MGM Mirage. The charge is that the company misled investors regarding the costs of the development of the CityCenter project in Las Vegas worth USD 9 billion. In 2007, MGM Mirage made incorrect and misleading statements about development delays and constructional defects and about buyers that had withdrawn. As a result, MGM Mirage misleadingly appealed to the capital market in an attempt to prop up the sharply falling price. This led to suspicions of insider dealing. In 2015, after suspension of the court proceedings earlier that year, a settlement process was started involving all parties. The result of the mediation is that all parties, including MN, have accepted the settlement amount of USD 75 million for the total class.

29 June 2015

The ECB grants Greece emergency liquidity assistance to enable Greeks to withdraw EUR 60 per day



13 July 2015

Agreement is reached about a third EU support package of EUR 84 billion for Greece

22 July 2015

Sixty mayors from all over the world sign a climate alliance to boost sustainable cities

26 July 2015

The Chinese Anbang Insurance Group completes the acquisition of Dutch insurance company VIVAT

In this way, MN can influence companies.

The following table indicates per subject the voting patterns in 2015.

Category	Against	In favour	Abstentions	Total
Management (remuneration of supervisory directors, appointment or dismissal of executive board members, etc.)	800 24%	2,512 76%	7	3,319
Operational matters (approval of dividends, granting discharge, etc.)	110 7%	1,410 93%	2	1,522
Remuneration of executive managing directors (options, bonuses)	481 74%	170 26%		651
Company capitalisation	165 29%	400 71%		565
Restructurings, mergers and acquisitions	11 19%	46 81%		57
Anti-takeover measures	11 15%	62 85%		73
Motion by shareholders - Executive Board membership composition	19 29%	46 71%		65
Motion by shareholders - Operational matters	5 20%	20 80%		25
Motion by shareholders - Other matters	1 4%	22 96%		23
Motion by shareholders - Governance matters	3 20%	12 80%		15
Motion by shareholders - Health and the environment		13 100%		13
Motion by shareholders - Executive Board remuneration		4 100%		4
Total	1,606 25%	4,717 75%	9	6,332



Management



Operational



Remuneration



Capitalisation



Takeovers





“Importance
of active
policy is
increasing”

René van de Kieft
Chief Executive Officer of MN

René van de Kieft has been CEO of MN since 2015. He has a great deal of experience in the financial and pension sectors. In that time, he has witnessed a growing awareness of the need to weigh up not just the financial considerations, but other aspects too. 'At present, it is vital to take steps that go beyond the traditional tools used in the case of institutional investment. For instance, there should be a greater awareness of and more emphasis on the companies and assets in which we invest. The importance of active policy is increasing. That does not mean to say that we will literally invest more actively, but rather that we must show more skill when assessing, for instance, benchmarks. We have to select more carefully, in the case of both passive and active investments. That sharper focus applies not only to environmental, social and governance considerations, but also to the consequences of digitalisation, robotisation and, for instance, new business models. Take for example Airbnb and Uber. These are all changes in society that will interact and influence one another.'

As far as Van de Kieft is concerned, that means that renewal at MN is an ongoing process. 'We must be prepared to take a fresh look at the current risk models. If, as a result of globalisation, new technologies, geopolitical tensions, economic shifts and climate changes, cracks appear in responsible growth and income distribution trends, this will have consequences for the models with which we work. And that presents a challenge because we work in a sector that is governed by rules that make it difficult to respond to those changes. That demands additional and alternative skills from the staff at MN.'

One of the changes that Van de Kieft expects is the eventual integration of the current separate responsible investments department into the standard investment teams. 'A separate team that gathers knowledge about the risks and opportunities relating to the ESG performances of businesses and other assets offers awareness advantages.'



Together with the portfolio managers, they have provided a sound basis for the responsible investment policy that MN implements on behalf of the funds. But the time is ripe for further integration of the financial and non-financial information when it comes to investment considerations.

That is also more fitting in times like these when people are increasingly realising that the quality of life depends on far more than just financial security. Pensions are also about the living environment and whether proper facilities for housing and healthcare will still be available. In that context, the choice of investments can also play a role.'

In Van de Kieft's opinion, these changes are more than a subsequent phase in ESG integration. 'Our approach goes further than ESG 2.0. MN is passionate about corporate social responsibility (CSR) and socially responsible investment (SRI). MN is also a sustainable company. We have been detailing our own performances for years in a separate CSR report. This year, we have included it in full in our MN annual report.

'At the same time, we see that businesses that are affiliated to the pension funds for which we invest are also fully involved in that energy transition. They too are taking decisions for a future in which raw materials and oil will be more scarce and are responding with innovation, energy efficiency and the development of products for sustainable energy such as wind turbines and solar panels.' The most striking example of the next stage of responsible investment is the way in which MN is anticipating climate change on behalf of the clients and the way in which fossil fuels will have to become a thing of the past. 'We have deliberately opted to take an active role in this debate. That means we will continue to invest in producers of fossil fuels and engage with them on how best to handle the energy transition.'

Van de Kieft is positive about the fact that the Dutch Central Bank is also taking account of the climate change risk and is helping institutional investors to form an opinion on this subject by, for instance, broaching subjects such as changes to macro-economic and government policy. 'But they must do more than simply point out the risks. We are already well aware of them.' It would help if the horizons were broadened and a fundamental change were to take place in the assessment of risk management and risk models.

According to Van de Kieft, it's vital that the pension sector makes it clearer to politicians and society what it is already doing. 'A lot is already happening and politicians are failing to take notice, which in turn leads to misunderstandings.' Van de Kieft is arguing for closer collaboration and information exchange between small and large pension funds. 'The pension funds are not competitors and can therefore help one another in fathoming the risks relating to climate change. But the need for a longer investment horizon and for taking a less wait-and-see approach to new developments by also investing in venture capital are subjects about which pension funds and their administrators could share more knowledge.' A first initiative to share more knowledge and to carry out broad research into sustainable investment is the setting up of the Sustainable Pension Investments Lab (SPIL). Van de Kieft has helped to launch the SPIL, which is a joint initiative of the Sustainable Finance Lab, the Groene Brein (Green Brain) support network and several institutional investors. 'The SPIL demonstrates that research and sharing information can help increase solidarity in the pension sector and creates the capacity to respond effectively to transitions in society that affect us all. That benefits the sustainability of our pensions.'

← Joint activities with other major investors

4 August 2015

The UK government sells off a first batch of shares of the nationalised Royal Bank of Scotland

Institutional Investor Group on Climate Change

MN is an active member of the Institutional Investors Group on Climate Change (IIGCC). This is a platform of 120 institutional investors with joint assets under management of € 1,300 billion. They have joined forces to encourage other investors, public authorities and businesses to adjust their behaviour and activities so that the risks resulting from climate change will be mitigated and they can respond to the opportunities presented by a climate-neutral economy.

The IIGCC has two strategic goals:

1. Changing market signals by encouraging the adoption of strong and credible public policy solutions that ensure an orderly and efficient move to a low-carbon economy, as well as measures for adaptation.
2. Informing investment practices to preserve and enhance long-term investment values.

13 August 2015

Technical service provider Imtech in Gouda is declared bankrupt

CIO engagement

By means of the Chief Investment Officer (CIO) engagement, MN works together with other Dutch institutional investors to ensure that its opinion is made known regarding a variety of policy-related subjects. For instance, MN is working on a framework to increase investments in the Netherlands, an active fiscal policy for institutional investors and a vision document regarding fair remuneration for external managers. In the context of transparency and education, a rotating group of investors affiliated to the CIO engagement invites media representatives several times a year to update them on current subjects and the views of institutional investors.

17 August 2015

Shell obtains permission from the US government to drill for oil in the Arctic Ocean

Eumedion

MN and its customers are affiliated to the Eumedion foundation. Eumedion's mission is to improve the ESG policy of listed companies and their ESG performance. At the same time, Eumedion wishes to encourage its members to examine their own ESG performance. It also wishes to boost the acceptance of and compliance with standards and guidelines relating to corporate governance and sustainability by listed companies and institutional investors, particularly in the Netherlands and Europe..



Eumedion attempts to achieve this objective by:

- Encouraging joint consultations between institutional investors, listed companies and their representative organisations.
- Consulting with the Dutch government, institutions of the European Union, other relevant authorities and sectoral organisations.
- Influencing legislation.
- Providing services in the field of corporate governance and sustainability to its members.
- Undertaking other activities, for example organising seminars, symposia and roundtables that advance the objective of Eumedion

26 August 2015

The Chinese central bank announces a cash injection of approximately USD 22 billion into the country's banking system

All institutional investors with interests in the Netherlands can be affiliated to Eumedion. In 2015, approximately 70 institutional investors were affiliated. They had joint assets under management of more than € 1,000 billion.

Dutch National Investment Institute

In 2014, MN helped to set up the Dutch National Investment Institute (NLII). The NLII is a private institute. Its most important aim is to boost economic growth in the Dutch economy by bringing the demand for and supply of long-term financing in the Netherlands more into line with one another (in addition to financing by banks and the government). The NLII does so by developing proposals, in collaboration with parties including MN and its clients, which satisfy the investment demands of these investors and meet capital requirements. The NLII focuses on long-term financing problems of Dutch parties in areas such as infrastructure, energy, the sustainability of society, care and SMEs.

Sustainable Pension Investment Lab

René van de Kieft, MN's CEO, is part of a group of pension and investment administrators and experts who have joined forces in the Sustainable Pension Investments Lab (SPIL). This is an initiative of the chair of the Sustainable Finance Lab, Herman Wijffels and Marga Hoek from De Groene Zaak, a leading sustainable business association in the Netherlands. The SPIL organises meetings at which administrators can examine opportunities and develop ideas in a private capacity for the sustainable investment of Dutch pension assets. The first meeting, which was organised in collaboration with the Federation of Dutch Pension Funds, was held in March 2016.

30 August 2015

Italian energy company Eni announces the discovery of the largest offshore gas field ever discovered in the Mediterranean



← Impact investing

2 September 2015

The European Commission approves the acquisition of the UK gas producer BG Group by Shell

MN uses impact investing to target financial return and to achieve positive effects on people, the environment and society. MN's aim is to invest a larger share on the basis of this fourth pillar of the policy for socially responsible investment.

In 2015, MN investigated impact investments that can make an important social contribution and achieve sufficient return. Together with our clients and fund customers, we have drawn up principles for a framework within which these type of investments can be made. As part of this framework, we have formulated a tighter MN-specific definition of positive impact that is in line with the definition of the Global Impact Investing Network (GIIN).

MN started engaging with other impact investors in 2015 to assess how they can collaborate closely in the long term with regard to impact investing. Initial consultations were held between MN and four other major investors to assess the obstacles that these investors encounter in the case of impact investing and to explore the possibilities for further collaboration and knowledge sharing.

In 2015, MN carried out a market exploration of suitable positive impact investments for our clients and fund customers. In the first instance, opportunities were assessed within the private equity asset class. In 2016, together with clients and fund customers, MN will attempt to convert the results of this market exploration into policy that supports the inclusion of positive impact investments within the portfolio. Specific investment proposals will also be made.

21 September 2015

Volkswagen is under fire for installing rigged software in diesel vehicles

Themes that are appropriate and within which MN will look for potential impact investments with a sufficient financial return in 2016 are:

1. Access to financing
2. Waste
3. Access to energy
4. Basic necessities of life
5. Housing
6. Water

25 September 2015

Millennium objectives are followed up by ambitious Sustainable Development Goals during the UN summit

The first three themes seem to have the most interfaces with the membership of MN clients.



INTERVIEW

Martijn Haan van Homij

Martijn Haan, responsible at HOMIJ for marketing and communication, does not mind the fact that the circular economy is still being seen as a hype. 'We thought that too about corporate social responsibility 10 years ago and that is now more or less a standard feature at businesses.' The new head office of energy company Alliander in Duiven is an example of circular construction and installation company HOMIJ, which is part of VolkerWessels, has made an important contribution to creating not only the building, but also to reusing materials. 'The new Alliander

building is an upgrade. A covering has been placed over a number of buildings and a great many of the materials are being used for a second time. Pallet wood has been used for the outer wall facing. An Alliander employee even had the idea of using old work clothing as insulation material. And it was,' says Haan.

Haan concludes that the circular approach is changing the business model. 'We are becoming increasingly responsible for the service life and maintenance of the building for decades, which can mean that we use more expensive materials for the construction because that makes a difference in the operating costs at a later date. So our maintenance specialists contribute proactively right from the initial design.'



INTERVIEW

Wouter den Engelsen, Green Energy Services

Wouter den Engelsen, managing director of Green Energy Services (GES), is sometimes amazed regarding what people say about wind energy, and particularly wind energy on land. 'Almost everyone appreciates the need for clean wind and solar energy but almost no one wants a wind turbine in their backyard and people are concerned about the changing landscape. If we wish to achieve the European and Dutch clean energy targets, wind turbines in the polder are the new landscape.'

Den Engelsen believes resistance is waning. 'People or always against something in the development phase, which is often the result of fear. They probably resisted windmills in the 15th century, and now we find them such a characteristic feature.'

GES has been active for 10 years in the maintenance, service, revision and assembly and disassembly of wind turbines. In the Netherlands, wind turbines are written off after 15 years. 'They are then sold to Italy, Poland, Ireland and the UK, where they are given a second life. In the Netherlands, the wind turbines are relatively new because of government policy. Subsidies must ensure that the industry and the technology continue to develop and that means we are always erecting the newest of the new when it comes to wind energy,' Den Engelsen explains.



← ESG integration

MN aims to invest in financially sound companies that take their social responsibility. That responsibility is also expressed in the way in which those businesses take account of people and the environment and observe the rules for proper corporate governance. That type of investing is referred to as ESG integration. ESG stands for Environmental, Social and Governance. ESG integration means that MN complies with the first of the UN Principles for Responsible Investment (UN PRI), see also page 6, which reads: 'We will incorporate Environmental, Social and Governance issues into investment analysis and decision-making processes'.

28 September 2015

Shell halts its search for oil in Alaska provisionally after disappointing test drillings

These ESG criteria are weighed in the case of actual investment decisions. For instance, a portfolio manager may decide to sell a certain share because the risk of involvement in human rights violations is too great. However, weighing ESG criteria can also be applied to passive investments. MN clients and fund customers also have many passive equity investments. In the case of these investments, a pre-determined benchmark is closely followed. There are therefore no individual investment decisions, but companies may be excluded if they do not comply with the ESG criteria imposed by MN. If a passive mandate uses a benchmark in which ESG criteria are incorporated, this also constitutes ESG integration.

Because of the influencing possibilities of businesses by active ownership via, for instance, engagement and voting policy, clients and fund customers ask MN to actively focus on ESG performance when developing new investment strategies. It is also possible to focus on ESG integration by means of the selection criteria for external asset managers chosen by MN for clients and fund customers. Since 2014, external asset managers have been completing an annual ESG questionnaire for MN.

To calculate the extent to which ESG criteria are integrated in various ways in investments, MN uses the PRI framework, the organisation in which major investors have joined together to promote responsible investment. To be able to measure and report ESG integration accurately, MN worked in 2015 on including SRI data in its investment administration. This will be continued in 2016. In 2015, MN implemented new strategies for equity in developed and emerging markets. As a result of the negative screening that MN has developed for clients, account is taken of ESG factors in a larger part of the assets that MN manages. The introduction of negative screening has resulted in a rise of ESG integration from 50% to 64%.

30 September 2015

PMT, PME and MN sign the Montreal Carbon Pledge and commit themselves to measuring the carbon footprint of their portfolio



5 October 2015

Air France announces 2,900 redundancies

The complete integration of ESG criteria in the investments is not an end in itself. MN will always assess which solutions contribute most to responsible asset management. For this purpose, MN worked hard in 2015 to extend data relating to responsible investment in the ICT systems. On the basis of these data, MN will continue to focus in 2016 on extending the measurement of ESG integration and trying to identify possible new solutions.

6 October 2015

Electronic and computer chains Dixons and MyCom are declared bankrupt

Private equity

MN invests part of its assets via private equity funds. This allows us to invest in companies that are not publicly traded on a stock exchange. The aim of the investments is to improve the performance and quality of such as company, so that the company can be sold in the long term. The sales price in that case is higher than the purchase price because active ownership has meant that the company has been improved financially and with regard to, for instance, governance. As other rules apply to these investments when it comes to accounting to stakeholders, it is vital that MN engages with the managers of these funds. MN expects private equity funds to have their own ESG policy and to apply MN's ten leading principles to their investments. We will no longer work collaborate with funds that are not willing to do so. An engagement programme is initiated with funds that are willing to introduce the changes. We also expect private equity funds to report annually on ESG issues in the portfolio.

14 October 2015

In the presence of the Netherlands' climate envoy, MN presents its climate strategy at the knowledge symposium 'The road to Paris'

28 October 2015

Volkswagen suffers a worst-ever loss of EUR 1.7 billion after the dieseldgate scandal



Since 1 September 2014, Marcel Andringa has been executive director of the Metal and Electrical Engineering Industry Pension Fund (PME) with responsibility for asset management. He keeps a cool head when dealing with the challenges currently being faced by the pension sector. 'The major challenge is, of course, the extremely low interest rate. However, financial markets have always been volatile; that's an established fact. Uncertainty and fluctuations are part of the equation and that means that you must spread your investments carefully.' As far as Andringa is concerned, sufficient return and socially responsible investment are not incompatible. 'The two go hand in hand and that's also what our members think, as it evident from our membership surveys. Pension funds are there to achieve sufficient return to be able to pay the pensions, and we want to take our social responsibility.'

For Andringa, that means preparing an effective policy and making deliberate choices. 'For instance, we have decided to actively invest in 30 companies at the forefront of sustainability. We believe that those sustainable companies, which also achieve excellent financial results, will continue along the same path because they are already consciously focusing on future opportunities and risks. We will also be actively engaging with these 30 companies selected for their financial and sustainability performances. We want to get to know them better in order to have a better insight into their activities with a view to the challenges ahead.'

Needless to say, PME continues to take its four pillars for socially responsible investment as a basis: active ownership, integration of ESG criteria, exclusion and impact investing. According to Andringa, impact investing presents practical difficulties. 'There are various definitions of impact investing and we wish to make a difference with our investments in this class and opt for projects that suit PME's own identity, that of its members and provide sufficient return. In 2015 we failed to find them, but we are consulting with other impact investors to see how we can cooperate closely in this area in the long term. That enlarges the impact and ensures lower investment costs.'



"Financial and social return go hand in hand"

Marcel Andringa
Asset Management Executive Director at PME

Andringa is an advocate of collaboration between pension funds, also when it comes to active ownership. He is a member of the General Board of Eumedion, the organisation promoting the interests of institutional investors when it comes to corporate governance and – since a few years – environmental and social aspects. 'It is vital that pension funds call to account the managers of businesses in which they invest regarding company policy. PME has three focus areas in which it wishes to call companies to account: climate policy, social and working conditions policy and remuneration policy. If we enter into consultations with the management of a company, our express aim is to ensure that the business adjusts and improves its policy. If the management fails to do so, that may eventually lead to us selling our shares. That's something that we are not keen to do, but it is sometimes the consequence of years of engagement. Experience has shown that companies which, for instance, have a poor governance record, perform less well in other areas too.'

At present, exclusion focuses mainly on companies and businesses that do not comply with international rules and which, for instance, produce parts for cluster munitions or have a poor human rights record.

Since the climate summit in Paris, the climate risk has been placed higher on the agenda of pension funds and other institutional investors. The need to take urgent action is also being increasingly felt by the Dutch Central Bank (DNB): the pension sector regulator. In early March, the Bank even published a memo on energy and climate. Andringa believes it is still difficult to estimate how the regulator wishes to convert the new insights into a policy for the pension sector. 'It is good to see that the Dutch Central Bank is considering the macro-economic risks and is developing various scenarios from which all those focusing on the future and on climatic aspects will benefit. However, it is up to the pension funds themselves to develop policy, so I do not expect the Dutch Central Bank to prescribe how we must estimate our climate risks.'

PME has been assessing the climate risks in the portfolio for some time. 'As a signatory to the Montreal Pledge, PME has undertaken to publish the carbon footprint of the equity portfolio on an annual basis. We did so for the first time in 2015. The next step is to assess how we can reduce that footprint, not only in the case of equity but also in a broader sense. We have an advantage compared with several other pension funds in that for a number of years now, we no longer invest in commodities. That was once 5% of the investments, consisting mainly of oil.'

Inge van den Doel has been Asset Management Director at PMT since 1 April 2012. She believes that the major consideration in PMT's investment policy is achieving sufficient return to be able to pay out the pensions now and in the future. 'Our members have an average annual income of € 35,000 and pensions of about € 500 euros a month and they are often the bread winners too. That places great responsibility on PMT. We have to ensure that our financial return is sufficient to enable us to continue paying those pensions. Our responsible investment policy must therefore be in line with the aim of the financial return'

During times of very low and even negative interest rates and fluctuations on the financial markets, ensuring financial return presents a challenge in itself. The interest rate policy of the European Central Bank (ECB) is disastrous for pension funds. It makes it extremely difficult for them to meet their current and future obligations. What's more, the financial markets are in turmoil: share prices are rocketing and then falling sharply again, so that the funding ratio is also subject to extreme changes. However, the current challenges mean that PMT is continuing to focus on future opportunities and risks. After all, a pension fund invests for the long term.

Like the companies affiliated to it, PMT considers it vital to invest in matters that are important for future prosperity, such as renewable energy, energy efficiency and better recycling of waste. 'Financial and social return can be combined very easily. Our members are active in the manufacturing industry and they too are aiming for energy efficiency. That results in cost reductions on the one hand and lowers CO2 emissions on the other. Although we acknowledge the importance of climate change, we will not exclude manufacturers of fossil fuels altogether. That is not appropriate for the metal and engineering sector, which is still using these fuels on a large scale.

This is confirmed by the PMT online members panel. The panel members have indicated that they do not find it necessary to exclude those companies. In fact, PMT believes that the metal and engineering sector can make a difference when it comes to new energy technologies and environmentally-friendly solutions. It is vital to structure that energy transition



"Investing
in future
prosperity"

Inge van den Doel
Asset Management Director PMT

jointly, and that is where we want to make an active contribution. That's why we engage with companies in our investment portfolio that have the highest CO2 emissions and encourage them to make reductions,' says Van den Doel.

By means of its investments in the Netherlands, PMT plays an important role in reducing energy consumption and consequently CO2 emissions. 'We contribute via a sustainability programme in our real estate portfolio. Homes in which we have invested are insulated using double glazing and other insulation materials and are provided with condensing boilers. In 2016, we expect the 1,000th home to have been made more sustainable in this way. It is a win-win situation for all those involved. The rent can be increased because the homes have been improved and the tenant can recover the rent increase in a certain sense by lower energy costs. Real estate is in any case a good pension investment because of the stable rental incomes that also have the advantage that they generally rise in line with inflation,' Van den Doel explains.

PMT is keen to invest in the Netherlands. Approximately 15% of the total assets under management are invested in the Netherlands. Most of these assets consist of government bonds and real estate. 'Employees and employers in the metal and engineering sector benefit from a sound Dutch economy. A sound economy is beneficial to the business community and employment can increase as a result. And a better performing economy is good for the return of pension funds,' according to Van den Doel.

A good return is one consideration, but controlling the costs of the investment policy is also important. 'Our investments are mostly passive,' says Van den Doel, 'and in recent years we hived off several investment types that involved high costs and did not fit into our responsible investment policy. We have halted our investments in commodities entirely. There were three reasons for this. Firstly, they no longer added to the spread of the portfolio. Secondly, we could invest in commodities only via complicated derivative arrangements, while we prefer to invest transparently. Thirdly, there were social aspects. Does a pension fund wish to benefit from hunger? Those considerations put together were sufficient reason to halt the investments.'

PMT has also withdrawn from hedge funds. 'We included hedge funds in our portfolio to spread the risks within the investment portfolio. We expected hedge funds to continue to generate a positive long-term return and therefore contribute to the stabilisation of the funding ratio. During the crisis, however, hedge funds fell just as sharply as equity. Moreover, the costs involved were high. In early 2013, we rejected the least stable strategies. In the case of the other strategies, we tried to increase transparency and reduce costs. This failed, however, to produce the desired result, which is why we rejected these other strategies too.'

← Exclusion

November 2015

El Niño season begins earlier than expected causing bad weather conditions

Clients and fund customers conduct a policy for excluding countries and businesses on the basis of violations of international treaties and ESG criteria. In some cases, sector pension funds wish to exclude investments in businesses active in their own sector in order to avoid a conflict of interests. Another form of exclusion is not investing in certain sectors involved in producing controversial munitions, such as anti-personnel mines and nuclear weapons.

MN embeds the exclusion policy in the investment process with the support of external research agencies. MN accounts on a quarterly basis regarding the exclusion of countries and companies. MN also publishes the exclusion list on its website and in the appendices to this report, stating the reasons for exclusion. The exclusion policy is evaluated regularly.

Newly excluded companies

6 November 2015

The US government refuses the building permit for the Keystone oil pipeline between Canada and the US

Orbital ATK

Alliant Techsystems (ATK) has merged with Orbital Sciences Corporation, as a result of which the newly merged company Orbital ATK was placed on the exclusion list as of 1 April 2015. Orbital ATK is being excluded on the basis of involvement in the production of cluster munitions.

S&T Dynamics

According to an investigation by Sustainalytics, the South Korean company S&T Dynamics is involved in the production of a system that disperses anti-personnel mines. South Korea is not a signatory to the Ottawa Convention to prohibit the use of landmines and is one of the few countries to possess this weapon.

Walchandnagar Industries Limited

Walchandnagar Industries Limited (WIL) is involved in the Indian nuclear programme. The company produces part of the Agni 5 nuclear missile. WIL is also involved in the production of a nuclear submarine. As India may not possess nuclear weapons in accordance with the non-proliferation treaty, WIL is excluded from investment. In the past quarter, the excluded company Samsung Techwin has changed its name. The new name is Hanwha Techwin. See also the Exclusion of companies appendix on page 48.



20 November 2015

The Dutch state bank ABN returns to the Amsterdam stock exchange

Revised exclusions of countries

Guinea-Bissau and the Democratic Republic of Congo (DRC) are no longer excluded. Investigations have revealed that the sanctions imposed are not or no longer aimed at the countries or the political leaders of the countries. That is one of MN's criteria.

In Guinea-Bissau, sanctions have been imposed on several members of the political party in power. The president of Guinea-Bissau, Alpha Conde, is not, however, subject to sanctions. The weapons embargo on the country was lifted in April 2014.

In the DRC, the weapons embargo is still in force, but the international sanctions have been amended in recent years. In the most recent amendment, the restrictions on the government were lifted but the embargo still applies to several rebel movements.

See also the Exclusion list appendix on page 48.

23 November 2015

The US pharmaceutical company Pfizer merges with its Irish industry peer Allergan

30 November 2015

In Paris, the opening ceremony of the COP21 UN climate summit takes place



← Investing in the Netherlands

December 2015

*December is the mildest
December since 1706*

In addition to responsible investment, MN has a policy of investing in the Netherlands. We are in favour of investing pension assets in the Netherlands in order to contribute to Dutch economic growth. An expansion of the Dutch economy benefits both businesses and employment opportunities. Needless to say, the aim of ensuring a satisfactory pension and a favourable return at a limited risk, remains paramount.

2 t/m 9 December 2015

*During the climate summit,
MN is part of the IIGCC
delegation and shares the
principles of its responsible
investment policy*

In 2014, together with its clients and other pension funds and insurers, MN set up the Dutch National Investment Institute (NLII). The NLII makes it easier and attractive to invest in Dutch healthcare, infrastructure, housing development, SMEs, education and sustainable energy. The NLII itself is not an investor. It brings together demand and assets, which boost investments in the Netherlands.

MN has invested in the Business Loan Fund (BedrijfsLeningenFonds – BLF), which was set up in 2015. MN is also involved in the Subordinated Loans Fund (Achtergestelde Leningen Fonds – ALF). That fund has not yet been officially set up. The financial feasibility of the ALF is still being examined.

Traditionally, MN invests on behalf of its clients in Dutch real estate, mortgages and corporate bonds. In late 2015, approximately 14.4%, i.e. € 8.7 billion in assets were invested in the Netherlands. Consequently, MN is one of the largest real estate investors in the Netherlands, where it owns houses, shops and offices. We aim for a portfolio of sustainable buildings and therefore impose sustainability requirements when purchasing. For instance, newly purchased houses all have a green energy label. Furthermore, the existing portfolio is made more sustainable for as long as this is cost-effective.

3 December 2015

*ECB lowers the interest rate
on the deposit facility to an
historically low minus of 0.3
percent*



7 December 2015

The US Fluor Corporation
acquires Stork

Table

(Amounts x € 1 million)

Dutch value percentage compared with worldwide	Amount	Percentage
Government bonds of developed countries	5088	38
Corporate bonds (including private loans)	521	4
Mortgages	1085	100
Deposits	304	8
Real Estate	1468	26
Shares (including private equity)	255	1
Other	--	--
Total for the Netherlands	8721	14,4
Total assets	60565	--

12 December 2015

In Paris, 196 countries
conclude a unanimous
legally binding climate
agreement

18 December 2015

The Court of Appeal in
The Hague rules that Shell
may be brought to trial
in the Netherlands for
environmental damage
caused by oil spills in Nigeria





ANTHONY VEDER

INTERVIEW

Remko Kloos of Anthony Veder Rederijzaken

Shipping company Anthony Veder has been in existence for almost eighty years, and in that period it has always moved with the times. A major turning point occurred in 1991, when the new owners decided that Anthony Veder's future lay in the niche market of gas transport, such as LPG, LNG, CO₂ and ethylene. That turned out to be a sensible move. 'We now have five vessels that run on LNG themselves and also transport LNG', says Remko Kloos. 'LNG is the future, the established stocks are more substantial than those of oil and it is much cleaner during combustion. Sulphur and fine particle emissions are far lower when LNG is used as a fuel than in the case of other fossil fuels. For instance, Scandinavian

countries want clean energy with a high calorific value for industrial applications and power plants for which LNG is the answer. Furthermore, they offer discounts on, for instance, harbour fees and provide other financial incentives to encourage the use of LNG, thereby reducing the environmental impact.'

According to Kloos, innovation in the shipping sector is partly driven by climate or other sustainability considerations and supported by technological developments. 'In our sector, safety is number one, followed closely by the environment. Consequently, a better navigation system, i.e. a SatNav for the sea, is particularly important to us because it contributes to smarter and safer working. In the end, a shorter or safer voyage is also better for the environment.'



← Looking ahead

When MN publishes its Socially Responsible Investment Annual Report, we will already be a few months into 2016. Developments are taking place in rapid succession. With the publication of the report 'Time for Transition – an exploration of the transition to a climate-neutral economy' [Tijd voor Transitie – een verkenning van de overgang naar een klimaatneutrale economie], the Dutch Central Bank (DNB) sharply outlined the responsibilities of the financial sector when it comes to climate and energy issues. This encourages us to remain alert when it comes to our fiduciary responsibility for the energy transition and implementing this year the climate policy adopted in 2015. The climate agreement concluded in Paris last year is our starting point for listing the impact of our investments and the arrangements we must make to remain within the global warming scenario of two degrees Celsius. We are already engaging with companies that are responsible for substantial CO₂ emissions. We are discussing how they can bring their strategy into line with the energy transition and the two degrees process.

Furthermore, the debate in society about a responsible tax policy is gaining momentum. This debate fits in well with MN's initiative of adopting its own Tax Principles in early 2016, which we will be implementing this year (in this context, see also the 2015 MN Annual Report). At the same time, 2016 will be devoted to the positive impact of our investments. As far as MN is concerned, that is the next phase of responsible investment: less emphasis on the negative aspects and greater focus on how we can make a difference as an institutional investor. That means we will invest in companies and projects that make a positive contribution to dealing with urgent challenges regarding environmental and social issues. A condition for MN is that those projects must yield sufficient financial return. This condition is paramount because our customers have the responsibility of providing a satisfactory pension for their members.

The new Sustainable Development Goals (SDGs) offer MN a frame of reference for focusing on that positive impact. With regard to the investment framework, we look for themes that are best suited to the clients and the manufacturing industry. Ensuring affordable, sustainable and modern energy for everyone and taking prompt action to deal with climate change are key areas for MN. This SRI report shows that the companies affiliated to our customers are already working hard to achieve these goals.

MN and its clients believe that they are responsible not only for avoiding negative consequences of their investments, but also for contributing to solving shortcomings in society. In 2016, we will again be making every effort to do so in close cooperation with our clients.

← Responsible investment team



Karlijn van Lierop studied public administration in Rotterdam. Since she arrived at MN four years ago, she has focused on responsible investment. In the sixteen years prior to that, she concentrated on corporate social responsibility and sustainable development. Karlijn is head of the Responsible Investment department and has final responsibility for developing and implementing the SRI policy of MN and its clients. She is also a member of the fiduciary management MT. For Karlijn, the high point of the past year was successfully cooperating with the clients during the development of the new engagement policy, embedding socially responsible investment in the strategic investment policy and formulating an ambitious climate policy that also suits the stakeholders. 'I was extremely



pleased that MN contributed during the climate summit in Paris.' Karlijn is delighted with the progress made in the past year, but she believes that even more speed is required given the urgency of the problem. 'We would prefer to introduce the insights obtained in a broader context: upscaling and mapping out the carbon footprint of more investments.' However, she acknowledges that it is wiser to progress with care more and in phases. Her wish for 2016 is to adopt a clear framework together with MN' clients for impact investing and to make the first impact investments in the course of 2016.



Anna-Sterre Nette studied philosophy and communication science in Amsterdam. She worked abroad for ten years in the area of corporate responsibility and investments, most recently as asset manager F&C, now called BMO Global Asset Management (EMEA) in London. She has been back in the Netherlands since 2016 and she is a member of MN's Responsible Investment team. Anna-Sterre is responsible for coordinating the engagement policy and the consultations with companies regarding the theme People & Rights. This is one of the core themes of the new engagement policy and is geared to better compliance with criteria for human rights and working conditions. In the next twelve months, the emphasis will be on making the supply chains in the manufacturing industry more sustainable, both for working conditions and the environment. Her wish for 2016 is, together with MN's customers, to continue to innovate in the use of non-financial data for investment strategies.



Hellen Goorse studied econometrics in Rotterdam and has already been involved in responsible investment for five-and-a-half years. Following four-and-a-half years at Triodos Investment Management, she transferred to MN in February 2015, where she is responsible for ESG integration and engagement. She is also the contact for Securities Litigation in the Responsible Investment team. Hellen is very satisfied that MN became a signatory to the Montreal Pledge (montrealpledge.org) during the climate summit in Paris last year. The Montreal Pledge is the joint agreement of 120 major investors to measure and release each year the carbon footprint of the investment portfolio. Hellen would like all MN staff to become convinced of the benefit and need of socially responsible investment. Her wish for 2016 is that, as a result of the assessment and analysis of the climate risks of the portfolio, a plan is formulated for MN and its clients to mitigate those risks so that we remain within the limits of the 1.5 to 2 degrees Celsius scenario of the COP21, which is the official name of the climate summit in Paris.





Maaïke Hof studied Real Estate Finance at the University of Reading (UK). Maaïke has been working at MN since 2011 and became a member of the Responsible Investment team in January 2016. After working for approximately nine years in International Real Estate, she has been working temporarily for the team since January as part of MN's rotation programme. She is expected to return to her previous position next year as senior portfolio manager at Partnerships (International Real Estate). Within the team, Maaïke is involved in engagement, with a focus on the telecommunication sector. She is currently working on the PRI and the Corporate Governance code. She is also the coordinator within her team for Corporate Social Responsibility (CSR) within MN. Maaïke's wish for 2016 is that the responsible Investment Team holds even more qualitative consultations and that the integration of ESG in the investments continues to increase. She also hopes for greater awareness of the importance of ESG in the various investment teams and among staff as a whole.



Nando van Kleeff studied management, economics and law at the Rotterdam University of Applied Sciences, where he specialised in banking and insurance. He has been working at MN since 2008 and has been involved with socially responsible investment for four years. He is responsible for exclusion policy, voting policy, impact investments, ESG integration and engagement with pharmaceutical and utility companies. For him, the high point of 2015 was the successful cooperation with MN's customers so that the team could work effectively to review socially responsible investment policy. He regrets the fact that diversity in corporate governance failed to make much progress in 2015. He would like to see MN and its clients taking a more proactive stance regarding this theme, despite the fact that this is still difficult in the sectors in question. Nando hopes that this theme will be returned to in 2016 and that socially responsible investment policy will become embedded even further and, just like Karlijn, he hopes that impact investing will become part of policy and will be implemented in 2016. He also believes that MN should participate more in the public debate about important themes relating to responsible investment.



Willemijn Verdegaal studied economics at Utrecht University and the London School of Economics. She has been a member of MN's Responsible Investment team for a year and prior to that she worked at the ministries of Finance and Foreign Affairs and was involved in sustainability, financial and economic issues. Her most important working areas at MN are engagement and climate policy. For her, last year's climate summit in Paris was the high point. It was important that MN could contribute as a member of the International Investor Group on Climate Change, and not only on behalf of



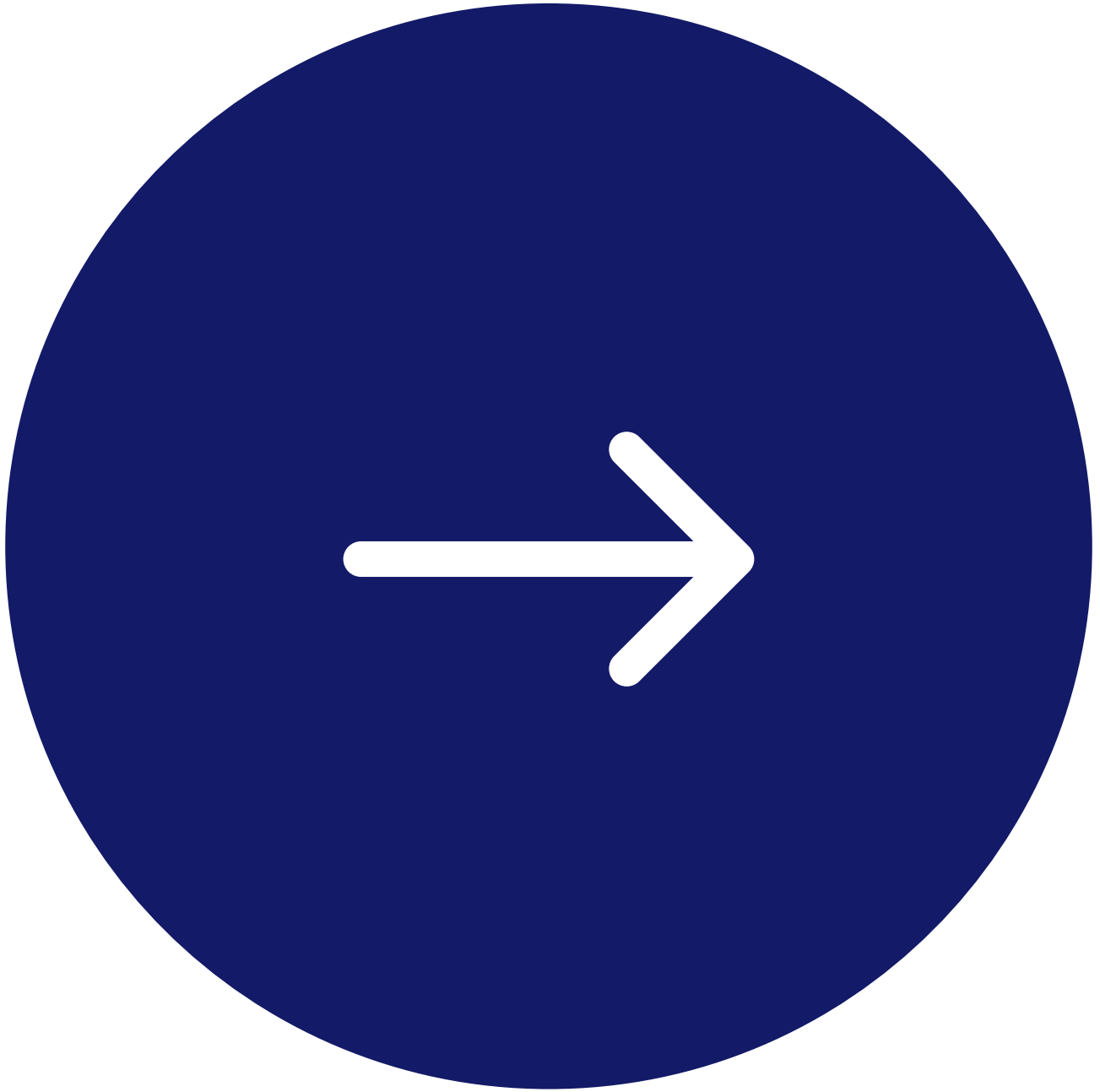
itself but also as a representative of PME and PMT. Willemijn regrets the fact that it was difficult to engage with Volkswagen about their rigged software. For 2016, Willemijn hopes that MN will hold more detailed consultations with companies and legislators regarding the required climate policy and will therefore also increase awareness within MN as a result. Willemijn would like to ensure that MN's voice is heard more clearly in the public debate.



Rutger Schuil read American Studies at the University of Groningen. He subsequently worked as a press trainee at the European Parliament and followed practical training at the Ministry of Foreign Affairs in climate changes, climate financing and development cooperation. He has been working as a trainee at MN since September 2015, where he created a Customer Interests Dashboard at Customer Relationship Management. He has been a member of the Responsible Investment Team since 15 February 2016. He is involved in the new communication strategy and the implementation MN's engagement policy. Rutger hopes that in 2016, MN will progress to becoming the thought leader in the Netherlands with regard to climate policy by highlighting sustainable investment more clearly in the public debate.



Appendices



Definitions

Class action

In law, a class action or a representative action is a type of legal proceeding in which a large group of people collectively submit a claim to a court or where a class of suspects are prosecuted.

CO2 reduction

The aim of reducing carbon dioxide (CO₂) emissions.

Compliance

Compliance is the function within an organisation that ensures compliance with legislation and regulations relating to the promotion and maintenance of the integrity and professionalism of an organisation and its board members and staff, with the aim of managing the risks of non-compliance with legislation and preventing or limiting any resulting damage.

ESG criteria

Criteria relating to Environmental, Social and Governance aspects.

Fiduciary manager

A fiduciary manager is involved in governing, managing and operating investment policy.

Global Compact

The Global Compact is a special UN programme for international companies. Companies participating in the programme endorse ten principles relating to the environment, human rights, supply chain management and integrity in order to boost global sustainable development.

Global Reporting Initiative

The Global Reporting Initiative (GRI) is an international organisation that draws up guidelines for sustainability reporting. In a sustainability report, an organisation publicly accounts for its ESG performance.

Corporate governance

Governance involves the way a company is managed. Important aspects are how a company is managed efficiently and responsibly, with a particular emphasis on the relationship with the most important stakeholders, such as shareholders, employees, clients and society.

ILO standards

Standards of the International Labour Organisation, an organisation focusing on improving the position of working people. It does so by drawing up a system of international working standards, laid down in treaties and recommendations.

Impact investing

Investments intended to have a positive social impact in addition to a responsible return. These are referred to internationally as impact investments.

Integrity

Maintaining general or professional social and ethical standards and values.

Key Performance Indicators (KPIs)

KPIs are variables with which an organisation can monitor its progress.

Supply chain responsibility

Being accountable for corporate social responsibility throughout the entire supply chain.

Kyoto Protocol

To reduce emissions of greenhouse gases, such as CO₂ (carbon dioxide), UN countries concluded agreements in 1997 in Kyoto (Japan).

NCP

The National Contact Point (NCP) familiarises companies with the OECD guidelines and encourages their application. The NCP also deals with disputes regarding the application of the guidelines.

OECD guidelines

The OECD guidelines of the Organisation for Economic Cooperation and Development, of which developed and emerging economies are members, explain what is expected of companies when doing international business relating to corporate social responsibility (CSR). They offer possibilities and tools to companies for dealing with issues such as supply chain responsibility, human rights, child labour or the environment.

PRI

The United Nations Principles for Responsible Investment. These principles were developed in consultation with the sector and PRI is also the organisation to which more than 1,280 institutional investors are affiliated worldwide.

Private equity

Investing in companies that are not publicly traded on a stock exchange.

Stakeholder engagement

Stakeholders are parties, the interests of which can be influenced by the activities of the organisation, or which themselves can influence the interests of the organisation. The stakeholder engagement is intended to discuss relevant themes, interests and positions involving the company on the one hand and the most relevant stakeholder on the other.

Exclusion

Exclusion means not investing in certain companies. These may be, for instance, companies that manufacture products considered controversial by the Dutch government such as manufacturers of cluster bombs, landmines or biological and chemical weapons.

Universal ownership

Investing in many companies throughout the entire world is referred to as universal ownership.

Responsible investment

Responsible investment (also referred to as socially responsible investment, sustainable investment or ethical investment) is a type of investment in which the capital provider takes into account the consequences for people and the environment in its investment decisions.

Engagement overview 2015

Company	Country	Global Compact Violater	Business ethics	Business Strategy	Corporate Governance	Environmental Issues	Human Rights	Nutrition and Health	Social and Labour Issues	Transparency and Reporting
Adidas AG	DE	No								
Aegon NV	NL	No								
Airbus Group NV	FR	No								
Akzo Nobel NV	NL	No								
Apache Corp	US	No								
Apple Inc	US	No								
Bayer AG	DE	No								
Beijing Capital International	HK	Yes								
BG Group PLC	GB	No								
BHP Billiton PLC	GB	No								
BP PLC	GB	Yes								
Burberry Group PLC	GB	No								
Caterpillar Inc	US	No								
Chevron Corp	US	Yes								
China Mobile Ltd	HK	No								
China Petroleum & Chemical Cor	HK	Yes								
CNOOC Ltd	US	Yes								
Corio NV	NL	No								
Corrections Corp of America	US	Yes								












Engagement overview 2015

Company	Country	Global Compact Violater	Business ethics	Business Strategy	Corporate Governance	Environmental Issues	Human Rights	Nutrition and Health	Social and Labour Issues	Transparency and Reporting
Deutsche Bank AG	DE	No								
Eni SpA	IT	No								
Evraz PLC	GB	Yes								
Exxon Mobil Corporation	US	No								
Finmeccanica SpA	IT	Yes								
G4S PLC	GB	Yes								
Gap Inc/The	US	No								
GlaxoSmithKline PLC	GB	No								
Glencore Xstrata PLC	LU	Yes								
Grupo Mexico SAB de CV	MX	Yes								
Hennes & Mauritz AB	SE	No								
Hon Hai Precision Industry Co	TW	No								
Hyundai Heavy Industries Co Lt	KR	No								
Hyundai Motor Co	KR	No								
ING Groep NV	NL	No								
Japan Tobacco Inc	JP	No								
KDDI Corp	JP	No								
Kingboard Chemical Holdings Lt	HK	Yes								
Koninklijke Ahold NV	NL	No								























Engagement overview 2015

Company	Country	Global Compact Violater	Business ethics	Business Strategy	Corporate Governance	Environmental Issues	Human Rights	Nutrition and Health	Social and Labour Issues	Transparency and Reporting
Koninklijke KPN NV	NL	No								
Korea Electric Power Corp	US	No								
Kyocera Corp	JP	No								
Heineken NV	NL	No								
LG Chem Ltd	KR	No								
LG Display Co Ltd	KR	No								
Lonmin PLC	GB	No								
LVMH Moët Hennessy Louis Vuitton	FR	No								
Mitsubishi Corp	JP	No								
News Corp	US	No								
Oracle Corp	US	No								
Olympus Corp	JP	No								
PetroChina Co Ltd	HK	Yes								
Petroleo Brasileiro SA	BR	Yes								
Pfizer Inc	US	No								
POSCO	KR	No								
PVH Corp	US	No								
Reed Elsevier NV	NL	No								
Rio Tinto PLC	GB	No								






Engagement overview 2015














Company	Country	Global Compact Violater	Business ethics	Business Strategy	Corporate Governance	Environmental Issues	Human Rights	Nutrition and Health	Social and Labour Issues	Transparency and Reporting
Royal Dutch Shell PLC	GB	No								
Samsung Electronics Co Ltd	KR	No								
SBM Offshore NV	NL	No								
Suez Environnement Co	FR	No								
Takeda Pharmaceutical Co Ltd	JP	No								
TEPCO	JP	No								
TNT Express NV	NL	No								
Total SA	FR	No								
Toyota Motor Corp	JP	No								
Transocean Ltd	KY	No								
UBS AG	CH	No								
Unilever NV	NL	No								
RBS	UK	No								
MTN Group	US	Yes								
VEDANTA RESOURCES PLC	GB	No								
Vinci SA	FR	No								
Volkswagen AG	DE	No								
Wal-Mart de Mexico SAB de CV	MX	Yes								

Exclusion list












Equity	Reason for exclusion
Aeroteh SA	
Aryt Industries Ltd	 
Ashot -Ashkelon Industries Ltd	 
BAE Systems PLC	
China Aerospace International Holdings Ltd d	
China Spacesat Co Lt	
Elbit Systems Ltd	
Gail India	
General Dynamics Corp	
Hanwha Chemical Corporation	
Hanwha Corp	
Hanwha Techwin (previously Samsung Techwin)	
Larsen & Toubro Ltd	
Motovilikha Plants JSC	
Norinco International Cooperation Ltd	 
Orbital ATK	
Poongsan Corp	
Poongsan Holdings Corp	
Rheinmetall AG	

Exclusion list

Equity	Reason for exclusion
S&T Dynamics Co. Ltd.	
Singapore Technologies Engineering Ltd	
Textron Inc	
Walchandnagar Industries Limited	
Walmart	






































Bonds	Reason for exclusion
Ashot -Ashkelon Industries Ltd	
BAE Systems Finance Inc	
BAE Systems Holdings Inc	
BAE Systems PLC	
Elbit Systems Ltd	
Gail India	
General Dynamics Corp	
Hanwha Chemical Corporation	
Hanwha Corp	
Hanwha E&C	
Hanwha Hotels & Resorts Co Ltd	
Hanwha Techwin (previously Samsung Techwin)	
L&T Finance Ltd	




Exclusion list

Bonds	Reason for exclusion
L&T InfraStructure Finance Co Ltd	
Larsen & Toubro Ltd	
Motovilikha Plants JSC	
Orbital ATK	
PMX Industries Inc	
Poongsan Corp	
Rheinmetall AG	
ST Engineering Financial 1 Ltd	
Textron Financial Corp	
Textron Inc	
Walmart	

-  Anti Personnel mines
-  Cluster weapons
-  Nuclear Weapons
-  Chemical and Biological Weapons
-  White Phosphorus
-  Depleted Uranium Ammunition
-  Dialogue not successful

Exclusion list

Countriess	Reason for exclusion
Central African Republic	  
Eritrea	  
Iran	  
Ivory Coast	  
Libya	  
Myanmar	
North Korea	  
Sudan	  
Somalia	  
Syria	  
Belarus	  
Zimbabwe	  
South Sudan	  

-  Arms embargo
-  Asset freeze
-  Travel ban

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