

# STATEMENT OF INVESTMENT PRINCIPLES

JUNE 2023

**SNPS**

Shell Nederland Pensioenfonds Stichting



Statement of investment principles – version 14 June 2023  
Established by: The Board of Shell Nederland Pensioenfonds Stichting (SNPS)

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# 1. INTRODUCTION

This statement of investment principles (hereinafter: Statement) outlines the investment policy of Shell Netherlands Pension Fund Foundation (Shell Nederland Pensioenfonds Stichting (SNPS)). This policy is determined by the Board of SNPS. Investment policy is elaborated on in detail in an investment report. The investment instruction (implementation of the policy) is set out in the Investment Guidelines.

SNPS will make this statement available to entitlement and pension beneficiaries when requested to do so. The statement can also be found on the SNPS website: [www.shellpensioen.nl](http://www.shellpensioen.nl) (under 'downloads').

The Board adopted this statement on the 14th of June 2023. It will be reviewed every three years and also after every important change to investment policy.

Below, a brief profile of SNPS is followed by a description of how investment policy is determined and how the Board renders account about policy and its implementation. Attention then turns to investment policy. This statement ends by setting out how investment policy is implemented.

## 2. PROFILE OF SNPS

### 2.1 ORGANISATION

SNPS is a company pension fund of the Shell Group in the Netherlands and is responsible for administering the pension schemes that SNPS member group-companies have provided for the employee categories in question. SNPS is a separate legal entity (foundation), because of which it is legally independent of the Shell Group.

### 2.2 NO SECONDARY ACTIVITIES

SNPS limits its activities to the administration of pension schemes and activities directly connected to the administration of these schemes. In accordance with 116 of the Pensions Act (*Pensioenwet*), SNPS does not engage in any secondary activities.

### 2.3 THE GROSS AND NET PENSION SCHEMES

The gross and net pension schemes that SNPS administers are standard defined contribution schemes (pure defined contribution agreements). The defined contribution agreement stipulates that a defined contribution or net pension contribution will be made available and invested individually, at the expense and risk of the (former) participant. The SNPS gross pension scheme came into effect on 1 July 2013 and has been set out in Regulations I. The SNPS net pension scheme entered into effect on 1 January 2015 and has been set out in the Pension Regulations for the Net Pension Scheme (*Reglement Netto Pensioenregeling*). The most-up-to-date versions of these regulations are available from the SNPS website.

Since 1 April 2017, participants and former participants aged 58 and older have been able to choose to gradually convert the pension capital accrued by them at that time into an entitlement to a variable benefit in accordance with the options provided for by the Premium Schemes (Improvements) Act (*Wet verbeterde premieregeling*). The participants and former participants in question then take part in a so-called Collective Variable Pension (CVP). SNPS invests the CVP funds on a collective basis.

## 3. INVESTMENT POLICY

### 3.1 INVESTMENT OBJECTIVE

The objective of investment policy is to achieve the best investment results possible for the individual participant – given his or her obligation structure and risk appetite (within the limits set by the Board). Investment policy is assessed on the basis of quantitative studies. An ALM study is carried out at least once every three years.

### 3.2 INVESTMENT BELIEFS

SNPS upholds the following general investment beliefs:

- 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-related 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 as efficient; and
- Additional costs, within certain boundaries, are acceptable for the generation of additional expected return, better risk management or the realisation of important investment objectives.

In addition, SNPS has established investment beliefs and design principles for each participant phase – the accrual phase, the risk-reduction phase and the benefit phase.

ACCRUAL PHASE	
Investment belief	Design principles
If your horizon is still long, it pays off to take a relatively high risk. Generating return is the most important objective. A higher volatility in the intermediate mobility of rates is therefore accepted in exchange for a higher expected return.	<ul style="list-style-type: none"><li>• The Life Cycles applied have a considerable exposure to return-seeking assets.</li><li>• The participant can opt for slightly more or slightly less exposure to return-seeking assets.</li></ul>

RISK-REDUCTION PHASE	
Investment belief	Design principles
As your horizon gets closer, it is wise to invest with gradually less risk in order to protect the participant against undesirable effects on the amount of the benefit.	<ul style="list-style-type: none"> <li>Exposure to return-seeking assets is reduced according to the chosen benefit (fixed or variable).</li> <li>Interest rate hedging is increased according to the chosen benefit (fixed or variable).</li> </ul>
It pays to take more risk for a longer period and partly by continuing to invest after the retirement date.	<ul style="list-style-type: none"> <li>The variable pension is set up as the default. The participant's capital is gradually converted into variable entitlements.</li> </ul>

BENEFIT PHASE	
Investment belief	Design principles
Continuing to invest after the retirement date makes it possible to realise a pension that is better able to maintain purchasing power.	<ul style="list-style-type: none"> <li>The variable pension is set up as the default.</li> <li>Return-seeking assets must be or remain a substantial part of the total portfolio.</li> </ul>
Major fluctuations in the variable payment are undesirable for the participant.	<ul style="list-style-type: none"> <li>The interest rate risk is largely hedged.</li> <li>The CVP portfolios have a balanced risk profile.</li> <li>Results are spread over 5 years.</li> </ul>

Once every three years, the investment beliefs are reassessed and adjusted accordingly if required. SNPS has published these investment beliefs on its website as part of the 'Statement of Investment Principles' ([www.shellpensioen.nl](http://www.shellpensioen.nl) under 'downloads').

### 3.3 OUTSOURCED INVESTMENT ADMINISTRATION AND ASSET MANAGEMENT

SNPS has outsourced investment administration and asset management to Achmea Pensioenservices N.V. and Achmea Investment Management B.V. respectively.

### 3.4 INVESTMENT RISK AND RETURN

SNPS is very aware that investments are made at the expense and risk of individual participants. SNPS takes this into consideration when determining the investment options open to an individual participant, when outsourcing investment administration and asset management and also when selecting and monitoring the investment institutions in which a participant ultimately invests.

### 3.5 STRATEGIC ASSET ALLOCATION UNTIL THE RETIREMENT DATE: LIFE CYCLE PROFILES

SNPS offers each participant three Life Cycle profiles until they reach their retirement date: the Neutral Life Cycle Neutral, Defensive Life Cycle Defensive and Offensive Life Cycle Offensive. If a participant has not made an investment choice, contributions will be invested on the basis of the Neutral Life Cycle profile. Participants are able to choose which of the three Life Cycle profiles they want to opt for on a monthly basis. The Life Cycle profiles may vary for different groups of participants.

In addition specific principles were used for the structure of the Life Cycle profiles. One of these principles is that it is better to reduce the risk in several small steps than in just a few relatively large steps ('timing risk' restriction). In addition, it was opted to create the Life Cycle profiles from three different (administrative) portfolios, namely: Return, Interest and Matching. The Interest and Matching Life Cycle portfolios prioritise the protection of the pension investment capital accrued and the limitation of interest risk, with a view to the purchase of an annuity, while the Return Life Cycle portfolio aims to secure a return in the longer term. More is allocated to the Interest and Matching Life Cycle portfolios the older a participant becomes. The Board of SNPS determines strategic investment policy (the composition - 'weighting') of the Life Cycle profiles and, as such, distribution among the administrative Life Cycle portfolios and the various asset categories (the underlying investment institutions in which investments are actually made). Although the selection and monitoring of these underlying investment institutions has been outsourced to Achmea Investment Management B.V., the ultimate selection of an underlying investment institution requires the prior approval of SNPS.

The table below shows the (weightings of the) administrative Life Cycle portfolios. A distinction is made between participants who are accruing a gross and, depending on their personal situation, net pension with SNPS (Participants A) AND PARTICIPANTS WHO ARE ACCRUING A NET PENSION WITH SNPS and a gross pension with the Shell Pension Fund Foundation (*Stichting Shell Pensioenfond*s (SSPF)) (Participants B).

#### 3.5.1 Participants A:

weightings for the administrative Life Cycle portfolios, for the accrual of both a gross and net pension (if a provisional choice is made not to participate in the CVP at the age of 58).

	INITIAL MIX UP TO AGE	1 <sup>ST</sup> RISK REDUCTION	2 <sup>ST</sup> RISK REDUCTION
DEFENSIVE	70% return/30% interest up to the age of 51	the age of 51 to 58 to 50% return/50% interest	the age of 58 in 10 years to 10% return/56% interest/34% Matching
NEUTRAL	90% return/10% interest up to the age of 51	the age of 51 to 58 to 70% return/30% interest	the age of 58 in 10 years to 10% return/56% interest/34% Matching
OFFENSIVE	100% return up to the age of 51	the age of 51 to 58 to 85% return/15% interest	the age of 58 in 10 years to 10% return/56% interest/34% Matching

From the age of 58, growth takes place on an annual basis from the target weighting for the age of 58 to the target weighting for the age of 68.

SNPS regularly reviews the composition of the Life Cycle profiles and portfolios (target weightings and the various asset categories that are used) and may adjust them from time to time. Participants will be notified of any such adjustments.

When deciding on the composition of the Life Cycle portfolios for participants or former participants who make a provisional choice not to participate in the CVP at the age of 58, the Board will bear the expectation in mind that a fixed (net) benefit will be purchased with an external pension administrator on the retirement date.

After the age of 58 the weightings for participants who have opted for the CVP deviate from the above. The capital investment of these participants that was not yet changed to the CVP remains invested in accordance with the target weightings associated with the age of 58. Account is still taken of the applicable Life cycle profile (Neutral, Offensive and Defensive) for participants who opted for CVP, in respect of the portion of assets that is not converted to CVP.

### 3.5.2 Participants B:

weightings for the administrative Life Cycle portfolios for the accrual of a net pension (if a provisional choice is made not to participate in the CVP at the age of 58).

	INITIAL MIX UP TO AGE	RISK REDUCTION
DEFENSIVE	70% return/30% interest up to the age of 58	the age of 58 in 10 years to 10% return/56% interest/34% Matching
NEUTRAL	90% return/10% interest up to the age of 58	the age of 58 in 10 years to 10% return/56% interest/34% Matching
OFFENSIVE	100% return up to the age of 58	the age of 58 in 10 years to 10% return/56% interest/34% Matching

From the age of 58, growth takes place on an annual basis from the target weighting for the age of 58 to the target weighting for the age of 68.

SNPS regularly reviews the composition of the Life Cycle profiles and portfolios (target weightings and the various asset categories that are used) and may adjust them from time to time. Participants will be notified of any such adjustments.

When deciding on the composition of the Life Cycle portfolios for participants or former participants who make a provisional choice not to participate in the CVP at the age of 58, the Board will bear the expectation in mind that a fixed net benefit will be purchased with an external pension administrator on the retirement date.

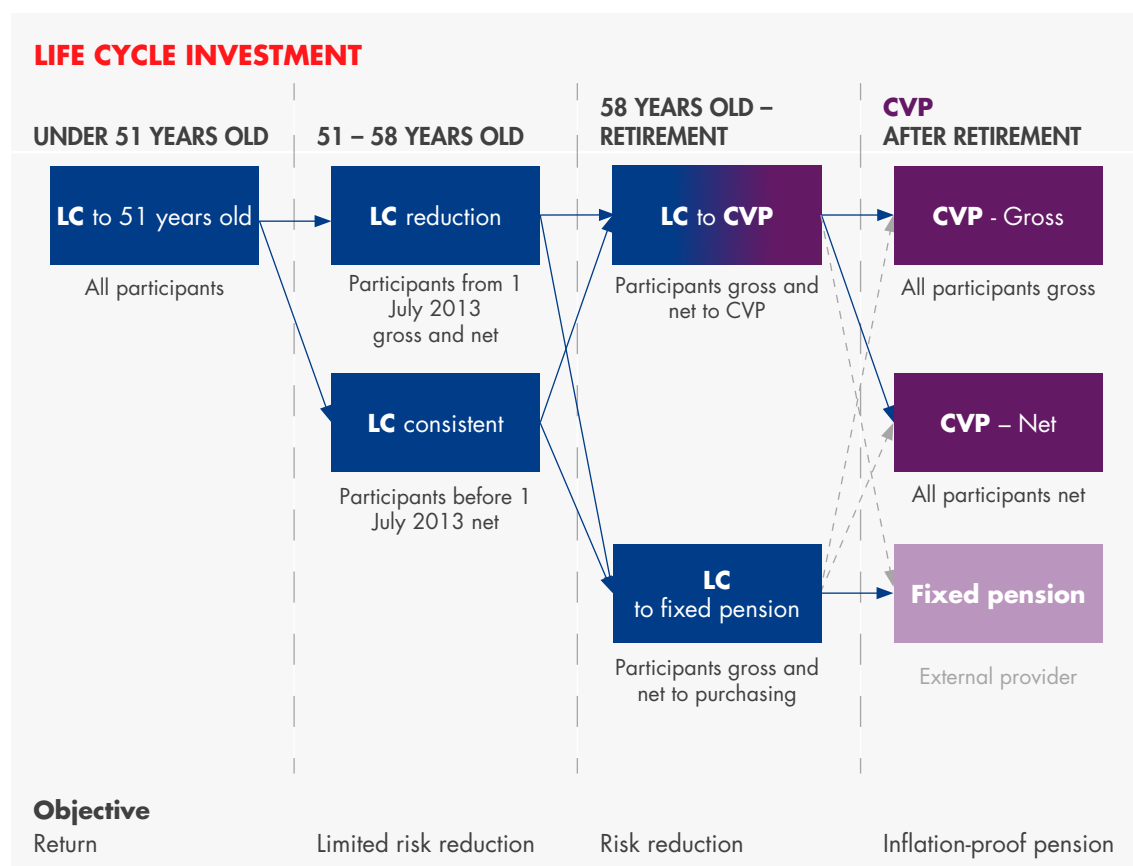
After the age of 58 the weightings for participants who have opted for the CVP deviate from the above. The capital investment of these participants that was not yet changed to the CVP remains invested in accordance with the target weightings associated with the age of 58. Account is still taken of the applicable Life cycle profile (Neutral, Offensive and Defensive) for participants who opted for CVP, in respect of the portion of assets that is not converted to CVP.

### 3.6 STRATEGIC ASSET ALLOCATION FOR CVP PARTICIPANTS

Ten years before the regulatory retirement age, the participant or former participant will opt provisionally to receive a fixed or variable pension benefit on his/her retirement date. If the participant or former participant opts for a variable pension benefit, his/her capital will gradually be brought into the CVP portfolio for the gross or net scheme respectively. If a participant or former participant provisionally opts to receive a fixed pension benefit on his/her retirement date, he/she will continue to participate, with all of his/her capital, in a Life Cycle profile appropriate for someone wanting to receive a fixed benefit when he/she reaches the retirement age. The final choice on whether to opt for a fixed or variable pension benefit will be made when the participant retires.

SNPS offers CVP participants and pensioners a generic investment mix, geared towards the profile of the group of participants in question. An individual choice is not possible. The Board establishes the CVP investment mix on the basis of an ALM study. The Board repeats the ALM study periodically, after which it considers whether the CVP investment mix needs to be adjusted based on the outcomes obtained from the ALM study. A CVP investment portfolio has been created for both the gross and the net schemes.

The above structure of the investment policy can be translated into a flowchart.



### 3.7 STRATEGIC WEIGHTING OF INVESTMENT CATEGORIES IN LIFE CYCLE AND CVP PORTFOLIOS

The tables below show the strategic weightings of the three Life Cycle portfolios and two CVP portfolios in accordance with the underlying investment categories.

#### LIFE CYCLE PORTFOLIO RETURN

Investment category	Strategic mix
Shares developed	40.0%
Shares emerging	20.0%
Infrastructure	10.0%
High Yield	20.0%
EMD LC	10.0%

The strategic portfolio has a 10.0% weighting to Infrastructure. This position is built up at the expense of Listed real-estate in the period Q4 2023 up to and including 2024.

#### LIFE CYCLE PORTFOLIO INTEREST

Investment category	Strategic mix
Government bonds, euro	15.0%
Non-government bonds, non-euro	65.0%
Mortgages	20.0%

#### LIFE CYCLE PORTFOLIO MATCHING

Investment category	Strategic mix
Bonds (dur. 20)	100%

#### CVP PORTFOLIO GROSS & CVP PORTFOLIO NET

Investment category	Strategic mix	Current portfolio
Shares developed	16.0%	16.0%
Shares emerging	8.0%	8.0%
Listed real estate	4.0%	4.0%
High Yield	8.0%	8.0%
EMD LC	4.0%	4.0%
Overlay funds (incl. government bonds)	40.0%	47.5%
Dutch mortgages	12.5%	12.5%
Worldwide inflation linked bonds	7.5%	-

\* The CVP portfolios make a distinction between the strategic and current portfolio. The Board has decided not to implement the inflation-linked bonds category in the current portfolio at this point in time (as a consequence of limited implementation options and new market insights). The category is, however, a component of the strategic portfolio (in line with the ALM findings).

The elaboration of each investment category is further defined in the Investment Memorandum and Investment Guidelines.

### **3.8 REBALANCING**

The Life Cycle profiles and Life cycle portfolios are periodically aligned with the strategically intended weightings.

#### **3.8.1 – Rebalancing the Life Cycle profiles**

The Life Cycle profiles are rebalanced every three months; this involves steering the allocation between the Life Cycle portfolios per individual (also referred to as 'participant rebalancing'). The relationship between the Life Cycle portfolios is adjusted according to the target weightings as included in the Investment Memorandum.

#### **3.8.2 – Rebalancing the Life Cycle portfolios**

The weightings of the Life Cycle portfolios and the CVP portfolios shown in the table in section 3.7 are strategic weightings. As a result of e.g. market developments, the current weightings may (at some point) deviate from the strategic weightings. Each month, the most current weightings are sent to the strategic weightings (rebalancing). The monthly rebalancing process coincides with the investment of the monthly premium contribution (regular trading moment). In this way, the premium contribution is used as effectively as possible to adjust the Life Cycle portfolios.

In addition to a strategic weighting, ranges have been set for each investment category in a Life Cycle portfolio and CVP portfolio within which the current weighting must fall. At the end of each month, an assessment is carried out to determine whether the current weightings are still within the set ranges. In case of deviations outside the ranges, AIM will contact the pension fund. The ranges thus have an alerting function. During the regular trading moment, the current weightings will be rebalanced towards the strategic weightings.

SNPS's full rebalancing policy has been recorded in writing by the Board.

### **3.9 INTEREST RATE RISK**

Interest rate risk plays a role in the accumulation phase and in the risk reduction phase (Life Cycle investing) as well as in the CVP. Interest rate hedging within the Life Cycles and CVP is separately elaborated.

#### **Interest Policy Life Cycle investing (fixed benefit)**

In the risk reduction phase, the aim of SNPS within the Life Cycles is to (partially) mitigate the interest rate risk, so that the participant is less sensitive to interest rate fluctuations at the time of purchase of the pension benefit. If a participant opts for a Life Cycle profile that belongs to a fixed benefit payment (not the 'default'), SNPS will aim to hedge 90% of the interest rate risk at target retirement age. This is done by gradually reducing the allocation to the Life Cycle portfolio Return within the Life Cycle profiles associated with a fixed benefit payment in the 10 years prior to the retirement age in favour of interest rate hedging. The two Life Cycle portfolios Matching and Interest are used to accomplish this interest rate hedging.

The investment objective of the Matching Life Cycle portfolio is solely to mitigate the interest rate risk. The objective within this Life Cycle portfolio is to achieve an interest rate sensitivity (duration) of 20 years.

The Life Cycle portfolio Interest has two investment objectives. The first objective is to generate return, albeit according to a moderate risk profile. The second objective is to hedge the interest rate risk. The Life Cycle portfolio Interest has a lower interest rate sensitivity than the Life Cycle portfolio Matching.

**Interest rate policy CVP (variable benefit)**

A participant who opts for a variable benefit (CVP) will participate in Life Cycle investments as well as the CVP portfolio between the age 58 and 68. Each year, a portion of the pension capital from the Life Cycle portfolios will be used to invest in the CVP portfolio. This allows the interest rate risk over the participant's entire pension capital to be gradually reduced.

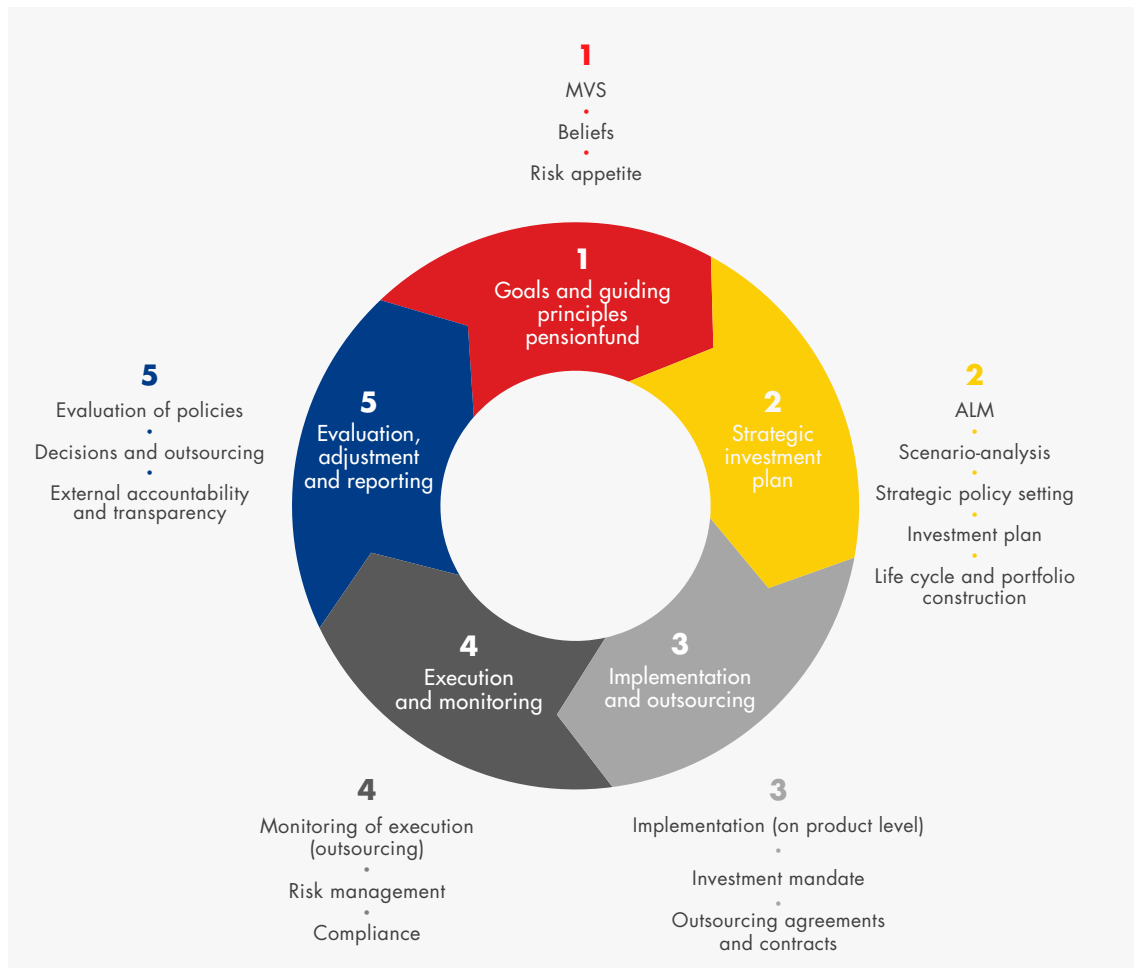
Within the two CVP portfolios (net and gross), the goal is to largely hedge the interest rate risk. The desired interest rate hedging level is 90% (based on market value liabilities). Interest overlay funds, government bonds and Dutch mortgages are the key instruments to realize the interest rate hedge. These three investments form the matching portfolio of the CVP portfolios. Limitation of deviations, curve risk, and applied hedging instruments are defined in the Investment and Mandate Guidelines and Investment Plan.

### 3.10 SOCIALLY RESPONSIBLE INVESTMENT

SNPS defines 'responsible investment' as investments in which the interests of participants, inactive participants, retirees and society are all taken into account. Besides important investment, return and risk-related considerations, account is also taken of the environmental, social and governance (ESG) aspects.

SNPS responsible investment policy covers the following elements of the policy cycle: SNPS's vision on responsible investment, its objectives, anchoring in the Board, national and international ESG legislation and regulations, strategic tools, progress monitoring, transparency and reports on policy results and evaluation.

#### INVESTMENT CYCLE SNPS



## **Vision**

The vision of the SNPS pension fund is to administer pension schemes in an innovative, transparent and competitive manner, in the interests of its participants. The vision also expresses SNPS's wish to facilitate its participants to make informed decisions about their future income. SNPS strives to enable participants to create long-term value via its investments. Its vision being that responsible investment contributes to long-term value creation.

One of these investment beliefs is that engaged shareholding promotes good governance and corporate responsibility. SNPS invests its assets in investment funds that are managed by external asset managers. As SNPS is not the legal owner of the investments that are maintained in these funds, it implements its investment belief by pursuing a derived 'responsible ownership' policy. This means that SNPS ascertains the following at the very least when choosing an external asset manager: the presence of an appropriate voting and engagement policy, which is also implemented in practice and reported on.

## **Objectives**

The following objectives have been formulated for responsible investment policy at SNPS:

- To ensure that policy and its implementation are in compliance with current treaties, conventions, legislation, guidelines, codes and covenants on the subject of investment policy;
- To ensure that the choices and results ensuing from this policy are transparent for and explainable to all SNPS stakeholders:
  - To strive to achieve the best possible investment results for individual participants, based on risk appetite and with due observance of the thematic preferences of participants;
  - To ensure that SNPS commits itself to securing sustainable improvements in relation to the environment, society and good governance.

## **Anchoring in the Board**

The Board is responsible for ESG policy. SNPS has appointed two non-executive Board members as the first points of contact for matters pertaining to responsible investment. These Board members discuss all relevant current matters with the executive Board members and determine which items will be added to the Board agenda.

## **National and international codes and guidelines**

SNPS bases its development of responsible investment policy on legislation and the following codes and guidelines:

### **1. The United Nations**

- a. Global Compact (UNGC): The UNGC has formulated 10 criteria in relation to human rights, employment rights, the environment and anti-corruption.
- b. Guiding Principles on Business and Human Rights (UNGP): the UNGP provides companies with a 'protect-respect-remedy framework' in respect of human rights.
- c. Sustainable Development Goals (SDGs): SNPS recognises the importance of the SDGs of the United Nations.

## 2. OECD

- a. OECD Guideline for Multinational Enterprises: These guidelines help companies deal with issues such as supply chain responsibility, human rights, child labour, the environment and corruption.
- b. The following OECD guidelines apply specifically for institutional investors: Responsible business conduct for institutional investors. These guidelines set out the various elements of the due diligence process.

SNPS asks its external fiduciary managers, ESG service providers and/or asset managers and the companies in which it invests to act in accordance with the above guidelines or to endeavour to do so.

## 3. Covenant on International Socially Responsible Investment for Pension Funds (IMVB):

In 2018, SNPS signed the Covenant on International Socially Responsible Investment for Pension Funds, the object of which is to promote sustainable investment through collaboration between pension funds, social organisations, unions and the government.

### Strategic tools

The decision to take long-term value creation as a guiding principle has been integrated into various parts of the overall policy and investment cycle, as well as in the selection criteria for external managers. In its responsible investment policy, SNPS prioritises thematic focus areas, which are based in part on its own risk assessment and the preferences of participants.

SNPS asks external fiduciary managers, asset managers and ESG service providers to act in accordance with SNPS's policy and objectives and strives to collaborate with them in the long term, in order to promote long-term value creation via responsible investment.

The strategic tools used to implement responsible investment policy are explained below.

### 1. Selecting external managers

When selecting an external fund manager, one of SNPS' considerations will be whether the fund manager applies sustainability criteria and long-term value creation as guiding principles when establishing the investment policy of its investment fund.

SNPS is assisted in this respect by a fiduciary asset manager.

### 2. ESG integration

ESG integration involves the inclusion of ESG factors in the various factors taken into account during the investment process. Screening to establish the financial attractiveness and negative impact of an investment takes place at the start of the investment process and on a regular basis afterwards. This is the first step in what is referred to as 'due diligence', which is carried out by external fund managers and specialist service providers.

Wherever possible, SNPS uses an external service provider to screen and monitor the progress achieved by companies, particularly in relation to ESG subjects that are financially material, have a serious negative impact on society and the environment or SDG themes that are established on the basis of participant preference in part. In doing so, matters that have the most serious negative impact are prioritised by nature and probability.

### **3. Engagement and voting policy**

SNPS defines 'engagement' as SNPS using its influence to achieve sustainable improvements in relation to environmental and social policy and governance. It seeks dialogue with company management via an external service provider and external fund managers, both proactively and reactively. On the one hand through proactive engagement, encouraging companies to make improvements to specific themes ('do good'). On the other hand through reactive engagement ('do no harm'). When companies in the investment portfolio are responsible for a (potential and material) negative impact, the influence of external fund managers or SNPS (via an external service provider) will be used, through engagement or by exercising voting rights, to prevent and/or mitigate the negative impact in question and facilitate remedy and/or recourse.

### **4. Exclusion policy**

SNPS believes in the use of engagement as a tool for achieving sustainable change. Companies that fail to make any progress in the field of sustainable business practice may be replaced as an ultimate rescue measure, or 'ultimum remedium'. The Board at SNPS will decide on any action of this nature on a case-by-case basis. When selecting external fund managers, the fiduciary manager is asked to consider that they might phase out or sell the shares they have in companies that are failing to make any progress in the field of ESG as a last resort and also take account of the (potential) negative consequences of their decision on society and the environment. If a company is excluded, SNPS will not invest in loans issued by the company in question either - in principle. External fund managers monitor all such companies on a regular basis, to see whether exclusions can be lifted.

SNPS does not wish to invest in companies that are involved in the production, distribution or sale of cluster munitions, anti-personnel mines or biological, chemical or nuclear weapons, or crucial components of any of the above. UN conventions identify these weapons as controversial.

SNPS takes these investment restrictions into account when selecting an external asset manager. SNPS then has investments screened each quarter (on a 'look through' basis) to ensure that they are not made in companies of this nature.

### **Monitoring**

If possible, SNPS regularly monitors the progress and impact of its responsible investment policy. SNPS then makes any adjustments necessary.

### **Transparency and reports**

Once every quarter, SNPS reports on its implementation of responsible investment policy on its website. It applies this policy to all its investments, wherever they are in the world. As part of this policy, SNPS does not issue any (public) communications about individual companies in which the investment funds invest. SNPS reports on its responsible investment activities in its annual report.

### **Evaluation**

The Board evaluates policy on responsible investment on an annual basis (in principle), at which time it is adjusted if necessary. The responsible investment policy is published on the website.

### **3.11 SELECTION POLICY**

SNPS has set up a robust process for selecting a specific external investment fund and/or external asset manager. The realisation of a selection consists of five steps: conception of the idea, investment case, framework setting, substantiation and the selection. In addition to these five steps, there is also a sixth step for the purpose of evaluating the entire process.

The pension fund uses Achmea IM's selection capacities for the purpose of the fifth step, which is the actual selection. The main input for the selection of a product is the framework setting (preconditions) indicated by the pension fund. The assessment of the various candidates takes place on the basis of six pillars (organisation, investment process, personnel, performance, risk management and socially responsible investment (MVB)) each with their own weighting. This ensures that each selection process is performed in a consistent manner. The ultimate selection of an investment fund and/or asset manager is always subject to approval by the SNPS Board.

No performance fee is set in the agreements with the asset managers and, if possible, contracts are entered into for an indefinite period with a short notice period. The latter means that SNPS has the option of withdrawing the assets under management if periodic monitoring and/or evaluation shows that an asset manager is no longer acting in line with the long-term objectives and preconditions of SNPS.

SNPS has laid down the selection policy in a detailed manner in the policy document entitled Selection and evaluation investments and asset managers SNPS.

### **3.12 MONITORING**

Investments are monitored on a recurring basis. Monitoring of the investments is a continuous process and the emphasis of this monitoring is on the absolute and relative performance of the investments. The monitoring process also includes regular identification of the investment risks by zooming in on the investments using look-through data. The monitoring process also includes regular identification of the investment risks by zooming in on the investments using look-through data.

The Board receives various reports on a monthly and quarterly basis. These reports provide insight into the performance and risks of the Life Cycle portfolios, the CVP portfolios and the underlying investment funds and/or mandates. The reports also contain compliance checks and performance attributions. The performance of the asset managers is assessed based on the various reports and early evaluation can be performed on the basis of the findings of the continuous monitoring process.

Monitoring activities performed by Achmea IM as fiduciary advisor are part of the periodic monitoring. The objective of Achmea IM's monitoring process is to monitor and assess current developments at managers/portfolios. The same six pillars of the selection are also used for monitoring in order to preserve quality and consistency. Achmea IM generally reports on a quarterly basis on the monitoring activities performed in the quarterly reporting.

### **3.13 EVALUATION POLICY**

In addition to monitoring, investment solutions are also evaluated on a regular basis. The evaluation of investments takes place at a lower frequency than the monitoring of the investments. The purpose of evaluating the policy is to assess the implementation and policy on a regular basis and using a fixed format. The evaluation is the outcome of the monitoring process that takes place during the year. The outcome of an evaluation may be: no adjustment required, additional attention required or adjustment required.

SNPS distinguishes four evaluation instruments within the context of the evaluation process. These are: the strategic performance evaluation, the manager evaluation, the presentation manager and the review of the investment case and framework setting.

The evaluation policy and the four instrument are elaborated further in the policy document entitled Selection and evaluation investments and asset managers SNPS.

### **3.14 PRUDENT PERSON AND DUTY OF CARE**

SNPS ensures that investments are in compliance with the provisions under or pursuant to the Pensions Act, in particular with the prudent person rule and (as the pension scheme gives participants the option to deviate from the Neutral Life Cycle profile) also with the requirements applicable in relation to the duty of care that SNPS has.

The Board believes that the strategic investment policy set out in this statement on investment principles and elaborated on in the Investment Memorandum ensures that the investment portfolio is invested such that the safety, quality, liquidity and return achieved by the portfolio as a whole are safeguarded. The expectation is that the portfolio and policy will put participants in a position to secure an adequate and, as such, sustainable pension income. The portfolio and policy are also designed to protect participants against the loss of significant amounts a relatively short period of time before they reach their retirement dates. The portfolio is broad and diversified and mainly invested in regulated markets. No use is made of derivatives at a strategic investment level. Just very limited investments are made in the Shell Group. The underlying investment institutions are carried at market value. SNPS does not take out loans, unless just temporarily, with a view to meeting liquidity objectives, and will not act as a guarantor for third parties.

### **3.15 INVESTMENTS IN THE SHELL GROUP**

The underlying investment institutions may have positions in Royal Dutch Shell plc. securities. SNPS is not able to influence the investment policy of the investment institutions in which investments are made in this respect. Investments by SNPS in Royal Dutch Shell securities are limited by law to a maximum of 10% of the total portfolio.

### **3.16 THE USE OF DERIVATIVES**

SNPS has the option to use registered derivatives where they contribute to facilitating the reduction of the risk profile of an efficient portfolio management within a mandate (for example, hedging currency risks by means of derivatives within a mandate). In investment institutions managers are also allowed to use derivatives for the same reasons.

### **3.17 CUSTODY OF SECURITIES AND SECURITIES LENDING**

SNPS has appointed an independent depository ('custodian') and also ensures that investments in the underlying investment institutions are held in a manner that is 'bankruptcy remote'. Securities lending may form part of the investment policy of the underlying investment institutions.

### **3.18 VALUATION PRINCIPLES**

Investments in the underlying investment institutions will be carried at the current value (as much as possible). The Dutch mortgages category is valued on a monthly basis.

## 4. (POTENTIAL) RISKS

At SNPS, contributions are invested individually, at the expense and risk of the participant or former participant in question. Via the investment opportunities offered (the Life Cycle profiles and the choice for a fixed/variable benefit) the Board has set limits on the investment choices to be made by participants and former participants and the corresponding risks. The most important risk for participants is the investment risk (the business value risk and interest risk in particular). This risk is inherent to investing. In other words, the return achieved is the reward for taking risks. Although risk is an unavoidable part of investment policy, it must be taken with all due care. This is one of the investment beliefs of the Board. It is translated as follows in the implementation of the Life Cycle and CVP portfolios.

Drastic changes are only made to the Life Cycle profiles, the Life Cycle portfolios and the CVP portfolios further to quantitative studies, such as an ALM or optimization study, in which quantitative considerations are also integrated in the decision-making process. Prior to a study of this nature, a survey can be held among the Board members and/or participants to establish the risk appetite. One important parameter here is the expected pension outcome. The Board strives to achieve the highest pension outcome expected at an acceptable level of risk. The investment risk changes over time too, because:

1. the longer the horizon, the greater the recovery capacity, and
2. participants must be protected against a significant loss in expected income relatively shortly before or after reaching the target retirement age of 68.

Added to the above, the Life Cycle and CVP portfolios are sufficiently diversified. In other words, spread over a number of investment categories, countries, sectors and companies, for example.

The Board regularly monitors whether the Life Cycle profiles, the Life Cycle portfolios and the CVP portfolios still reflect the starting points applied and the choices that participants and former participants make.

There is a chance that a fixed or variable annuity will need to be purchased at a relatively inopportune moment in time - on the retirement date. For example, because the value of the balance on the pension investment account has decreased as a result of market developments or because the purchase of a fixed or variable annuity is more expensive than expected due to interest rate levels. The value of the balance on the pension investment account may be affected by inflation too. There is also a risk that it will not be possible to realise the full value of the balance on the pension investment account because the liquidity of some of the investments in the underlying investment institutions has 'dried up' (whether or not temporarily). SNPS has sought to mitigate these and other risks by various means, including the possibility for participants to start to participate in the CVP 10 years before the standard target retirement age.

The Life Cycle and CVP portfolios invest in underlying investment institutions that have been denominated in, or fully hedged to, euros. Capital is also invested in underlying investment institutions that have been denominated in other currencies. The currency risk of this last category is not hedged.

## **5. FEES AND (OTHER) COSTS**

The return on investments in the underlying investment institutions is influenced by the costs that the asset managers in question deduct from these investment institutions. The majority of these costs are expressed in the Total Expense Ratio standard, which is reported in the annual report of the underlying investment institution. However, this is always a 'look back' and may deviate from actual costs in the current year. Any buying and selling costs will be factored into the value of the investments.

## **6. MAXIMUM PENSIONS**

The accrual of the pension investment balance is subject to tax thresholds. At various times, the Pension Fund will assess whether the retirement pension and partner's pension that can be purchased from the pension investment balance are within the tax thresholds. If the financial assessment reveals that the balance is above the tax thresholds, the part of the pension investment balance exceeding the thresholds will irrevocably revert to SNPS.

