

Responsible Investment Code

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Introduction

This code describes how the PNO Media Pension Fund gives substance to its social responsibility as an institutional investor. The concept of responsible investment is subject to continuous change. The responsible investment code of PNO Media changes with it, in line with the most recent social views on responsible investment and, in particular, our participants' views on this subject. The previous responsible investment code dates back to January 2008. The code has been adjusted following an evaluation.

The first part of this upgraded responsible investment code explains why the fund includes non-financial criteria in its investment decisions and which fundamental principles the fund applies in the field of the environment, human rights and corporate governance. In the second part, these principles are worked out further on the basis of international treaties and codes of practice. Subsequently, we explain how the policy is applied to the different investment strategies. The final part of the code describes the policy instruments used to implement the code and the parties we work with in the field of responsible investment.

1 Vision and principles

1.1 Investment objectives

The PNO Media Pension Fund looks after the interests of participants, pensioners and affiliated employers by executing pension schemes. The investment policy of the fund is aimed at generating a return on the invested capital which makes it possible to pursue a consistent indexation policy, within limited risk margins and a strong focus on preventing underfunding. This code does not affect this objective in any way and is used to promote this objective, where possible.

1.2 Social responsibility

The PNO Media Pension Fund is aware of its social responsibility as an institutional investor and wants to act accordingly. This means that the PNO Media Pension Fund investment policy takes into account the norms and values commonly accepted in society. Hence the fund also includes social, corporate governance and environmental considerations based on international standards in its investment decisions.

The interest of the investments made by the fund within the total financing of individual companies and authorities is generally limited, partly also as a result of the spread the fund intends to establish. Hence the impact of the socially responsible investment policy of the PNO Media Pension Fund on the actions of companies or authorities is limited, yet the fund works together with other investors in order to increase its influence.

When concretising its social responsibility, the fund takes into account the special character of the media sector and the wishes of its participants, pensions and affiliated employees. The PNO Media Pension Fund reports on its decisions made and instruments used.

1.3 Fundamental principles

The social responsibility of the fund means that the PNO Media Pension Fund also includes non-financial criteria in its considerations. In all investment decisions, the fund takes into account the following fundamental principles, which are based on widely accepted norms and values:

- respecting human rights;

- respecting rights at work;
- combating corruption;
- protecting the environment and climate;
- no controversial weapons;
- respecting corporate governance standards;
- respecting animal welfare standards.

These fundamental principles are explained in further detail in the next chapter of this code.

This code is applicable to all investments made by the PNO Media Pension Fund. Chapter 3 explains how the PNO Media Pension Fund expects companies and authorities in which it invests to act in accordance with its fundamental principles.

2 Concretising the fundamental principles

2.1 Respecting human rights

The PNO Media Pension Fund endorses the Universal Declaration of Human Rights adopted by the United Nations in 1948. The Universal Declaration describes the rights and freedoms of each individual "without any form of distinction of whichever nature, including race, skin colour, sex, language, religion, political or other beliefs, national or social origin, property, birth or other status." The human rights referred to in the Universal Declaration include:¹

- the right to life and freedom;
- freedom of speech;
- freedom of religion;
- the right to a fair trial;
- the right to food, work and education.

In 1966, the Universal Declaration of Human Rights was supplemented with the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights (UNCESCR). The covenants state that civil and political rights as well as economic, social and cultural development form part of the human rights.²

2.2 Respecting rights at work

The PNO Media Pension Fund endorses the four fundamental principles and rights of the International Labour Organisation (ILO) with regard to work and working conditions:³

- freedom of association and recognition of the right of collective bargaining;⁴
- abolition of all forced forms of labour;⁵
- the ban on child labour;⁶
- the ban on discrimination (on the grounds of ethnicity, sex or social origin) with regard to offering work or specific job roles.⁷

2.3 Combating corruption

The PNO Media Pension Fund endorses the OESO Guidelines for Multinational Enterprises and the Business Principles for Countering Bribery of Transparency International with regard to combating corruption.⁸

Corruption is an action or omission with the objective to favour an individual, group or organisation without having legitimate grounds for claiming that advantage. Corruption manifests itself in various shapes and forms, including bribery, extortion, fraud, money laundering as well as paying bribes.

2.4 Protecting the environment and climate

The PNO Media Pension Fund deems it of paramount importance that companies and authorities make an effort to protect the environment and climate. Decisions and activities of organisations affect the natural habitat of man, referred to as the environment. In addition to observing due care in using natural resources and protecting biodiversity, an organisation must seek to prevent environmental pollution and climate change. PNO Media considers environmental pollution to be a deterioration or contamination of the (living) environment due to human activities. For instance, by introducing chemical compounds, noise, heat, light and energy into the environment which lead to harmful effects and that constitute a danger to both the health and prosperity of man and the biodiversity of nature. Local and regional forms of environmental pollution are soil, air and water pollution. The main global threat to the environment is worldwide climate change due to the emission of greenhouse gases.

With regard to protecting the environment and biodiversity, the fund endorses the guidelines of the Earth Charter, the Rio Declaration, the UN Convention on Biological Diversity and the UN Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).⁹

With regard to fighting climate change, the PNO Media Pension Fund endorses the objectives of the UN Framework Convention on Climate Change (UNFCCC). The fund further endorses the reduction target of 50 to 85% in 2050 (compared to 2000 levels) formulated by the Intergovernmental Panel on Climate Change (IPCC) for the emission of greenhouse gases.¹⁰ All authorities and companies involved will have to accept their responsibilities and prepare and implement reduction plans, in order for them to make a proportionate contribution to this reduction target.

2.5 No controversial weapons

The PNO Media Pension Fund does not want to be involved in the production of weapons or weapon systems, or vital components thereof, that are banned by international law, or that violate fundamental humanitarian principles when used. The aforesaid humanitarian principles include the principle of proportion (unnecessary suffering must be prevented) and the principle of distinction (a distinction must be made between military and civil targets). In concrete terms, they are chemical and biological weapons, nuclear weapons, anti-personnel mines and cluster munitions. This principle is based on various international treaties, including the treaty on the Non-proliferation of Nuclear Weapons, the Ottawa Treaty (landmines) and the Convention on Cluster Munitions.¹¹

2.6 Respecting corporate governance standards

The PNO Media Pension Fund supports the OECD corporate governance standards (Principles of Corporate Governance) and the International Corporate Governance Network (Statement on Global Corporate Governance Principles).¹²

These corporate governance standards relate to:

- the objective of the company – profit for shareholders;
- openness and transparency on activities;

- monitoring and control of activities;
- property, responsibilities, voting rights and corrective measures from shareholders;
- governance and management of the company;
- remuneration policy within the company;
- citizenship, relations with interested parties and ethnic conduct of the company.

2.7 Respecting animal welfare standards

The PNO Media Pension Fund does not want to be involved in forms of livestock farms aimed solely at the production of fur. In respect of forms of livestock farms for food and other consumer items, the PNO Media Pension Fund thinks respecting animal welfare standards is important.

Within this context, the PNO Media Pension Fund bases its policy on the conventions of the Council of Europe with regard to animal welfare in intensive livestock farming and during transport, the proposal for a Universal Declaration for Animal Welfare by the World Society for the Protection of Animals (WSPA).¹³

Following on from these guidelines, the PNO Media Pension Fund applies the principle that animals have a consciousness and can suffer. Hence every action that incites violence against animals is rejected. The needs animals have for their welfare must be respected. This includes:

- a relatively healthy and low-stress environment;
- an opportunity to display their natural behaviour;
- food that suits the species;
- access to sufficient drinking water.

3 Effect on investment categories

3.1 Shares, corporate bonds, property and private equity

PNO Media finances companies directly or indirectly through investments in shares, corporate bonds, property and private equity. PNO Media expects these companies to act in accordance with its fundamental principles. These fundamental principles are violated, if:

1. the company is systematically and repeatedly involved in the violation of a fundamental principle;
and
2. the company has taken insufficient measures to prevent similar incidents occurring in the future. The above applies in either of the next two cases:
 - a. the company lacks a coherent policy system that includes the following elements:
 - policy principles;
 - an operational policy that implements these principles;
 - adequate procedures to deal with relevant problems and issues;
 - information systems to monitor the implementation of the policy and procedures;
 - sufficient training courses and programmes for staff in order to adequately implement the policy;
 - feedback to management on a regular basis;
 - (public) reports.
 - b. the company does have such a system in place, but the performance thereof shows serious flaws in practice.

3.2 Government bonds

PNO Media finances authorities through government bonds. PNO Media also expects these authorities to act in accordance with its fundamental principles. These fundamental principles are violated, if:

1. the authorities in a country systematically and repeatedly violate a fundamental principle; and/or
2. the authorities in a country take insufficient measures to prevent or prosecute structural violations of the fundamental principles by residents (individuals and organisations).

4 Use of instruments

4.1 Overview of instruments

The PNO Media Pension Fund promotes a practice in which external asset managers select investments on the basis of environmental, social and corporate governance criteria (the so-called ESG criteria). The fund further assesses the conduct of companies and authorities in which it invests on the basis of its fundamental principles. When companies act in violation of its principles, the fund will exercise its influence as a shareholder in order to ensure that those companies take corrective action and change their conduct in accordance with the fundamental principles. The fund will in first instance seek dialogue with the company (engagement) and use its voting right as a shareholder.

In the event of serious and structural violation of the fundamental principles, the fund will exclude the company from investments.

Government bonds too can be excluded from investments due to serious and structural violation of the fundamental principles.

Since the fund wishes that the code is applied uniformly, the fund has appointed a specialist external research institute in order to structurally screen all investments, engage with companies and authorities, exercise voting rights attached to the shares and to report on its actions in this respect.

4.2 Integration of ESG criteria by external asset managers

The PNO Media Pension Fund uses national and international external asset managers to manage its portfolio. The fund expects that applying criteria in the field of the environment, human rights and corporate governance (ESG criteria) in investment decisions will lead to a better insight into the risks that are attached to individual investments. Hence the fund will be committed to stimulating external asset managers to include ESG criteria in their investment decisions. The fund takes this aspect into account when selecting and monitoring asset managers. In addition, external asset managers are contractually obliged to comply with the Responsible Investment Code of the PNO Media Pension Fund and must report on their actions in that respect.

4.3 Exercising voting rights

As an institutional investor, the PNO Media Pension Fund has an interest in properly functioning financial markets. The compliance of companies with commonly accepted standards for corporate governance contributes to the transparency and properly functioning of the financial markets in which the fund is active as an investor. The PNO Media Pension Fund protects its interests as a shareholder and promotes both its financial interests and compliance with its fundamental principles by exercising the voting rights attached to the shares held by the fund. To this end, the fund uses the services and infrastructure of a consultancy agency that specialises in voting recommendations.

Each quarter, the PNO Media Pension Fund uses www.pnomediaverantwoordbeleggen.nl as a platform to report on its voting behaviour during the general shareholder meetings of the companies in which the fund holds shares.

4.4 Engagement

The engagement approach means that the PNO Media Pension Fund, via a specialist external research agency and, where possible, in conjunction with other institutional investors, seeks dialogue with companies that act in violation of the fundamental principles.

The objective of this engagement approach is to establish a clear and structural change in behaviour by companies the fund invests in. If this approach does not yield the desired result and expectations are that this approach continues to be unsuccessful in the long term, there is a possibility that the relevant institute is excluded from the investment universe.

Many companies do, in principle, qualify for engagement, as they violate the fundamental principles to a greater or lesser extent. Priorities must be set for practical reasons. The PNO Media Pension Fund makes a shortlist of the companies and authorities they want to engage. This shortlist is reviewed regularly on the basis of new information and current developments.

4.5 Exclusion

The PNO Media Pension Fund decides to exclude companies or authorities from investments if:

- one of the core activities of the companies is in breach of the fundamental principles;
- reliable sources indicate that the actions of the company or authority seriously and structurally violate its fundamental principles;
- and/or
- the actions of the company or the authority seriously violate its principles and engagement does not lead to a change in behaviour in due course.

5 Cooperation

5.1 General

Where possible, PNO Media Pension Fund seeks cooperation with other institutional investors in and outside the Netherlands in order to promote compliance with the fundamental principles applied by the fund and research in the field of socially responsible investment.

5.2 United Nations Principles for Responsible Investment

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

- we include the ESG criteria in our investment analysis and decision-making processes.
- we act as active shareholder and involve ESG issues in the corporate policy and the corporate practices of the entities we invest in;
- we ask the entities in which we invest to properly report on ESG-related subjects;
- we stimulate the acceptance and implementation of the PRI principles in the investment sector;
- we work together in order to be more effective in the implementation of the PRI principles;
- we report on our activities and the progress we make in terms of implementing the PRI principles.¹⁴

UNPRI offers the PNO Media Pension Fund access to an efficient international network for exchanging information in the field of socially responsible investment and establishing informal contacts for the implementation of the engagement approach selected by the fund.

5.3 International Corporate Governance Network

The PNO Media Pension Fund is a member of the International Corporate Governance Network, an international network of investors aimed at promoting proper corporate governance. Membership gives the fund access to the research and informal contacts with other specialists.

5.4 Eumedion

The PNO Media Pension Fund is a member of Eumedion. The objective of this organisation is to maintain and further develop sound corporate governance on the basis of the responsibilities of institutional investors established in the Netherlands. Eumedion also undertakes to improve the acceptance of and compliance with corporate governance standards by listed companies and institutional investors, particularly in the Netherlands and Europe.

5.5 Research agencies

The PNO Media Pension Fund uses the services of specialist research agencies for the implementation of this code.

6 Evaluation

This code must be a reflection of the shared opinions of our participants, pensioners and affiliated employers. Since these opinions can change in the course of time, the PNO Media Pension Fund will periodically test this code against opinions of the parties that have an interest in the fund.

7 Communication

In the media, literally everything is about the understandable and timely data transmission, information and communication. As the first-choice pension fund for businesses in the media sector, PNO Media knows that communication about the policy followed is of vital importance. Complete transparency is the basic principle for our external communications. The PNO Media Pension Fund is eager to report on its policy in the field of socially responsible investment and the manner in which the fund gives substance to that policy.

The Tabaksblat Code recommends that institutional investors, such as pension funds:

- use their websites to each year publish their policy with regard to exercising their voting rights on shares they hold in listed companies;
- use their website and/or their annual account to include an annual report on the implementation of their policy with regard to exercising their voting right in the relevant financial year;
- to use their websites to report at least once every quarter whether and how they, as shareholders, voted during the general meeting of shareholders.

The PNO Media Fund endorses these recommendations and fully complies with them. The fund has a website (www.pnomediaverantwoordbeleggen.nl) that provides an insight into this code, all investments in listed companies and its voting behaviour during general meetings of shareholders.

In addition, the fund uses the website as a platform to provide its participants with an insight into the underlying research and offer them the opportunity to respond to the considerations made by the fund. The fund also reports on its actions in its annual report with regard to the manner in which it has dealt with its social responsibility.

Appendix 1 Source references

- 1 Universal Declaration of Human Rights, United Nations General Assembly resolution 217 A (III), United Nations, New York, 10 December 1948.
- 2 International Covenant on Civil and Political Rights, United Nations General Assembly Resolution 2200A(XXI) UN Doc. A/6316 (1966), United Nations, New York, 16 December 1966; International Covenant on Economic, Social and Cultural Rights, United Nations General Assembly Resolution 2200A (XXI), U.N. Doc. A/6316 (1966), United Nations, New York, 16 December 1966.
- 3 ILO Declaration on Fundamental Principles and Rights at Work - 86th Session, Genève, June 1998.
- 4 Freedom of Association and Protection of the Right to Organize Convention, ILO Convention No. 87 (1948); Right to Organize and Collective Bargaining Convention, ILO Convention No. 98 (1949).
- 5 Forced Labour Convention, ILO Convention No. 29 (1930); Abolition of Forced Labour Convention, ILO Convention No. 105 (1957).
- 6 Minimum Age Convention, ILO Convention No. 138 (1973); Worst Forms of Child Labour Convention, ILO Convention No. 182 (1999).
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- 9 Rio Declaration on Environment and Development, Report of the United Nations Conference on Environment and Development, A/Conf.151/26 (Vol. I), Annex I, 3-14 June 1992; UN Convention on Biological Diversity, Rio de Janeiro, June 1992; Convention on International Trade in Endangered Species of Wild Fauna and Flora , Washington, 3 March 1973 (amended in Bonn, on 22 June 1979).
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- 14 Translation and summary of the United Nations Principles for Responsible Investment, Profundo, March 2009.