

Pension special

Information on the investment policy of PNO Media Pension Fund

31 January 2008

Socially Responsible Investment Code

"The fact of twilight does not mean you cannot tell day from night"
Samuel Johnson

This code describes how PNO Media Pension Fund interprets its social responsibility as institutional investor. What follows is, first, an explanation of why the fund also takes non-financial criteria into account in its investment decisions and of the fundamental environmental, social and governance criteria (ESG criteria) the Fund respects. The impact of these fundamental principles on the investment policy will be discussed next.

Chapters

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1 Introduction

PNO Media Pension Fund opts for a so-called commitment approach combined with a clear exclusion policy. In the interpretation of this approach, the Fund takes the special character of the media sector into account as well as the wishes of its participants, pensioners and the connected employers.

The periodic evaluation of this code and the way in which the Fund communicates with its participants, pensioners and connected employers on the Fund's interpretation of this code, will also be highlighted.

2 Basic principles

2.1 Investment objectives

PNO Media Pension Fund protects the interests of participants, pensioners and connected employers through the implementation of pension schemes. The Fund's investment policy aims at creating situations in which, against an acceptable premium (low and stable), the invested assets yield a return which makes a steady indexation policy possible. This will be pursued with restricted risk margins, namely with attention for the risk of undercoverage. This code does not affect this objective and will contribute to achieving it, if possible.

2.2 Social responsibility

PNO Media Pension Fund is accountable to its participants, pensioners and connected employers. Furthermore, the Fund also has a social responsibility. Although institutional investors are not responsible for decisions taken by companies, authorities and other entities in which they have invested, there is always the risk that they will be associated with these decisions. Ultimately, investors provide the entities concerned with capital. This provision of capital may raise issues if the actions of the entities do not correspond with the prevailing standards and values in our society.

The influence of transactions performed by PNO Media Pension Fund on the action of companies or authorities is of course rather limited. The importance of the Fund's investments in the total financing of individual companies is generally not that big, partially because of the Fund's risk spreading policy. Nevertheless, PNO Media Pension Fund wishes to respect society's standards and values in the realisation of its investment policy. The Fund is willing to give account for its investment decisions and the weight it has given to social, governance and environmental considerations.

2.3 Fundamental principles

The Fund's social responsibility implies that PNO Media Pension Fund also considers non-financial criteria. In its investment decisions, the Fund takes into account the following fundamental environmental, social and governance principles:

1. respect for the fundamental human rights;
2. no involvement in serious forms of child labour;
3. no involvement in forced labour;
4. no involvement in serious forms of corruption;
5. no involvement in serious forms of environmental pollution;
6. no involvement in the production of weapon systems with disproportionate effects or weapons that cannot distinguish military from civil targets;
7. respect for the generally accepted corporate governance standards;
8. respect for other generally accepted ethical principles of a dignified society.

PNO Media Pension Fund has opted for these fundamental principles because they are embedded in international treaties, guidelines and codes:

- Respect for the fundamental human rights is laid down in the Universal Declaration of Human Rights;
- The principles on child labour and forced labour are part of the fundamental principles of the International Labour Organization of which every country in the world is a member. Membership of the organisation implies the members' endorsement of the fundamental principles;
- No involvement in serious forms of corruption has its foundations in the OECD guidelines such as the OECD guidelines for multinational enterprises which are used by many companies as guiding principles;
- No involvement in serious environmental pollution has its foundations, among other things, in the Earth Charter, in the Rio Declaration and in the Convention on Biological Diversity;
- No involvement in the production of weapon systems with disproportionate effects is based on various international treaties such as the treaty on non-proliferation of nuclear weapons and the Ottawa Convention;
- Respect for the generally accepted international corporate governance standards can be found in OECD guidelines such as the Principles of Corporate Governance and in the Statement on Global Corporate Governance Principles of the International Corporate Governance Network.

Further details of these fundamental principles are attached to this code.

2.4 Scope

This code applies to all investments of PNO Media Pension Fund.

3 Impact on the investment policy

3.1 Exclusions

Violation of Human Rights

As an investor, PNO Media Pension Fund does not wish to be involved in serious and systematic violations of essential human rights.

Child Labour

As an investor, PNO Media Pension Fund does not wish to be involved in serious forms of child labour.

Corruption

As an investor, PNO Media Pension Fund does not wish to be involved in serious forms of corruption.

Forced Labour

As an investor, PNO Media Pension Fund does not wish to be involved in forced labour.

Damage to the Environment

As an investor, PNO Media Pension Fund does not wish to be involved in causing serious damage to the environment.

Weapons

As an investor, PNO Media Pension Fund does not wish to be involved in weapon systems of which the consequences are disproportional to, or that make no distinction between, military and civil targets. In reality this means that producers of chemical- and biological weapons are excluded, as well as producers of nuclear weapons, anti-personnel mines and cluster bombs and ammunition.

Fur

As an investor, PNO Media Pension Fund does not wish to be involved with the production of (and the trade in) fur or products containing fur.

The supplement to this code contains further explanation of these concepts.

3.2 Engagement

PNO Media Pension Fund judges the behaviour of companies in which it invests based upon its fundamental beliefs. When companies act contrary to these beliefs (and there are no grounds for exclusion such as meant in 3. 1.) the fund will use its shareholder influence in order to realize that those companies will change their behaviour in accordance with the fundamental beliefs.

This means that PNO Media Pension Fund will, via a specialized external research provider and where possible together with other institutional investors, aim for dialogue with companies that are involved in:

- violation of the essential human rights;
- child labour;
- corruption;
- environmental pollution;
- violation of generally accepted standards for corporate governance;
- violation of other generally accepted ethical principles that are the norm in a dignified society.

The goal of this engagement approach is to realize a clear and structural behaviour change of companies in which the fund invests. If this approach does not lead to the desired results and the expectation is that in the long term there will also not be sufficient results, this can lead to exclusion of the company in question from the investment universe.

3.3 Practicing of Voting Rights

As institutional investor, PNO Media Pension Fund has an interest in properly functioning financial markets. Compliance by companies with generally accepted standards for corporate governance will add to the transparency and the proper functioning of the financial markets where the fund is an active investor. PNO Media Pension Fund guards its interests as shareholder and improves its financial interests as well as compliance with its fundamental beliefs, by executing the voting rights that are connected with the shares held by the fund. To achieve this the fund uses the services and the infrastructure of a specialized company that advises on voting.

In cases where this serves the interest of PNO Media Pension Fund or compliance with the fundamental beliefs of the fund, the fund will in advance make public how it will vote and what the motives of the fund are.

3.4 Facilitate the Integration of ESG-Criteria in the Investment Process of External Asset Managers

Capital of PNO Media Pension Fund is managed by external asset managers in this country as well as abroad. Because the fund has the wish that its code is applied in a uniform manner, it has appointed a specialized external research institution to structurally screen all investments, to practice voting right on shares and give account thereof.

PNO Media Pension Fund expects that including criteria in the field of environment, human rights and corporate governance in decisions on investments, will lead to a better understanding of the risks related to individual investments. The fund will therefore make every effort to promote that asset managers integrate ESG-criteria in their investment processes. The fund keeps this aspect in mind when selecting and monitoring asset managers.

4 Cooperation

General

PNO Media Pension Fund, where possible, is looking for collaboration with other institutional investors in and outside of the Netherlands to promote compliance with the fundamental beliefs supported by the fund and the research in the field of socially responsible investments.

United Nations Principles for Responsible Investment

PNO Media Pension Fund has signed the United Nations Principles for Responsible Investment. These principles are as follows:

1. we will incorporate ESG issues into investment analysis and decision-making processes;
2. we will be active owners and incorporate ESG issues into our ownership policies and practices;
3. we will seek appropriate disclosure on ESG issues by the entities in which we invest;
4. we will promote acceptance and implementation of the Principles within the investment industry ;
5. we will work together to enhance our effectiveness in implementing the Principles;
6. we will each report on our activities and progress towards implementing the Principles.

UNPRI offers PNO Media Pension Fund access to an efficient international network for exchanging information in the field of socially responsible investing, and make informal contacts for the purpose of executing the engagement approach chosen by the fund.

International Corporate Governance Network

PNO Media Pension Fund is a member of the International Corporate Governance Network, an international network of investors, geared towards promoting strong corporate governance. Through this membership the fund has access to research and informal contacts with other specialists.

Eumedion

PNO Media Pension Fund is a member of Eumedion. Eumedion aims, from the responsibility of institutional investors in the Netherlands, to maintain and further develop good corporate governance and to promote the acceptance of and compliance with standards thereof by companies quoted on the stock exchange and institutional investors, particularly in the Netherlands and Europe.

Professional Research Providers

For the execution of this code PNO Media Pension Fund uses the services of professional, specialized research providers.

5 Evaluation

This code is supposed to be a reflection of the various opinions of our members, pensioners, and affiliated employees. Because these opinions can change in the course of time, PNO Media Pension Fund will continually monitor and align this code with the opinions of the stakeholders of the fund.

6 Communication

PNO Media Pension Fund works for the media sector. This is a very special target group. The communication policy of the fund keeps the very special character of this sector into account. Transparency is the starting point of our external communication. PNO Media Pension Fund doesn't mind to take responsibility for her policy in the field of social responsible investments and the way in which the fund has interpreted that policy.

The Tabaksblat code recommends that institutional investors like pension funds:

- publish their policy on their websites at least once a year concerning the exercise of voting rights on the stocks that they own in stock market listed companies;
- publish the implementation of their policy concerning the exercise of the voting right of the relevant published year on their websites and/or in their annual report;
- publish on their websites at least once every three months if and how they have voted as shareholder on the General Meetings of shareholders.

PNO Media Pension Fund acknowledges these recommendations and will comply with them after the full implementation of this code. In addition, this fund will publish this code and all stock listed investments on its website. As of 2008, the fund will give its members insight in the underlying research through its website and will give them the opportunity to respond to the considerations that the fund carried out. Finally, the fund will take responsibility for the way in which it has dealt with social responsibility through its annual report.

7 Implementation of the fundamental starting points

1 Respect for Human Rights

Criteria

PNO Media Pension Fund deems that violation of the fundamental Human Rights is against the fundamental starting points of the fund.

What are the fundamental Human Rights?

The UN Commission for Human Rights has declared the following

rights and liberties as compulsory standards to which no exception is allowed:

- slavery;
- torture;
- cruel, inhuman, or degrading treatment or punishment;
- randomly depriving someone's life;
- random arrest and detention;
- freedom of thought, conscience and religion;

- adoption of innocence;
- execution of pregnant women and children;
- the call for national, racial or religious hatred;
- the right to marry;
- rights of minorities in relation to culture, religion and language; and
- the right to a fair trial.

When do we speak of a violation of Human Rights?

Two conditions should be met to be able to speak of the violation of Human Rights:

1. any action – or inaction – which makes a company actively involved in the violation of these unconditional rights is reason enough for PNO Media Pension Fund to consider this a violation of Human Rights; and
2. the company has not undertaken enough measures to prevent that such cases can happen in the future. This is the case when:
 - a. the company lacks a coherent policy system which contains the following elements:
 - policy starting points;
 - an operational policy that gives interpretation to these starting points;
 - adequate procedures for dealing with relevant issues and questions;
 - information systems that monitor the performance of the policy and the procedures;
 - sufficient training and education in which the employees are trained to adequately carry out the policy;
 - a regular feedback to the management, and
 - public reports; or
 - b. the company uses such a system, but in practice it has been shown to have serious defects.

2 Child labour

Criteria

PNO Media Pension Fund deems that violation by companies or their suppliers of the ILO-convention 82 is against the fundamental starting points of the fund as well as repeatedly and systematically violating the ILO-convention 38.

What is child labour?

Convention 38 of the ILO determines whether labour performed by children should be considered Child Labour. Article 1 of this treaty describes:

“Each member for which this Convention is in force undertakes to pursue a national policy designed to ensure the effective abolition of child labour and to raise progressively the minimum age for admission to employment or work to a level, consistent with the fullest physical and mental development of young persons.”

In addition to the aforementioned, article 3 of the Convention orders that children can start in the labour process if they have completed their education, but no sooner than the age of 5 years old.

Although it is desirable that companies refrain from hiring children under the minimum age, it is shown in practice that a gradual elimination of child labour under the current circumstances would benefit many children - and their families. According to the ILO the highest priority should be given to the elimination of the worst kinds of child labour. This is related to Convention 82, which describes the worst kinds of child labour in the following manner:

- all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour, including forced or compulsory recruitment of children for use in armed conflict;
- the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances;
- the use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs as defined in the relevant international treaties;
- work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.”

When do we speak of conflict with the fundamental starting points used by the fund in relation to child labour?

Certain conditions should be met to be able to speak of involvement in child labour:

1. involvement independently or through suppliers in the worst forms of child labour;
2. systematic and repeatedly hiring of children, directly or indirectly via suppliers; and
3. the company has not undertaken enough measures to prevent that such cases can happen in the future. This is the case when:
 - a. the company lacks a coherent policy system which contains the following elements:
 - policy starting points;
 - an operational policy that gives an interpretation to these starting points;
 - adequate procedures for dealing with relevant issues and questions;
 - information systems that monitor the performance of the policy and the procedures;
 - sufficient training and education in which the employees are trained to adequately carry out the policy;
 - regular feedback to the management; and
 - (public) reports; or
 - b. the company uses such a system, but in practice it has been shown to have serious defects.

3 Forced labour

Criteria

PNO Media Pension Fund deems involvement of companies and their suppliers in forced labour as described in the ILO-conventions 29 and 05 against the fundamental starting points of the fund.

What is forced labour?

Forced labour can be described as: “all labour that is required from a person under threat of force and for which the person did not volunteer.”

Exception hereto includes Military Service and labour that is compulsory in times of war or disaster.

When do we speak of conflict with the fundamental starting points used by the fund in relation to forced labour?

Certain conditions should be met to be able to speak of involvement in forced labour:

1. the company is systematically and repeatedly involved independently or through suppliers in forced labour, and
2. the company has not undertaken enough measures to prevent that such cases can happen in the future. This is the case when:
 - a. the company lacks a coherent policy system which contains the following elements:
 - policy starting points;
 - an operational policy that gives interpretation to these starting points;
 - adequate procedures for dealing with relevant issues and questions;
 - information systems that monitor the performance of the policy and the procedures;
 - sufficient training and education in which the employees are trained to adequately carry out the policy;
 - regular feedback to the management; and
 - public reports; or
 - b. the company uses such a system, but in practice it has been shown to have serious defects.

4 Serious forms of corruption

Criteria

PNO Media Pension Fund deems that involvement in serious forms of corruption is against the fundamental starting points of the fund.

What is corruption?

Corruption is performing or refraining from performing activities to benefit a group, person, or organization, without legal grounds to that benefit. Corruption comprises various conducts among which are

bribery, blackmail, fraud, money laundering, and also being on the take. Paying kickbacks to the client which is openly discussed and for which is given account by the donator, is not considered corruption.

When do we speak of serious corruption?

It is a question of serious corruption if the following two conditions are met:

1. the nature and size of the transactions are of such an extent that it deserves the qualification serious. This is the case when:
 - a. it upsets competition, and
 - b. the total extend of fines should be considered as substantial; and
2. the company that performs the transactions has not undertaken sufficient measures to prevent that such cases can happen in the future. This is the case when:
 - a. the company lacks a coherent policy system which contains the following elements:
 - policy starting points;
 - an operational policy that gives interpretation to these starting points;
 - adequate procedures for dealing with relevant issues and questions;
 - information systems that monitor the performance of the policy and the procedures;
 - sufficient training and education in which the employees are trained to adequately carry out the policy;
 - regular feedback to the management, and
 - public reports; or
 - b. the company uses such a system, but in practice it has been shown to have serious defects.

5 Serious environmental pollution

Criteria

PNO Media Pension Fund deems that involvement in serious forms of environmental pollution is against the fundamental starting points of the fund.

What is environmental pollution?

Environmental pollution is affecting or polluting the (living) environment through human activities. This is the case if the introduction of a polluter (e.g. chemical compounds, noise, heat, light, or energy) in the environment will lead to harmful

effects that are of such a nature that they form a hazard to the health and prosperity of humans and the biodiversity of nature. Forms of environmental pollution are climate change, soil pollution, air pollution and water pollution.

When do we speak of a serious form of environmental pollution?

It is a question of a serious form of environmental pollution if one of the following three conditions is met:

1. direct serious violation of an applicable Law or regulation, as expressed in proceedings started by the appointing authority, and imposed fines and penalty payments;
2. inflicting substantial damage to the environment- in or out of the legal frameworks, or by a lack of legal frameworks. Infrastructure, mining, forestry and energy projects in vulnerable areas in less developed countries, or industrial activities in countries which lack or have very low or uncontrolled environmental standards, should be considered to be part of this category;
3. the company has not undertaken enough measures to prevent that such cases can happen in the future. This is the case when:
 - a. the company lacks a coherent policy system which contains the following elements:
 - policy starting points;
 - an operational policy that gives interpretation to these starting points;
 - adequate procedures for dealing with relevant issues and questions;
 - information systems that monitor the performance of the policy and the procedures;
 - sufficient training and education in which the employees are trained to adequately carry out the policy;
 - regular feedback to the management; and
 - public reports; or
 - b. the company uses such a system, but in practice it has been shown to have serious defects.

6 Weapon systems

Criteria

PNO Media Pension Fund deems that investments in the production of weapon system of which the effects are disproportional or that do not differentiate between military and civilian targets are against the fundamental starting points of the fund.

Which weapon systems have disproportional effects?

Companies do not meet the fundamental principles if they develop or produce weapons, weapon systems or essential parts thereof that are prohibited by international laws or that will violate humanitarian principles during use. The said humanitarian principles comprise the principle of

proportionality to which unnecessary suffering should be prevented, and the principle of differentiation, which serves to differentiate military and civilian targets. Defined, this means that chemical and biological weapons are excluded, just like nuclear weapons, anti person mines and all cluster bombs and munitions.

When do we speak of involvement?

The development of the new generation weapons requires a lot of money and expert knowledge. Knowledge we seldom find in one particular company. In practice we see that development and manufacturing of such highly advanced weaponry is usually

produced by a consortium of companies and government institutions or is placed in a joint venture. Within these forms of cooperation it is seldom clear if a company plays an active role in the development and the manufacturing of certain types of weapons or just acts as a business partner. With this code it is assumed that a company, by participating in a consortium or a joint venture, is directly involved in the development of weaponry or important elements thereof and therefore is involved in the production of weapons, weapon systems or essential parts thereof that violate fundamental Human Rights during use.

7 Violations of generally accepted standards in the field of corporate governance

Criteria

PNO Media Pension Fund deems that heavy violations of the standards in the field of corporate governance are against the fundamental starting points of the fund.

What are heavy violations of generally accepted standards in the field of corporate governance?

A company does not meet the fundamental starting points of PNO Media in the field of corporate governance if the company - or the management of that company - acts in violation with the law or good manners, to that extent that the reputation of that company becomes doubtful or its continuity is at risk..

When do we speak of violations of generally accepted standards in the field of corporate governance?

Certain conditions should be met to speak of involvement in violations of fundamental starting points in the field of corporate governance:

1. the company is systematically and repeatedly, independently or through suppliers involved in violation of the law or integrity, and
2. the company has not undertaken enough measures to prevent that such cases can happen in the future. This is the case when:
 - a. the company lacks a coherent policy system which contains the following elements:
 - policy starting points;
 - an operational policy that gives interpretation to these starting points;
 - adequate procedures for dealing with relevant issues and questions;
 - information systems that monitor the performance of the policy and the procedures;
 - sufficient training and education in which employees are trained to adequately carry out the policy;
 - regular feedback to the management; and
 - public reports; or
 - b. the company uses such a system, but in practice it has been shown to have serious defects.

8 Violations of generally accepted ethical starting points

Criteria PNO Media Pension Fund deems that heavy violations of the generally accepted ethical principles are against the fundamental starting points of the fund.

What are heavy violations of generally accepted ethical principles?

This category comprises, but is not limited to:

- systematically withholding or twisting information that is essential to consumers, business relations, shareholders, employees and other stakeholders;
- seriously affecting the safety and health of consumers, employees, business relations and other stakeholders;
- illegally, or to a serious extent affecting the natural habitat on earth;
- serious forms of discrimination that lead to serious threats of those mentioned under Human Rights;
- any act that leads to serious forms of violence against humans, animal or nature.

When do we speak of a violation of generally accepted ethical principles?

Certain conditions should be met to be able to speak of involvement in violation of generally accepted ethical principles:

1. the company is independently or through suppliers involved in activities or behaviours that should be considered a violation of principles, and
2. the company has not undertaken enough measures to prevent that such cases can happen in the future. This is the case when:
 - a. the company lacks a coherent policy system which contains the following elements:
 - policy starting points;
 - an operational policy that gives interpretation to these starting points;
 - adequate procedures for dealing with relevant issues and questions;
 - information systems that monitor the performance of the policy and the procedures;
 - sufficient training and education in which the employees are trained to adequately carry out the policy;
 - regular feedback to the management; and
 - public reports; or
 - b. the company uses such a system, but in practice it has been shown to have serious defects.

PNO Media Pension Fund

Schuttersweg 10, Hilversum
P.O. Box 1340, 1200 BH Hilversum
www.pnomedia.nl
Tel: (035) 625 92 00
Fax: (035) 625 93 99

To contact the department of:

Board/secretariat : (035) 625 92
Relation management (for employees) : (035) 625 92 30

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