



Sustainable Investment

*Providing the Best Possible Pension
for All Generations*

SPF considers sustainability to be a major aspect of its investment philosophy and an integral component of its investment principles. This belief aligns seamlessly with SABIC, a company committed to sustainability and the United Nations' Sustainable Development Goals (SDGs). Since its founding, SPF has been committed to providing the best possible pensions for all members, now and in the future. Achieving the highest possible financial return remains a guiding principle in this respect, on the understanding that future generations should also be able to enjoy their pensions in a livable world.

We as a pension fund are taking ownership of our role in addressing current and future climate challenges. Our sustainability policy is a way of contributing in the long run to keeping our planet livable. At the same time, SPF is convinced that this does not need to put pressure on the portfolio's risk and return profile. Return and an intelligent ESG policy go hand in hand as far as we are concerned. If you want to know about our sustainability efforts in 2022, please read the following summary. You can read the full sustainability report in the SPF Annual Report 2022 on the SPF website under 'Downloads'.

Further Development of Sustainability Policy

SPF's Board further developed the fund's sustainability policy in 2022. For instance, we started measuring the carbon footprint of part of our investment portfolio (in the asset categories shares, investment grade credits, and US high yield). In the context of European sustainability legislation (SFDR), we also decided to report on a set of twenty different sustainability indicators from the second quarter of 2024.

SPF held a survey among its members in 2022 regarding their Socially Responsible Investing requirements and preferences. Over 500 members completed the survey, which revealed that their preferences were aligned with SPF policy. Members also requested more communication about sustainability. The Board is positive about the survey response, as this input can help to further refine the 2023 sustainability policy. Six pillars are central to that policy. We discuss those pillars below.

Themed Focus Areas: Climate

SPF endorses the OECD guidelines for multinational companies and the UN's Guiding Principles on Business and Human Rights. We focus on specific social developments that are important to members and that form a high risk for the investment portfolio. It is against this background that we aim to work particularly on the sustainability theme of climate change.

ESG Integration

ESG stands for Environment, Social, and Governance. Where possible, SPF applies ESG factors in its investment management and assessment. We integrate ESG aspects into the different categories we invest in, and we include these aspects in our investment decisions.



“ SPF started measuring the carbon footprint of part of our investment portfolio”



Engagement

SPF has an active engagement program. We want to encourage companies to make progress on social and sustainability issues. We do this in 2 ways: proactively and reactively.

The objective for proactive engagement is to simultaneously encourage multiple companies (often within a given sector) to make further improvements. Reactive engagement focuses on influencing one company. We have entrusted engagement to Columbia Threadneedle Investments (CTI), who acts as an engagement party on behalf of a number of institutional investors. Our engagement program focuses on real estate and other shares and holdings in the company bond portfolios investment grades and high yields.

In 2022, CTI held discussions with 442 companies from SPF's portfolio in 39 countries. This led to a positive change 164 times. CTI achieved these milestones on topics including climate change, employment conditions, company governance, and health.



Voting Policy and Corporate Governance

SPF uses a specific voting approach to monitor material affairs of all listed companies and real estate companies in which we invest. Material affairs are affairs that will probably have a considerable effect on the capacity of the company to create long-term value. CTI also implements our voting policy.

In total, SPF voted at 1,257 meetings in 2022. We voted 52 times on climate-related proposals, of which 8 concerned proposals regarding the transition as a consequence of climate change.

Our policy for good governance focuses on protecting SPF's interests as a shareholder while at the same time living up to our responsibility as a shareholder.



Exclusions

SPF does not invest in companies that fail to act in accordance with the UN Global Compact's Ten Principles. We also exclude producers of controversial weapons such as nuclear, biological, and chemical weapons, depleted uranium munitions, and white phosphorus munitions. We also exclude companies and countries that conduct activities that the United Nations, the European Union, or the Dutch government deem unacceptable. These are mainly issues concerning human rights and weapons. To identify companies and countries for exclusion, Sustainalytics carries out screening on behalf of the fund to establish the companies and countries in which SPF should not invest. Sustainalytics screens both developed and emerging markets on the above criteria.

At end 2022, SPF excluded 106 companies and 14 countries from its investment universe. In comparison: at end 2021, SPF excluded 101 companies and 13 countries from its investment universe.



Transparency

SPF publishes an Annual Report to ensure transparency about the sustainability policy and how it is implemented. This report describes our sustainability efforts in that year and which results were achieved with respect to sustainability. We also publish an annual overview of the outcomes of the overall investment portfolio on our website as well as the results of votes at shareholder meetings and the engagement policy. You will also find our sustainability policy there. Additionally, the SPF Newsletter and the website regularly feature items on the sustainability policy.

SPF signed the Covenant on International Socially Responsible Investment ('IMVB-covenant' in Dutch) in 2018. In doing so, we pledged to embed the OECD guidelines and UN Guiding Principles in our policies, outsource activities to external service providers, and monitor and report on this topic.

Sustainability Activities in 2023

The SPF sustainability policy will continue to be an important agenda item for SPF's Board in 2023. Examples of activities mentioned by the Board with respect to sustainability in 2023 are:

- Evaluating and, if necessary, expanding the exclusion policy for countries and companies based on the fund's sustainability ambition and the preferences indicated by members in the 2022 member survey;
- Defining policy for when an engagement process with a company does not deliver the required results;
- Setting a carbon reduction target;
- Defining the Sustainable Development Goals (SDGs) on which the fund aims to focus;
- Investigating allocation options for the focus SDGs within the investment portfolio;
- Further implementing the requirements of the European sustainability legislation (SFDR);
- Increasing support for sustainable and responsible investment among members by reporting more on our sustainability activities and results.