Stichting Shell Pensioenfonds

INVESTMENT BELIEFS

October 2020

1. **Expertise combined with strong countervailing power leads to robust investment decisions.**
The pension fund actively employs internal as well as external investment expertise to achieve solid investment results for its members. Utilising this expertise requires strong governance, and the pension fund explicitly continues to invest in this area.

2. **Responsible ownership promotes good governance and corporate social responsibility. Integration of ESG factors contributes positively to the risk/return profile.**
ESG factors influence the investment risk and return of all asset categories, with good governance being a prerequisite for improving a company's performance on the E (environmental) and S (social) factors. The fund considers its Responsible Investment Policy to be an important way of expressing its social responsibility.

3. **In order to generate returns, investment risk must be taken consciously, and unrewarded risks should be hedged where possible and practical.**
The fund will assume investment risks consciously, when risk offers (sufficient) return. A choice is made regarding non-investment related risks as to whether the pension fund wishes to run the risks, whereby the question of whether the pension fund can afford that risk is also explicitly considered. The costs of hedging are also included in this consideration.

4. **The Strategic Asset Allocation determines to a large extent the return potential and risk profile of the investment portfolio.**
The distribution across the various sources of return and risk is the most important determinant of the ultimate result to be achieved. Subsequent decisions in the investment process are derived from these strategic choices and should not exceed the strategic risk profile.

5. **Diversification improves the risk-return profile of the investment portfolio, explicitly taking into account the underlying sources of risk and return.**
Diversification improves the risk-return profile of the investment portfolio. In doing so, the fund looks deeper than the main classification of an investment in order to identify the ultimate sources of risk and return and to diversify exposures.

6. **A long-term investment horizon allows short-term risks, such as volatility and illiquidity, to be borne in order to target higher returns.**
The responsibilities of the pension fund are long term in nature enabling the pension fund to invest with a horizon further in the future. As a result, the pension fund has the capacity to tolerate short-term risks in order to benefit from the investments over the long term. The pension fund is conscious of the fact that not all its liabilities are a long-term in nature however a long-term investment horizon offers the possibility to invest in illiquid investments.

7. Risk premiums vary over time and across markets, enabling considered implementation of dynamic policies to add value.

The pension fund believes that the returns for bearing different types of risk vary. The pension fund can benefit from this by, at specific moments, opting for increasing or reducing exposure to certain risk types within the boundaries set by the strategic risk profile.

8. Not all markets are always efficient, and this offers opportunities to add value through active management.

The pension fund believes that there are opportunities to add value through active management. However, beating a benchmark is not easy. When opting for active management, the costs of finding the right managers, the additional costs of active management, the extra governance burden and the risk of underperformance are also factored in.

9. Investment risks have multiple dimensions that need to be considered from different angles and perspectives.

The investment environment is volatile, uncertain, complex, and ambiguous. Therefore, investment risks cannot be adequately described within a single model, approach or number. This requires an assessment of investment risks through multiple lenses.

10. Additional costs are acceptable in order to generate additional returns and/or better manage risks.

The fund expressly considers the fact that costs can erode returns in the long term. Nevertheless, the fund firmly believes that it is desirable in specific cases to incur (additional) costs in order to achieve better (net) investment results or to allow the investment risk to better match its risk budget.