Stichting Pensioenfonds SABIC

Brochure

Socially Responsible Investing and Corporate Governance

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This brochure is about Socially Responsible Investment (SRI) and Governance. SRI is understood to include investing in accordance with social, ethical, and environmental considerations. Governance is about the principles of good corporate governance and the procedures to be followed in this respect at the companies in which Stichting Pensioenfonds SABIC (SPF) invests.

Both SRI and the focus on Governance influence the way in which SPF invests its pension funds. Through a fundamental analysis of annual reports, broker research, ESG-related research (via Sustainalytics), and other areas, SPF obtains a picture of the financial and non-financial performance and risks of the European companies in which it invests.

SPF is of the opinion that it has a social responsibility, which is why it has developed a policy relating to socially responsible investing. In this policy, SPF does not lose sight of the fact that when investing pension monies, it must make sufficient returns now and in the future if it is to continue to be able to pay out pensions. According to the pension fund, socially responsible investing is possible without reducing the return on investments.

SPF's SRI policy is based on the pillars of exclusion, Corporate Governance and voting policy, engagement, ESG Integration, and transparency.

In addition, at the end of 2018, SPF and other pension funds signed the Covenant on International Socially Responsible Investment by Pension Funds. The signatories of this Covenant have opted for an approach that takes the OECD Guidelines for Multinational Enterprises and the *UN Guiding Principles on Business and Human Rights* as the basis for identifying, prioritizing, and addressing ESG risks. The signatories also choose to cooperate with non-governmental organizations, labor unions, and government. SPF works with various institutional investors via BMO. Collaboration is also sought via the IMVB covenant.

Exclusion

SPF excludes some companies or countries from investment. The basis for excluding companies and countries is that they engage in activities that the United Nations, the European Union, or the Dutch government deem unacceptable.
The United Nations has recorded what it considers unacceptable in this connection in its 'Ten principles of the UN Global Compact'. These are derived from the following four international treaties and declarations: This concerns:

- The Universal Declaration of Human Rights.
- The ILO Declaration on Fundamental Principles and Rights at Work.
- The Rio Declaration on Environment and Development.
- The United Nations Convention against Corruption.

The ten principles that flow from this are:

Human Rights

Principle 1: Companies should support and respect the protection of internationally proclaimed human rights.
Principle 2: They should ensure that they do not become complicit in human rights violations.

Labor Law

Principle 3: Companies must recognize labor union rights as well as the right to collective bargaining.
Principle 4: All forms of forced labor are prohibited.
Principle 5: Child labor must be abolished.
Principle 6: Discrimination in respect of employment and occupation must be eliminated.

Environment

Principle 7: Companies must support a precautionary approach to environmental impact.
Principle 8: They must take initiatives to advance environmental responsibility.
Principle 9: They should promote the development and dissemination of environmentally friendly technologies.

Fighting Corruption

Principle 10: Companies must combat all forms of corruption, including extortion and bribery.

As well as excluding companies that do not meet the ten Global Compact principles, SPF also excludes companies that are producers or important suppliers of controversial weapons. SPF does not invest in the producers or major suppliers of producers of the following controversial weapons.

- Landmines
- Biological weapons
- Chemical weapons
- Depleted uranium ammunition
- Nuclear weapons
- White phosphorus bombs

SPF also does not invest in state bonds of countries that are sanctioned by the United Nations or the European Union. For the most part, these sanctions relate to human rights and weapons issues.

SPF uses the services of Sustainalytics to decide which companies and countries to exclude from investments. Sustainalytics conducts investigations for SPF (and other investors) regarding the companies and countries in which the fund should not invest, in accordance with SPF's determined exclusion policy.

Corporate Governance and voting policy

Companies that take ESG factors seriously also create opportunities for themselves. Sustainability can increase profits if companies produce energy aware or environmentally-aware products. This creates a win-win situation, reducing both environmental impact and ensuring that shareholders can expect good returns.
Good corporate governance is about transparent and efficient supervision of a company's Board. This requires a balanced distribution of influence between the Board, the Supervisory Board, and the Annual General Meeting of shareholders. The basic principle is that the Board and the Supervisory Board are accountable for their corporate policy and the monitoring exercised by the Supervisory Board.

Shareholders should then be able to influence policy and policy monitoring.

By making its voice heard at shareholder meetings, SPF can influence the policy and quality of the boards of those companies in which it holds shares. This can ultimately have a positive effect on the value of shares and reduce investment risks. Each share in a company gives the holder of that share the right to vote at that company's shareholder meetings. Matters on which votes can be cast include the adoption of the financial statements, profit-sharing, authority to repurchase or issue shares, the appointment of Board members and Supervisory Board members, and the remuneration policy.
SPF invests in a great many companies, and it is not always possible to have someone attend every meeting of shareholders on our behalf.

As SPF still wants to vote, SPF does this remotely (proxy voting). We rely on the services of Institutional Shareholder Services (ISS), in exercising our voting rights. This is a renowned institute in this area.
The Dutch Corporate Governance Code ('Code Tabaksblat') came into effect on January 1, 2004. The fund subscribes to the Code Tabaksblat and actively uses this code when exercising its voting rights.
The fund restricts itself to exercising its voting rights on Dutch shares.

The focus on Dutch shares, in which the scope of the voting policy is restricted to a certain number of companies, enables the voting recommendations to be assessed in more depth. This provides more insight into the risks and opportunities. Moreover, a limited voting policy scope makes it is easier to recognize a company's sustainable and social developments and direction in time and to call for accountability or redirection of the company via the voting policy at an early stage.
In addition, the fund has a good knowledge of the Dutch market in which it invests and is also aware of the prevailing dynamics. A more balanced interpretation can then be given to active shareholdership than can be given for a globally distributed voting policy in which there is less feeling for market developments and the local values and norms. It is also a better match for the societal call for more personal responsibility that voting behavior at shareholder meetings is determined with deeper insight.

More information on the voting policy can be found **here** (the 'Europe Summary Proxy Voting Guidelines').
To see how SPF voted, click **here**.

Engagement

Engagement is about entering into a dialogue with companies that do not comply with social norms and values. It therefore goes beyond the voting policy at shareholder meetings. Engagement is often used as a means of entering into dialogue with a company, regardless of whether it is a shareholder or not. This also means that engagement can be applied in cases involving corporate bonds. Given the intensity involved in entering into dialogue with many dozens of companies on various subjects and the economies of scale that can be achieved, BMO has been appointed as an external engagement provider for this purpose. Reports on SPF's engagement activities are presented in the annual report and on the website.

ESG Integration

With the exception of the above-mentioned pillars, SPF takes another important factor into account in its socially responsible investment policy. This is the integration of ESG factors within the investment portfolio.

SPF considers the so-called ESG factors when investing.
Companies that impact the environment too much or do not handle certain social factors in an acceptable way (such as employees and other stakeholders in the company) are not an ESG investment according to SPF. SPF is convinced that such companies have no basis for existence in the future and are therefore not good investments for the fund.
A minimum level of ESG integration is required to guarantee the company's long-term existence.

Companies that take ESG factors seriously also create opportunities for themselves. Sustainability increases profits if companies produce energy or environmentally-aware products. This creates a win-win situation, reducing both environmental impact and ensuring that shareholders can expect good returns.

Transparency

SPF is transparent about its investments. SPF publishes an overview of the total investment portfolio on the website each year. SPF will also provide a Vote Summary Report on votes at shareholder meetings on its website. Click **here** for an overview of SPF investments (in Dutch).

In its annual report, SPF provides information about the results and details of its socially responsible investment policy over the past year.

Contact

If you have any questions about your pension, please visit our website: **spf-pensioenen.nl**
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