Product information on the website for financial products that promote ecological or social characteristics

a) Summary

The Stichting Pensioenfonds SABIC (SPF) pension scheme is classified as an article 8 product according to SFDR, which means that it promotes ecological and social sustainability characteristics.

SPF aims to use its investments for long-term social and other value creation, as well as to offer a good pension to all members, now and in the future. A pension that enables them to enjoy their retirement in a livable world.

SPF actively identifies and mitigates sustainability risks. We do this in various ways. First of all, we exclude certain investments. We also engage with company management as an active shareholder on ESG factors and vote at shareholder meetings.

SPF uses various data sources and methodologies to promote ecological and social sustainability characteristics and implement the above-mentioned activities. These data sources and methodologies enable us to implement our activities, and monitor and report on them. Data sources used by SPF are Sustainalytics and Columbia Threadneedle Investments (CTI).

Information from data sources is used to assess companies and other investments for inclusion in the portfolio (integration), to start a dialogue with companies (engagement), to vote at shareholder meetings (voting), or to exclude companies or countries (exclusion). The information is also used to monitor the existing portfolio. The used data sources are based on quantitative and qualitative assessment methodologies or a combination of the two.

Inevitably, the data sources used also have limitations. For example, a patented scoring methodology may have limited comparability with other scoring methodologies. In addition, some underlying data are regularly supplied via company self-assessment and have not always been validated by an independent party.

Integration and exclusion methods form an integral part of the investment and selection process. SPF also verifies that its asset managers consider sustainability issues in their investment decision-making process.

b) No Sustainable Investment Objective

This financial product promotes ecological or social characteristics but does not have a sustainable investment objective as defined in SFDR legislation.

c) The Financial Product's Ecological or Social Characteristics

SPF considers sustainability to be a major aspect of the investment philosophy and an integral component of its investment principles. SPF aims to use its investments for long-term social and other value creation. To realize this, SPF is promoting the following ecological and social characteristics:

1. Using ESG Factors in Managing Investments:

In managing and evaluating investments.

2. Climate Change and Carbon Footprint:

By measuring the carbon intensity of the share, investment grade credit, and high yield US portfolios. SPF also uses ESG Integration, Engagement, Voting, and Exclusion as instruments to make a positive contribution to the theme of climate.

3. Exclusion Based on the Ten Principles of the United Nations Global Compact:

Companies that conduct themselves in a manner not compatible with the UN Global Compact's Ten Principles are excluded from investment.

4. Exclusion of Socially Controversial Activities:

SPF does not want to be involved in financing countries or companies that develop inappropriate activities. This includes companies involved in the production of controversial weapons such as cluster bombs, land mines, chemical and biological weapons, depleted uranium ammunition, white phosphorus bombs, and nuclear weapons. SPF also does not invest in suppliers of products that are vital to the production of the aforementioned controversial weapons (key suppliers). Countries that do not adhere to international treaties or that are under UN, EU, or Dutch government sanctions are also excluded from investment. In most cases, the sanctions relate to human rights, arms proliferation, and democratic rights.

d) Investment Strategy

SPF's sustainability policy aims for long-term social and other value creation. In adopting long-term value creation as a leading principle, sustainability and sustainability risks are integrated in all investment categories via several pillars:

- ESG Integration
- Engagement
- Voting policy
- Exclusion
- Transparency

ESG Integration

Where possible, SPF manages and evaluates investments according to ESG factors. The way in which societal issues in the form of ESG aspects are embedded in the investment decisions differs for each investment category and mandate. SPF endorses the ESG due diligence steps in accordance with OECD guidelines. SPF expects its fiduciary managers, ESG service providers, asset managers, and companies in which SPF invests to act in accordance with the OECD guidelines for multinational companies and the UN's Guiding Principles on Business and

Human Rights, and to report on this. SPF also expects its fiduciary manager and asset managers to have a sustainability risks policy.

SPF uses various instruments from its sustainability policy to reduce its investment portfolio's negative climate impact as well as achieve positive impact on the climate. SPF does this by using instruments such as engagement, voting, exclusion, and measuring the carbon footprint of the share, investment grade credit, and high yield US investment categories. This measurement method is based on WACI scope 1 and scope 2 data.

Engagement

Engagement involves dialogue with the boards of investee companies. Engagement is used to make agreements with companies on plans, goals, or ambitions including with respect to the climate theme. A climate theme example is an aim to encourage the company to commit to the Paris Climate Agreement and to draw up concrete plans to achieve that commitment.

CTI conducts engagement with companies in the share and corporate bond portfolios on behalf of SPF. SPF participates actively in a collective engagement program. Collective engagement involves conducting engagement on behalf of multiple investors. This increases the engagement influence and increases the likelihood of achieving the desired results.

Targets that CTI has set for companies are based on their own engagement experiences as well as on the best practice standards formulated in this context by initiatives and industry associations.

There are several steps in CTI's engagement processes with companies with respect to combating climate change and reducing carbon emissions. The first step is for companies to recognize the problem and report their scope 1 and 2 carbon emissions. The second step is to formulate emission objectives and the concrete steps to reduce carbon emissions. The third step is to integrate climate risks in the strategy and report on scope 3 emissions. The final step is aligning the carbon reduction objectives with the Paris Climate Agreement.

Voting

In publicly traded companies, exercising voting rights combined with engagement is an influential way to highlight the importance of key issues such as climate action. For cost and capacity considerations, we vote remotely via proxy voting.

We rely on the services of CTI in exercising our voting rights.

For instance, the instrument is used to shape the carbon reduction policy. The submission of resolutions is another option. This enables carbon reduction plans, goals, or ambitions compiled by voting members to be submitted for a vote.

Collective proxy voting involves multiple parties joining the same voting program. This reinforces the influence that shareholders can have with their voting rights. One of CTI's goals in implementing its voting policy is to reduce corporate carbon emissions by 55% by 2030 and achieve net zero emissions by 2050.

CTI votes against board motions of climate laggards in the most emitting industries. Climate laggards are identified according to several minimum standards, including publishing the carbon footprint, formulating a carbon reduction target with a defined timeline, and reporting climate risks in line with the Taskforce for Climate-Related Financial Disclosures (TCFD) or the Carbon Disclosure Project (CDP).

Exclusion

SPF's investment policy produces an investment portfolio that reflects its standards and values. SPF excludes companies and countries based on the risk of negative impact and conflict with its own norms and values. SPF's exclusion policy applies to SPF's segregated mandates within the investment categories of shares, listed real estate, corporate bonds, and state bonds.

SPF excludes the following companies:

- Companies involved in the production of controversial weapons such as cluster bombs, land mines, chemical and biological weapons, depleted uranium ammunition, white phosphorus bombs, and nuclear weapons.
- Suppliers of products that are vital to the production of the aforementioned controversial weapons (key suppliers).

Additionally, companies that conduct themselves in a manner not compatible with the UN Global Compact's Ten Principles are excluded from our investment.

The Ten Principles of the UN Global Compact are derived from the following four international treaties and declarations:

1. The Universal Declaration of Human Rights;
2. The ILO Declaration on Fundamental Principles and Rights at Work;
3. The Rio Declaration on Environment and Development;
4. The United Nations Convention against Corruption.

The Ten Principles are sub-divided into four main themes. These main themes are human rights, labor law, environment, and fighting corruption.

Countries that do not adhere to international treaties or that are under UN, EU, or Dutch government sanctions are also excluded from investment. In most cases, the sanctions relate to human rights, arms proliferation, and democratic rights.

SPF uses the screening and research capacities of Sustainalytics. Sustainalytics engages in worldwide research into social issues and analyzes investment portfolios for their sustainability. Prior to any investment, this is checked against SPF's exclusion list. The investment portfolio is also reviewed each quarter to determine whether all the preceding quarter's investments complied with SPF's exclusion criteria.

Transparency

SPF reports on sustainability in its annual report to ensure transparency about the sustainability policy and its implementation. In the context of transparency about where SPF invests, SPF publishes an annual overview of the total investment portfolio on its website. It also reports the outcomes of its engagement activities and the Vote Summary Report at shareholder meetings on its website. To conclude, the website regularly features items on the SPF sustainability policy.

e) Share of Investments

SPF promotes environmental and social characteristics without pursuing an SRI objective as defined in SFDR legislation. SPF has no minimum allocation for sustainable investments as defined by SFDR or investments in environmentally sustainable activities as defined by the Taxonomy Regulation.

Most of SPF's investments are aligned with ecological and/or social characteristics. These investments relate to shares (including listed real estate), corporate bonds, state bonds, non-listed real estate, infrastructure, and mortgages. The other investments are not aligned to these characteristics and relate to derivatives and liquid assets. There are no ecological or social minimum safeguards for this.

f) Monitoring Ecological or Social Characteristics

SPF uses the following sustainability indicators to monitor how ecological and social characteristics are met:

Realizing Positive Impact on its Environment:

1. CTI is engaged on behalf of the pension fund with respect to the share and corporate bond portfolio. SPF publishes the number of engagements with companies in a year and the number of milestones achieved with engagement in that year.
2. CTI votes on behalf of the pension fund worldwide at shareholder meetings of the listed companies in which SPF invests in accordance with its Corporate Governance and voting policy and provides transparency in this regard. SPF publishes the number of meetings at which it voted.

Climate Change and Carbon Footprint:

3. Measuring the scope 1 and scope 2 carbon footprint (or carbon intensity) for the shares, investment grade credit, and high yield US investment categories.

Exclusion of Companies:

4. Assets invested in excluded individual companies at year-end, excluding fund investments.

   SPF excludes companies that:

   a. Demonstrate conduct incompatible with the UN Global Compact's Ten Principles;

   b. Are involved in the production of controversial weapons such as cluster bombs, land mines, chemical and biological weapons, depleted uranium ammunition, white phosphorus bombs, and nuclear weapons;

   c. Are suppliers of products that are vital to the production of the aforementioned controversial weapons (key suppliers);

   d. Are under UN, EU, or Dutch government sanctions.

Exclusion of Countries:

5. Assets invested in excluded countries at year-end, excluding fund investments.

   SPF excludes countries that:

a. Do not adhere to international treaties or that are under UN, EU, or Dutch government sanctions. In most cases, the sanctions relate to human rights, arms proliferation, and democratic rights.

g) Methodologies

The previous sections introduced SPF's promoted characteristics and associated sustainability indicators. This section further discusses the methodologies used to monitor progress of the promoted characteristics.

Realizing Positive Impact on its Environment:

1. The number of engagements and milestones achieved with engagements as formulated by CTI in a year. The engagement policy is implemented by CTI. SPF participates in a CTI collective engagement program together with other institutional clients; the Responsible Engagement Overlay program. This program was created specifically for institutional investors. DPS, SPF's fiduciary manager, monitors and evaluates CTI's activities. SPF reports on its engagement activities with companies on its website.
2. The number of shareholder meetings and proposals on which CTI has voted on behalf of SPF as a percentage of the total number of shareholder meetings and proposals in that year. SPF uses CTI's services to implement its voting policy. CTI produces regular reports on the implementation of this policy. DPS, SPF's fiduciary manager, monitors and evaluates CTI's activities.

   SPF reports on its website the number of votes cast at shareholder meetings.

Climate Change and Carbon Footprint:

3. SPF measures the scope 1 and scope 2 carbon footprint of the share, investment grade credit, and high yield US investment categories. As measure, the weighted average carbon intensity as an amount emitted (in tons) per million of revenue generated is measured, also known as the Weighted Average Carbon Intensity (WACI).

Exclusion of Companies:

4. SPF monitors the companies that fall under UN, EU, or Dutch sanctions. This analysis is conducted by Sustainalytics.

Exclusion of Countries:

5. SPF monitors the countries that do not adhere to international treaties or that are under UN, EU, or Dutch government sanctions. This analysis is conducted by Sustainalytics.

h) Data Sources and Processing

The Pension scheme uses external data as input for the sustainable investment processes. The preference is for standardized data, where possible. We receive data including from the following sources:

Sustainalytics

- Sustainalytics provides information on the exclusion of companies, State Owned Entities, and countries.
- Sustainalytics provides information on scope 1 and scope 2 carbon emissions of companies in the portfolio.

AFM/Pension Federation

- AFM/Pension Federation's cluster munitions list.

National and International Sanction Lists

- In the context of excluding countries and companies under sanctions, the publicly available EU, NL, and UN sanctions lists are consulted.

CTI

- Under the engagement policy, CTI provides data on the implemented engagement policy, total engagements, and successful engagement on milestones.
- Under the voting policy, CTI provides data on the voting policy implemented, the number of shareholder meetings at which it voted, and the number of proposals voted on in a year.

i) Methodologies and Data Limitations

SPF uses information that is supplied by ESG data providers. Although various sources are used to ensure that environmental and social characteristics are applied to the pension scheme, there are limitations to the methodologies and the data sources.

The scoring methodology of ESG data providers such as Sustainalytics and engagement providers such as CTI is based on a patented methodology. A difference in methodology between the various ESG providers and engagement providers can lead to different outcomes. For instance, the ESG qualification that ESG data providers issue about companies and countries may differ among the various ESG data providers. The ESG ratings issued by ESG data providers are therefore of limited comparability. The focus of one engagement program can also be different than that of another engagement provider.

Data from companies and countries on which ESG data providers rely for their ESG rating may also be based on public sources. Due to transparency requirements for larger companies, there is generally more public information about larger companies than about smaller companies.

Information can also be based on input from companies themselves. The qualification of this information is therefore subjective in certain respects. In other cases, the information is not validated by an independent party.

SPF can only apply and implement its exclusion policy to SPF's segregated mandates and not with respect to the investment funds in which SPF invests. This means that investment funds may hold investments that are on the exclusion list.

j) Due Diligence

Sustainability criteria form part of the selection criteria for investments. This means that SPF considers sustainability as well as financial aspects when assessing investments or investment service providers.

The above-mentioned methods of exclusion, integration, and engagement form an integral part of SPF's investment and selection process. In addition to SPF endorsing the ESG due diligence steps in accordance with OECD guidelines, SPF also expects its fiduciary managers, ESG service providers, asset managers, and companies in which SPF invests to act in accordance with the OECD guidelines for multinational companies and the UN's Guiding Principles on Business and Human Rights, and to report on this. SPF also expects its fiduciary manager and asset managers to have a sustainability risks policy.

k) Engagement Policy

SPF wants its investment portfolio to have as much positive impact as possible and preferably as little negative impact on the world as possible. Influencing companies to change their behavior through engagement combined with voting is one of the most effective ways to achieve this.

The engagement instrument enables agreements to be made with companies about plans, objectives, or ambitions. Engagement is also used to start a series of intensive dialogues with companies whose practices are not in line with the UN Global Compact's principles and where potential or actual negative impact has been identified. An engagement process can be labeled as a proactive or reactive engagement process.

Proactive engagement involves a thematic effort to simultaneously encourage multiple companies (often across the entire sector) to make further improvements. Reactive engagement is initiated after significant misconduct by a company comes to light.

SPF has an active engagement program focused on both proactive and reactive engagement with the aim of encouraging companies to make a positive contribution to the field of social issues and social sustainability issues. SPF has four objectives with respect to engagement based on negative impact:

- The negative impact must stop;
- The company must remediate and/or redress any injured parties;
- The company must take sufficient measures to prevent future incidents;
- The company must be transparent about the measures taken.

For SPF's engagement policy, please visit the SPF website. Click here for SPF's Sustainability policy.

l) Designated Reference Benchmark

There is no comprehensive reference benchmark at the level of the pension scheme to determine whether this is aligned with the environmental and/or social characteristics it promotes. This means that this category does not apply.