

PRE-CONTRACTUAL DISCLOSURE

SNPS

Shell Nederland Pensioenfonds Stichting



ANNEX B

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and in Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Pension schemes 1 to 4 of Shell Nederland Pensioenfonds Stichting (SNPS) Legal Entity Identifier (LEI): 724500KJ88WIVOTMQB89

ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS (E/S CHARACTERISTICS)**Sustainable investment:**

an investment in an economic activity that contributes to achieving an environmental or social objective, provided that this investment does not seriously compromise environmental or social objectives and provided that the investee companies apply good governance practices.

The **EU taxonomy** is a classification system established by Regulation (EU) 2020/852. It concerns a list of environmentally sustainable economic activities. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective may or may not be taxonomy-aligned.

Does this financial product have a sustainable investment objective?

☒ ☒ ☐ **Yes**

- ☐ This product will at least make the following **sustainable investments with an environmental objective**:%
- ☐ in economic activities that qualify as environmentally sustainable according to the EU taxonomy
- ☐ in economic activities that do not qualify as environmentally sustainable according to the EU
- ☐ This product will at least make the following **sustainable investments with a social objective**:%

☒ ☐ ☒ **No**

- ☐ This product **promotes environmental/social (E/S) characteristics**. While sustainable investment is not its goal, it will at least of% of sustainable investments contain
- ☐ an ecological objective in economic activities that qualify as environmentally sustainable according to the EU taxonomy
- ☐ in economic activities that do not qualify as environmentally sustainable according to the EU taxonomy
- ☐ with a social objective
- ☒ This product promotes E/S characteristics but **will not make sustainable investments**.



WHICH ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS DOES THIS FINANCIAL PRODUCT PROMOTE?

SNPS strives for sustainable development and a strong social licence to operate, while representing the interests of current and former participants, retirees as well as those of society. Besides important return and risk considerations, Environmental, Social and Governance (ESG) considerations are also taken into account in the investment process. SNPS has embedded these principles in a Socially Responsible Investment policy ([SRI policy](#)).

SNPS is made up of several building blocks. Based on the composition of the building blocks in which investments are made, 4 underlying pension schemes are distinguished (Table 1). These pension schemes promote E&S characteristics but do not have a sustainable investment objective, as defined in the SFDR.

Table 1. Composition of pension schemes

Pension scheme	Building blocks	Employment commencement before/after	Lifecycle	Deelname Collectief Variabel Pensioen (CVP) (default)
Pension scheme 1	LCP Return, LCP Interest	After	Offensive	Yes
	LCP Return, LCP Interest	After	Neutral	Yes
	LCP Return, LCP Interest	After	Defensive	Yes
	LCP Return, LCP Interest	Before	Neutral	Yes
	LCP Return, LCP Interest	Before	Defensive	Yes
Pension scheme 2	LCP Return	Before	Offensive	Yes
Pension scheme 3	LCP Return, LCP Interest, LCP Matching	After	Offensive	No
	LCP Return, LCP Interest, LCP Matching	After	Neutral	No
	LCP Return, LCP Interest, LCP Matching	After	Defensive	No
	LCP Return, LCP Interest, LCP Matching	Before	Offensive	No
	LCP Return, LCP Interest, LCP Matching	Before	Neutral	No
	LCP Return, LCP Interest, LCP Matching	Before	Defensive	No
Pension scheme 4 (benefit phase)	CVP (net)	N/A	CVP net	-
	CVP (gross)	N/A	CVP gross	-

Participants can choose whether they want to participate in the CVP in the year before they turn 58. The composition of building blocks is the same for participants under the age of 58 regardless of their choice whether or not to participate in the CVP. Building blocks do of course differ depending on the profile chosen (defensive, neutral or offensive) and entry into service before/after 1/7/2013.

The pension schemes promote the following E&S characteristics:

Improved governance

The pension schemes promote improved governance in the global equity mandate by achieving a higher governance rating¹ in relation to the benchmark².

CO₂ reduction

The pension schemes promote CO₂ reduction in the global equity mandate by achieving a lower CO₂ intensity compared to the benchmark³. The pension schemes aim to achieve a CO₂ intensity that is 15% lower than the benchmark.

Exclusion of controversial weapons

The pension schemes promote the abolition of controversial weapons by companies that are involved in or connected with the production, distribution or sale of controversial weapons.

On a pre-trade basis, companies that perform very poorly⁴ in terms of good governance by violating international standards are excluded. Engagement is undertaken with these companies on a post-trade basis. If no progress is made, the decision can still be made to exclude the companies in question.

What sustainability indicators measure the achievement of each of the environmental or social characteristics promoted by this financial product?

The E&S characteristics promoted by SNPS are made transparent through the following sustainability indicators:

CO₂ reduction

The carbon footprint⁵ of the investment portfolio in the global equity mandate.

Exclusion of controversial weapons

The percentage of excluded companies from the investment portfolio involved in the production, distribution or sale of controversial weapons.

¹ A governance rating is part of an ESG rating, which is a measurement of performance based on various ESG criteria. There are several institutes that determine an ESG rating. SNPS' pension schemes use the ESG ratings of MSCI.

² The benchmark in this case is the generic MSCI World Index consisting of more than 1,500 shares of large-cap and mid-cap companies in 23 developed markets.

³ The benchmark in this case is the carbon metric data set of the generic MSCI World Index consisting of more than 1,500 shares of large-cap and mid-cap companies in 23 developed markets.

⁴ 'Poor' refers to companies that have been 'red' flagged by ISS ESG. ISS ESG assigns this status in case of a verified violation of international standards. This requires two conditions to be met: the violation has been verified by an authoritative body and the company has not addressed the violation.

⁵ The total annual greenhouse gas emissions of each company in the portfolio is calculated to determine the carbon footprint. The calculation looks at both the emissions caused by the company's own business activities (scope 1 according to the Greenhouse Gas Protocol) and those associated with the production of energy purchased by the company (scope 2 according to the Greenhouse Gas Protocol). This is divided by the enterprise value including cash (EVIC) in the same year. The result shows how many greenhouse gases a company emits for every euro of funding. To arrive at the carbon footprint of the portfolio as a whole, the weighted average of the carbon footprints of all investee companies is calculated. Companies in which investments are high thus carry more weight.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are achieved.

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to those objectives?

The pension schemes do not have the specific aim to invest in activities/companies that meet the criteria of the EU Taxonomy (EU criteria for environmentally sustainable economic activities). The pension schemes therefore do not have a sustainable investment objective as defined in the SFDR. As such, this question does not apply.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

The pension schemes do not have the specific aim to invest in activities/companies that meet the criteria of the EU Taxonomy (EU criteria for environmentally sustainable economic activities). The pension schemes therefore do not have a sustainable investment objective as defined in the SFDR. As such, this question does not apply.

In what way or ways have indicators of adverse impacts on sustainability factors been taken into account? The pension schemes do not consider principal adverse impacts of investment decisions on sustainability factors as referred to in the SFDR and use the SFDR opt-out option. This is because there are currently no processes in place to identify, prioritise and monitor these impacts. SNPS aims to have processes in place by the second half of 2023, which will enable the pension fund to take principal adverse impacts on sustainability factors into account and take appropriate measures in order to mitigate these impacts.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Although the pension schemes do not have the specific aim to invest in activities/companies that meet the criteria of the EU Taxonomy (EU criteria for environmentally sustainable economic activities), the pension schemes' investments are in line with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The EU taxonomy establishes the principle of 'no significant harm'. This implies that taxonomy-aligned investments may cause no significant harm to the objectives of the EU taxonomy, accompanied by specific EU criteria.

The 'no significant harm' principle applies only to the underlying investments of the financial product that take the EU criteria for environmentally sustainable economic activities into account. The underlying investments of the remaining part of this financial product do not take the EU criteria for environmentally sustainable economic activities into account.

Other sustainable investments should also not cause significant harm to environmental or social objectives.



DOES THIS FINANCIAL PRODUCT TAKE INTO ACCOUNT THE PRINCIPAL ADVERSE IMPACT ON SUSTAINABILITY FACTORS?

☐ Yes

☒ No



WHAT INVESTMENT STRATEGY DOES THIS FINANCIAL PRODUCT FOLLOW?

It is SNPS' vision that responsible investment contributes to long-term value creation and that shareholder engagement promotes good governance and corporate responsibility. SNPS has eight investment beliefs that serve as the starting point for its investment strategy:

- Taking deliberate investment risks is necessary to generate a return, but unrewarded risks must be hedged as much as possible where this is (economically) useful;
- Diversification of investments improves the risk-return profile of the entire investment portfolio, while explicitly taking into account the underlying sources of risk and return;
- Age-dependent investment provides participants with a solid basis for an optimal risk-weighted (pension) result;
- The governance of the pension fund must match the degree of complexity of the investment strategies and underlying portfolios;
- Internal and external expertise, combined with robust countervailing power, results in well-considered investment decisions;
- Engaged ownership promotes good governance and corporate social responsibility. Integration of 'ESG' factors is essential in the investment cycle and leads to an improvement of the risk-return profile;
- Active management can provide added value because not all markets are always equally efficient; and
- Additional costs, within certain boundaries, are acceptable in order to generate additional expected return, manage the risks better or achieve key investment objectives.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

In addition to these investment beliefs, SNPS also applies the SRI policy both before and after purchasing investments. This is done by ESG service providers Achmea Investment Management B.V. (Achmea IM), to which SNPS has outsourced asset management, and EOS at Federated Hermes (EOS), from which SNPS purchases engagement services. In its SRI policy, SNPS prioritises thematic focus areas based in part on participant preferences. In addition to legislation, SNPS also uses national and international codes and guidelines as a starting point when drafting its SRI policy. These codes and guidelines include the Dutch Pension Funds' International Socially Responsible Investment Covenant (IMVB Covenant), UN Global Compact (UNG), UN Guiding Principles on Business and Human Rights (UNGP), UN Sustainable Development Goals (SDGs) and the OECD Guidelines for Multinational Enterprises.

The SRI policy is implemented through the following instruments:

- Selecting and supervising external managers: When choosing an external fund manager, a consideration is that it uses sustainability criteria and long-term value creation as a guiding principle.
- ESG integration: By including ESG factors in considerations during the investment process.
- Engagement and voting policy: By seeking dialogue with company management, both proactively and reactively.
- Exclusion policy: By, in addition to excluding companies that are involved in the production, distribution or sale of controversial weapons and companies that, on a pre-trade basis, perform very poorly in terms of good governance, also excluding companies that do not make any progress in terms of corporate sustainability.

SNPS invests its assets for the main part in investment funds that are managed by external asset management companies. As SNPS is not the legal owner of the investments that are maintained in these funds, SNPS implements this investment belief based on a derived responsible ownership vision. This entails that SNPS imposes certain requirements and conditions on external asset management companies, including having adequate engagement and voting policies in place, implementing them appropriately and providing transparent reports. Part of SNPS' assets are invested directly through the global equity mandate, whereby SNPS, through EOS, engages with companies in which SNPS invests. Because SNPS believes in engagement as a tool to achieve sustainable change, exclusion is implemented as a last resort when engagement has repeatedly proven ineffective/impossible. This will be decided on a case-by-case basis.

What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?

In selecting investments, the following binding elements are used to attain the E/S characteristics:

- The global equity mandate should have a 15% lower carbon footprint compared to the benchmark.
- The pension schemes exclude companies which are involved in the production, distribution or sale of controversial weapons.
- On a pre-trade basis, the pension schemes exclude companies that violate international standards. At a minimum, it takes into account legal requirements on:
 - sound management structures;
 - employee relations;
 - employee benefits;
 - tax compliance.

By what committed minimum percentage should the scope for considered investments be limited before the that investment strategy is applied?

There is no committed minimum reduction of the investment universe for the investment strategy of SNPS. The binding elements do lead to a limitation of the investment universe, but this limitation is not set in advance.

What is the assessment policy for good governance practices of investee companies?

Good governance practices comprise good management structures, employee relations, employee benefits and tax compliance.

SNPS takes national and international codes and guidelines as a starting point for its policy to assess good governance practices. On a pre-trade basis, companies that do not comply with international codes and guidelines relating to good governance are excluded. Engagement is undertaken with these companies on a post-trade basis. If no progress is made, there is still the option to exclude the relevant companies. At a minimum, it takes into account legal requirements on:

- sound management structures;
- employee relations;
- remuneration of staff;
- tax compliance.



WHAT ASSET ALLOCATION IS PLANNED FOR THIS FINANCIAL PRODUCT?

Investments are made in different building blocks for each pension scheme, including the Return, Interest, Matching, CVP net and CVP gross building blocks (see Table 1). The percentage of investments aligned with E&S characteristics is as follows:

Return:

#1 – 40% are investments aligned with E/S characteristics based on the application of CO₂ reduction and the exclusion of controversial weapons. This concerns the investment category: developed market equities.

#2 - 30% falls into the category "Other". These investments are not used to promote E/S characteristics.

Interest

#1 – 0% are investments aligned with E/S characteristics based on the application of CO₂ reduction and the exclusion of controversial weapons.

#2 - 100% falls into the category "Other". These investments are not used to promote E/S characteristics.

Asset allocation describes the proportion of investments in specific assets.

Matching

#1 – 0% are investments aligned with E/S characteristics based on the application of CO₂ reduction and the exclusion of controversial weapons.

#2 - 100% falls into the category "Other". These investments are not used to promote E/S characteristics.

CVP net

#1 – 16% comprise investments that are in line with E/S characteristics based on the application of CO₂ reduction and the exclusion of controversial weapons.

#2 – 84% falls into the category “Other”. These investments are not used to promote E/S characteristics.

CVP gross

#1 - 16% are investments aligned with E/S characteristics based on the application of CO₂ reduction and the exclusion of controversial weapons.

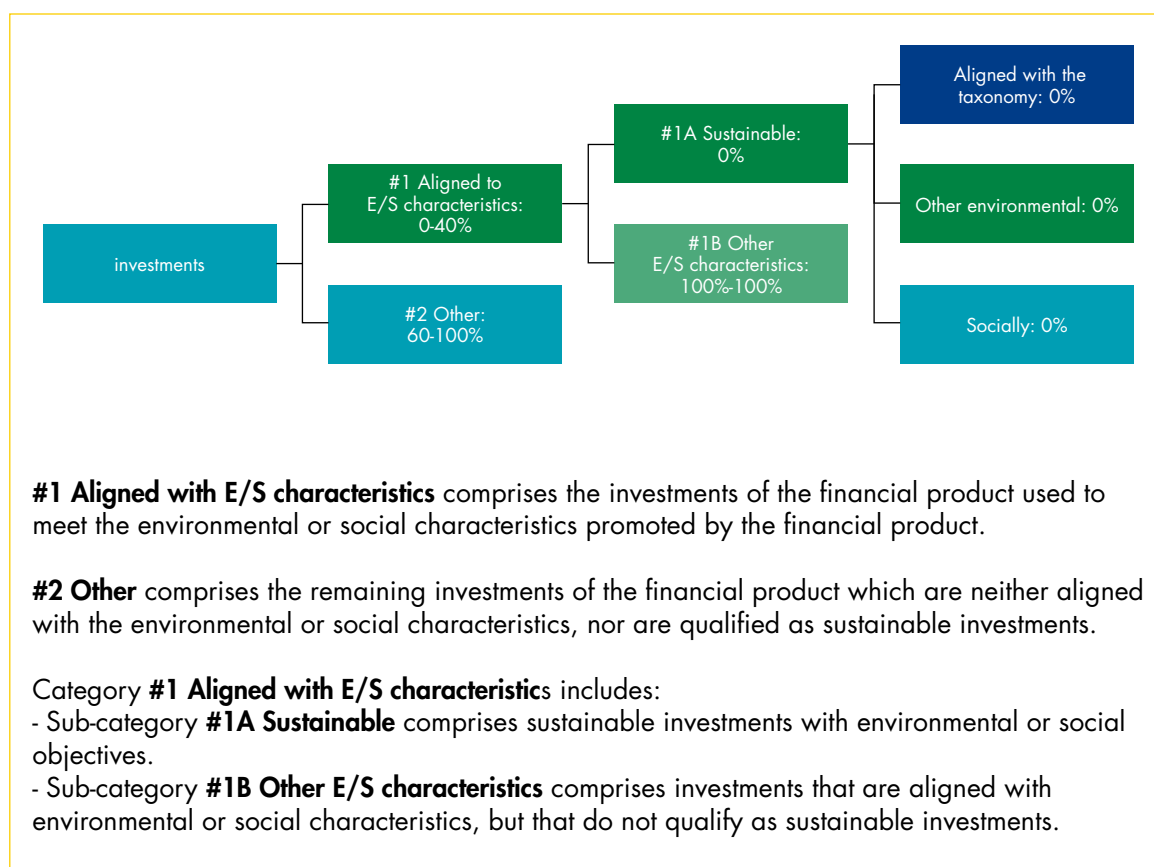
#2 – 84% falls into the category “Other”. These investments are not used to promote E/S characteristics.

Within the Return, CVP net and CVP gross building blocks, investments are also made in emerging market equities, high-yield, Dutch mortgages and government bond mutual funds, which incorporate ESG criteria. However, these mutual funds cannot (yet) be regarded as an E&S characteristic, as they cannot (yet) be measured as such. Once data within these mutual funds are made available, the percentage of investments aligned with the three E&S characteristics is expected to increase significantly.

The exact percentage of investments aligned with E/S characteristics varies by participant, as the ratio of the building blocks invested in is based on age cohorts.

Taxonomy-aligned activities are expressed as a share of:

- the **turnover** that shows the share of revenues from green activities of investee companies; - the capital expenditure (CapEx) showing which green investments are made by investee companies, e.g. for a transition to a green economy;
- **operating expenses** (OpEx) that reflect green operating activities of investee companies.



How does the use of derivatives meet the environmental or social characteristics promoted by the financial product?

The use of derivatives does not contribute to attaining the E/S characteristics of SNPS. SNPS has the option to use derivatives only if it helps to improve the risk profile or facilitate effective portfolio management.



To what extent are sustainable investments with an environmental objective minimally aligned with EU taxonomy?

The pension schemes do not pursue an environmental objective as defined in the EU taxonomy. Therefore, 0% of the underlying investments of the pension schemes takes the EU taxonomy criteria for environmentally sustainable investments into account.

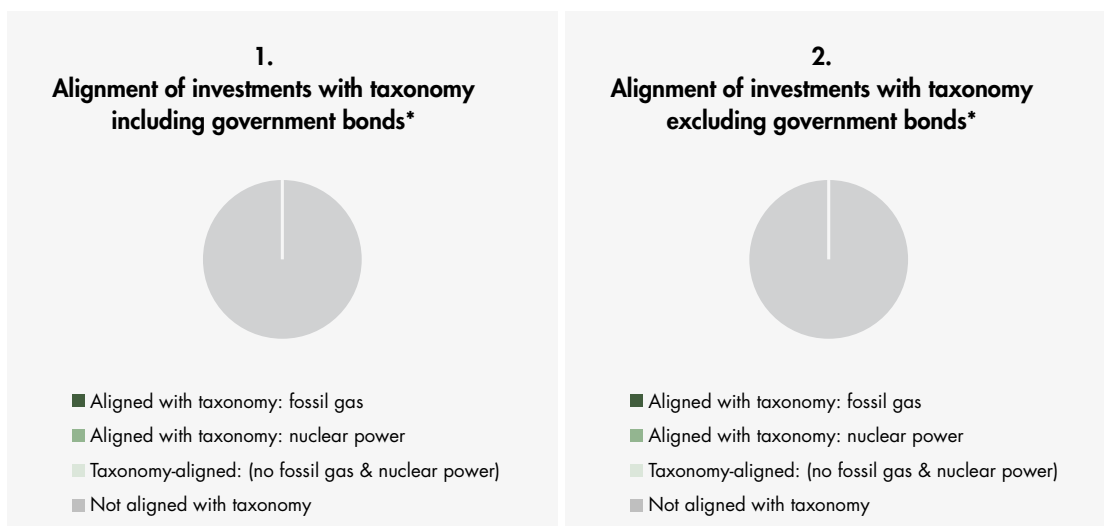
Does the financial product invest in activities in the fossil gas and/or nuclear power sectors that comply EU taxonomy⁶?

☐ Yes: ☐ in fossil gas ☐ in nuclear power

☒ No

To determine compliance with EU taxonomy, the **fossil gas** criteria include emission limits and conversion to renewable energy or low-carbon fuels by the end of 2035. For **nuclear power**, the criteria include extensive rules on safety and waste management.

The two charts below show in green the minimum percentage of investments aligned with the EU taxonomy. There is no suitable method to determine the extent to which government bonds* are aligned with the taxonomy. Therefore, the first chart shows the degree of alignment for all investments of the financial product including government bonds, while the second chart shows the degree of alignment with the taxonomy only for the investments of the financial product in products other than government bonds.




*In these charts, 'government bonds' include all sovereign exposures.

⁶ Activities in the fossil gas and/or nuclear power sectors will only comply with the EU taxonomy if they contribute to climate change mitigation ("climate mitigation") and cause no significant harm to the objectives of the EU taxonomy -see the note in the left margin. The comprehensive criteria for economic activities in the fossil gas and nuclear power sectors that comply with the EU taxonomy are set out in Commission Delegated Regulation (EU) 2022/1214.

What is the minimum share of investments in transition and facilitating activities?

Not applicable.

 are investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU taxonomy.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable.



What is the minimum share of socially sustainable investments?

Not applicable.



Which investments are included in 'Other'? What is their purpose and are there any minimum environmental or social safeguards?

No E/S characteristics are applied to the investments belonging to #2 Other or they consist of a percentage of cash and cash reserves. The purpose of these investments is to achieve returns. The aim is to keep the percentage of cash and cash reserves as low as possible.



HAS A SPECIFIC INDEX BEEN IDENTIFIED AS A REFERENCE BENCHMARK TO DETERMINE WHETHER THIS FINANCIAL PRODUCT IS ALIGNED WITH THE ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS IT PROMOTES?

Reference benchmarks are indices that measure whether the financial product meets the environmental or social characteristics that the product promotes.

SNPS' ESG service provider, Achmea IM, uses reference benchmarks to achieve, or monitor the achievement of, some of the E&S characteristics promoted by SNPS. This refers to the 'CO₂ reduction' in relation to the global equity mandate.

How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by this financial product?

All ESG data are supplied by external data suppliers. Both the data and the data suppliers are reviewed by SNPS' ESG service providers on a continuous basis. Prior to implementation of the benchmarks, the benchmarks are tested to confirm that they are suitable for the purpose for which they will be used.

How is the alignment of the investment strategy with the methodology of the index continually guaranteed?

For the 'CO₂ reduction' characteristic, the global equity mandate is compared to the MSCI World Index benchmark. Where necessary, adjustments are made to ensure that the carbon footprint of the global equity mandate is 15% lower than the benchmark at all times.

How does the designated index differ from a relevant broad market index?

For the 'CO₂ reduction' characteristic, the carbon metric data set of the generic MSCI World Index is used, which consists of more than 1,500 shares of large-cap and mid-cap companies in 23 developed markets.

Where can the methodology used for the calculation of the designated index be found?

A calculation of the designated index can be shared by ESG service provider Achmea IM.

Where can I find more specific information about this product online

Further information that is specific to the product is available on the [website](#) of SNPS.