

Philips Pensioenfond has decided to increase the proportion of green bonds in its 'global government bonds' portfolio

## Contributing to sustainable development with green government bonds

Philips Pensioenfond invests the money from your pension premiums, seeking strong returns at an acceptable level of risk. When we invest the money for your pension, we also make choices about investments that contribute to sustainable development. We do this because our members have indicated that this is important to them, as well as strong returns. In 2021 we began to update various of our investment portfolios to align more closely with four of the United Nations' Sustainable Development Goals (SDGs). This year, we have aligned our investments in global government bonds in developed markets with the SDGs. As a result, we have decided to invest more in 'green' government bonds. Read on to find out more.

### What are green government bonds?

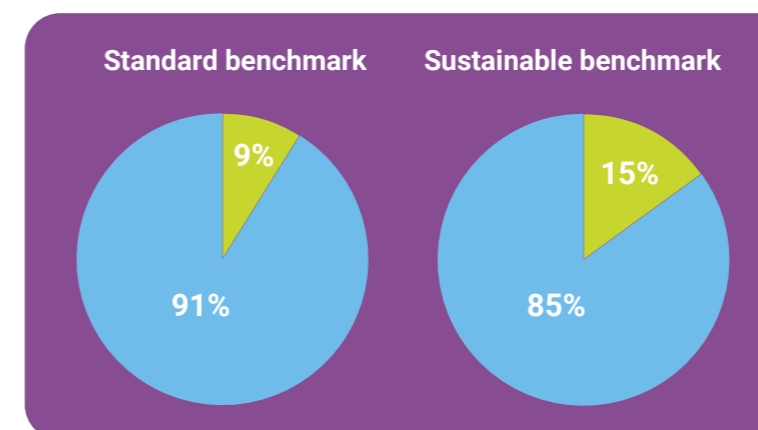
Green government bonds are issued by national governments specifically to finance projects that contribute to sustainable development. This includes initiatives to counteract climate change, encourage the use of renewable energy and preserve biodiversity. However, green bonds can also be used to finance social and societal projects. More and more countries have started issuing green bonds over the past decade, and they regularly report on how the proceeds are spent and what impact the chosen projects have.

### What goals does Philips Pensioenfond support?

The United Nations has defined a total of 17 Sustainable Development Goals (SDGs), which are intended to help create an equitable and sustainable world by 2030 and give people all over the globe guidance in facing challenges such as poverty, healthcare and climate change. Philips Pensioenfond focuses on the goals shown in the image. These goals are supported by our members. Moreover, they are reliable and align with the policies of the

affiliated companies. We have also selected these goals because we believe that they are appropriate and offer useful investment opportunities.

### Sustainable development goals that Philips Pensioenfond supports



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### A greater contribution to sustainable development

At this time, 33% of the pension fund's assets are invested in relatively safe global government bonds with long maturity dates, our largest investment portfolio. This approach provides the greatest possible future certainty for our projected pensions. Even without aligning with the SDGs, we already invested about 9% of this large portfolio in green government bonds. This proportion has now been raised to 15%. But wouldn't it be possible that green investments yield lower returns, meaning lower pensions? Obviously, that is not the idea. We consider the possibilities for focusing portfolios more on the SDGs without compromising on their returns. Then we introduce the changes in such a way that we get the same expected returns and the same risk profile.

### What is the money used for?

**Example 1:** In 2019 the Netherlands issued the country's first green government bond. The loan initially raised €5.8 billion, of which Philips Pensioenfond holds €71 million, as of mid-November 2024.

**What is the money used for?** The Dutch government mostly uses it for funding projects to reduce carbon emissions and to improve flood protections and water management. For example, the Delta Programme is working on risk management in connection with floods and making the country safer

against water. These efforts contribute chiefly to SDG 13: Climate Action.

**Example 2:** In 2022 Austria issued its first green government bond. So far, the loan has raised €6.5 billion, with Philips Pensioenfond investing €52 million, as of mid-November 2024.

**What is the money used for?** Austria invests the money to make homes greener and public transport better and more sustainable. One of the country's targets, for example, is for more than 85% of its rail traffic to run on electricity by 2030, compared with 75% in 2024. This requires updating existing railways and laying new ones. These efforts contribute chiefly to SDG 11: Sustainable Cities and Communities.



### How do we contribute to SDGs?

More information is available in earlier issues of Generaties, and on our website:

[www.philipspensioenfond.nl/en/escg](http://www.philipspensioenfond.nl/en/escg)