PRE-CONTRACTUAL DISCLOSURE

SSPF

Stichting Shell Pensioenfonds

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

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: Stichting Shell Pensioenfonds (SSPF) **Legal entity identifier:** 21380060ZQ4A1SOYK780

ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS

Does this financial product have a sustainable investment objective?	
☐ **Yes**	☒ **No**
☐ It will make a minimum of **sustainable investments with an environmental objective:** ___%	☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of _ % sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective:** ___%	☒ It promotes E/S characteristics, but **will not make any sustainable investments**

What environmental and/or social characteristics are promoted by this financial product?

This financial product invests in multiple asset classes. The environmental and social (E&S) characteristics promoted by this product may vary between asset classes and within the same asset class, as further specified in the section ‘What is the asset allocation planned for this financial product?’.

The following table specifies the E&S characteristics promoted by this product.

Table 1: E&S characteristics promoted by the product[1]

Characteristic	Description
Lower carbon intensity	Parts of this product aim to achieve lower carbon intensity (scope 1 + 2 GHG emissions[2] over revenues in USD, expressed as tonnes of CO2eq/USD mln revenue) than a standard (non-ESG) parent benchmark. Reference benchmarks are designated for the purpose of attaining the characteristic.
Improved governance	Parts of this product aim to achieve higher corporate governance rating than a standard (non-ESG) parent benchmark. Reference benchmarks are designated for the purpose of attaining the characteristic.
Exclusions based on business activities	This product does not invest in entities involved with cluster munitions, anti-personnel mines, biological and chemical weapons, and nuclear weapons in violation of the nuclear Non-Proliferation Treaty.
ESG inclusion criteria	Parts of this product apply minimum inclusion criteria. This concerns any of the following: ▪ Minimum World Bank Governance score to be met by (quasi-)sovereign issuers in order for them to be included in the investable universe; a reference benchmark is designated for the purpose of attaining the characteristic; ▪ No exposure to countries subject to a UN arms embargo; a reference benchmark is designated for the purpose of attaining the characteristic; and ▪ Sufficient level of ESG incorporation related to externally managed funds[3] assessed on the basis of criteria established in a framework administered by the fiduciary manager.
ESG reporting requirements	Parts of this product promote the fulfilment of an ESG reporting requirement in relation to external managers/externally managed funds. This concerns reporting on the basis of the UN Principles of Responsible Investment (PRI) reporting framework or the Global Real Estate Sustainability Benchmark (GRESB).

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

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

The following overview specifies the sustainability indicators used to measure the attainment of the E&S characteristics promoted by this product:

[1] Detailed description as to the portion of the product to which each characteristic applies can be found in the section of this document titled ‘What is the asset allocation planned for this financial product?’. Where a reference benchmark is used for the purpose of attaining a characteristic, a detailed description of how this is being done is provided in the section of this document titled ‘Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics it promotes?’

[2] Scope 1 emissions are direct greenhouse gas (GHG) emissions from sources owned or controlled by the company. Scope 2 emissions are indirect GHG emissions derived from the generation of electricity, steam, heating and cooling purchased by the company for its own consumption. (Source: CDP)

[3] These disclosures make a distinction between the fiduciary manager, and other managers, collectively referenced by ‘external managers’ or ‘externally managed funds’. Because of the nature of the relationship between Stichting Shell Pensioenfonds and its fiduciary manager, the expectations set in relation to monitoring the assets managed by the fiduciary manager differ from those related to external managers.

Table 2: sustainability indicator overview[4]

Characteristic	Description
Lower carbon intensity	Portfolio carbon intensity, expressed as tonnes CO2eq/USD mln revenue (weighted average)
Improved governance	Portfolio governance rating (weighted average)
Exclusions based on business activities	▪ No portfolio exposure to entities involved with cluster munitions, anti-personnel mines, biological and chemical weapons, and entities involved with nuclear weapons in violation of the nuclear Non-Proliferation Treaty ▪ Commitment by managers of new externally managed funds (selected on or after 1 January 2022) to either (a) prohibit investment in issuers (where applicable) or investment activities featured on the exclusion list, or (b) report such exposures, where the expectation is 0% exposure
ESG inclusion criteria	▪ No portfolio exposure to sovereign/quasi-sovereign issuersnot meeting the minimum set World Bank Governance score (applicable to sovereign debt only)[5] ▪ No portfolio exposure to sovereign/quasi-sovereign issuers subject to a UN arms embargo (applicable to sovereign debt only)[5] ▪ Assessment outcome related to new externally managed funds (selected on or after 1 January 2022) regarding the extent to which they sufficiently incorporate ESG, assessed on the basis of criteria established in a framework administered by the fiduciary manager; a score of 3 out of 5 is considered 'sufficient' for the purpose of this assessment
ESG reporting requirements	▪ Portfolio exposure to externally managed funds whose managers report to PRI (applicable to all externally managed asset classes other than real estate) ▪ Portfolio exposure to externally managed funds that report to GRESB (applicable to private real estate only)

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Does this financial product consider principal adverse impacts on sustainability factors?

✖ Yes, this product considers principal adverse impacts (PAIs) on sustainability factors. Investments made in this product are part of a process to measure and monitor PAIs. This process entails the identification and prioritisation of PAIs as well as the consideration of potential actions to reduce or avoid PAIs.

PAI indicators are prioritised based on the severity of the adverse impacts, their relative positioning (for example, against other portfolios, between asset classes, against a reference benchmark, against relevant peer disclosures and/or any known best practice, or against an applicable policy or regulatory standard), underlying data quality and beneficiaries' preferences regarding ESG.

Based on a review of the prioritised indicators, where appropriate, actions are proposed for this financial product either at the level of individual issuers or funds (e.g. engagement, (partial) divestment, exclusion) and/or at the overall policy/strategy level (e.g. through the introduction of new rules or targets).

Information on PAIs on sustainability factors is available in the SSPF annual report.

[4] The data sources used to measure and monitor the attainment of the E&S characteristics promoted by the product are described in this product's website disclosures made pursuant to Art. 10 Regulation (EU) 2019/2088 (SFDR).

What investment strategy does this financial product follow?

The investment strategy has been laid down in the Statement of Investment Principles, which can be found on the SSPF website.

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

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?[5]

- A defined part of the product aims to achieve lower carbon intensity relative to a standard (non-ESG) parent benchmark
- A defined part of the product aims to achieve improved governance rating relative to a standard (non-ESG) parent benchmark
- The product shall not have exposure to entities involved with cluster munitions, anti-personnel mines, biological and chemical weapons, and entities involved with nuclear weapons in a way that violates the nuclear Non-Proliferation Treaty
- Newly selected externally managed funds (selected on or after 1 January 2022) either (a) prohibit investment in issuers featured on the applicable exclusion list because of their involvement with cluster munitions, anti-personnel mines, biological and chemical weapons, and/or nuclear weapons in a way that violates the nuclear Non-Proliferation Treaty, and/or prohibit investment in these economic activities, or (b) have a reporting requirement relating to such exposures, where the expectation is 0% exposure
- The product shall not have exposure to debt issued by sovereign or quasi-sovereign issuers in relation to which the country of risk associated with the issuer fails to meet the minimum World Bank governance score and/or is subject to a UN arms embargo
- Majority of newly selected externally managed funds (selected on or after 1 January 2022) sufficiently incorporate ESG, as assessed on the basis of criteria established in a framework administered by the fiduciary manager where a score of at least 3 out of 5 denotes 'sufficient level of ESG incorporation'
- The fiduciary manager expects that more than 60% of externally managed funds (excluding real estate) report to PRI, measured by market value
- The fiduciary manager expects that more than 60% of externally managed real estate funds report to GRESB, measured by market value

What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

The product does not commit to reduce the scope of investments by a minimum rate.

What is the policy to assess good governance practices of the investee companies?

The fiduciary manager assesses investee companies' governance practices in the following ways:

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- **Assessment of controversial business conduct**
  A process is in place to identify issuers that are involved in severe controversial business conduct and that are not responsive to engagement efforts regarding this conduct, and to subsequently assess the desirability of their exclusion from the investment universe. This process includes a review of *inter alia* governance practices of investee companies on the basis of the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises. Elements such as business ethics, fraud, corruption, and market abuse, but also social elements such as employee relations and freedom of association are taken into account.

[5] Detailed description as to the portion of the product to which each characteristic applies can be found in the section of this document titled 'What is the asset allocation planned for this financial product?'.

- **Consideration of principal adverse impact (PAI) indicators**
This product's investments are monitored on the basis of indicators aligned with the Commission Delegated Regulation (EU) 2022/1288 (SFDR Regulatory Technical Standard (RTS)) that relate to social and employee matters, as well as anti-corruption and anti-bribery. These indicators are periodically reviewed, which may lead to action to reduce the PAIs. The actions that are planned or already taken on the basis of the prioritised PAIs are disclosed annually in the adverse impact statement published on the pension fund's website pursuant to Article 4 SFDR.

- **Governance rating incorporation**
Parts[6] of the product used to attain the characteristic 'improved governance' have a tilt to issuers with a higher governance rating. This means that portfolio exposure to issuers with lower governance ratings is reduced relative to a standard benchmark, including full exposure removal in individual cases. The governance rating process[7] includes the assessment of elements such as sound management structures and tax compliance. Furthermore, the same parts of the product as those used to attain the characteristic 'improved governance' aim to maintain the social rating[8] at least at par with a standard benchmark. The social-rating process includes an assessment of elements such as employee relations and staff remuneration.

What is the asset allocation planned for this financial product?

Given the E&S characteristics promoted by this product differ per asset class/sub-asset class/strategy, the disclosures are done at two levels: overall (as required by SFDR) and per individual characteristic.

At the overall level and per individual characteristic, the field '#1 Aligned with E/S characteristics' denotes the average asset allocation of the financial product over a representative period of time prior to when these disclosures were made that is aligned with **one or more** of the E or S characteristics. The category '#2 Other'[9] represents investments that do not contribute to any of the specific E or S characteristic promoted by this financial product, namely, developed markets sovereign debt, private loans, derivatives, and cash.

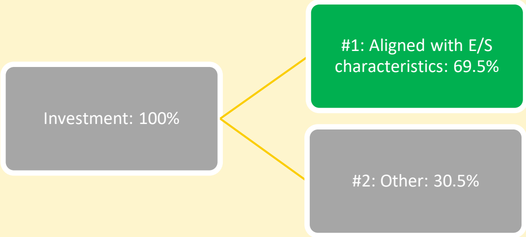
These disclosures are made for the current financial product and the figures presented in Chart 1 and Table 3 below **do not constitute a binding minimum commitment as to the proportion of the asset allocation of the product that would be at all times used to meet a specified E or S characteristic**. Instead, they serve to showcase the proportion of the product that can be reasonably expected to be used to meet the specified E or S characteristic, barring larger changes in the overall (strategic) asset allocation of the product driven by investment considerations.[10] In the context of this product, the asset composition could be dynamic, with the '#2 Other' category - developed markets sovereign debt in particular - expected to increase over time in line with the product's de-risking journey. Therefore, no such minimum commitment is made.

Asset allocation describes the share of investments in specific assets.

The financial product consists of approximately two-thirds direct and one third indirect investments, based on the average asset of the financial product over a representative period of time prior to when these disclosures were made.

Chart 1: average asset allocation of the product - overall

[6] Detailed description as to the portion of the product to which the characteristic 'improved governance' applies can be found in the section of this document titled 'What is the asset allocation planned for this financial product?'.
[7] Conducted by an external data vendor, MSCI.
[8] Same as the governance rating, the social rating is also provided by an external data vendor, MSCI.
[9] More generally, according to para. 12 SFDR RTS Preamble, the category '#2 Other' may contain, for example, hedging instruments, unscreened investments for diversification purposes, investments for which data are lacking or cash held as ancillary liquidity.
[10] Material changes in the overall (strategic) asset allocation of the product would trigger a review of the average asset allocation to the investments used to meet certain E or S characteristics.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Same as at the overall level, at the level of individual characteristics the percentage average asset allocation relating to the '#1 Aligned' assets reflects the proportion of the product used to attain a characteristic over a representative period of time prior to when these disclosures were made.

Table 3: average asset allocation of the product – per individual characteristic

Characteristic		#1 Aligned	#2 Other	#2 Other – explanation
Lower carbon intensity		24.7%	75.3%	Includes equity and corporate credit portfolios which have not yet transitioned to the strategy; mortgages and private loans; sovereign debt; alternatives assets; derivatives; and cash.
Improved governance		24.7%	75.3%	Includes equity and corporate credit portfolios which have not yet transitioned to the strategy; mortgages and private loans; sovereign debt; alternatives assets; derivatives; and cash.
Exclusions based on business activities		64.9%	35.1%	Includes sovereign debt (other than quasi-sovereign issuers), private loans; derivatives and cash. On the whole, less than 0.5% of the product is estimated to have been 'excluded' over time subject to this criterion.
ESG inclusion criteria	**World Bank governance score/UN arms embargo**	4.4%	95.6%	Includes developed markets sovereign debt as well as emerging markets – local currency sovereign debt, which are not formally out of scope of the criteria but are not directly impacted; all non-sovereign assets; derivatives; and cash.
	Sufficient level of ESG incorporation	1.5%	98.5%	Includes existing externally managed funds selected prior to 1 January 2022[11] which are engaged on the expectations post-investment and where the alignment with the set expectations is monitored, but where the criteria did not apply pre-investment; and all SSPF assets managed by the fiduciary manager, including derivatives and cash.
ESG reporting requirements	**PRI**	30.7%	69.3%	Includes all assets of SSPF managed by the fiduciary manager[12], including derivatives and cash, and externally managed real estate.
	GRESB	3.3%	96.7%	Includes all assets of SSPF managed by the fiduciary manager, including derivatives and cash, and externally managed funds other than real estate.

[11] The approximate proportion of new externally managed funds selected on or after 1 January 2022 in the total product - indicated herewith at 1.5% - may grow over time but is dependent on the product's de-risking journey where a greater proportion of assets may be allocated to liability matching assets managed by the fiduciary manager as opposed to externally managed funds (the latter concerns investments managed by asset managers appointed by the fiduciary manager on behalf of SSPF).

[12] The fiduciary manager is itself a PRI signatory. However, given the distinction made from a monitoring point of view between the fiduciary manager and external managers as outlined in footnote 3 on page 2, this monitoring process only concerns the latter.

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

This product uses certain derivatives, such as futures and FX swaps. Derivatives in this financial product are primarily used for the reduction of investment risk (i.e. to hedge risk) or to facilitate efficient portfolio management, for example, by enabling access to certain markets. They do not directly contribute to the attainment of any of the E or S characteristics. As these instruments reflect the composition of the portfolio, their use is not inconsistent with the promotion of the E&S characteristics described in Table 1.

What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

The type of investments included in the category '#2 Other' are described in the section above 'What is the asset allocation planned for this financial product?'.

There are certain environmental and social safeguards in place in relation to some of these investments. Namely, in relation to developed markets sovereign debt, both the characteristic 'ESG inclusion criteria' (related to the minimum World Bank governance score and UN arms embargo) and the adverse impact due diligence process formally apply, although their impact is expected to be limited or nil. In relation to private loans, such loans are assessed by the fiduciary manager on a case-by-case basis subject to material ESG considerations related to a specific investment.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

This product uses reference benchmarks for the attainment, or the monitoring of the attainment, of some of the characteristics promoted by the product. This concerns the characteristics 'lower carbon intensity' and 'improved governance' in relation to equity and corporate credit portfolios, and 'ESG inclusion criteria' with respect to sovereign debt.

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

Lower carbon intensity and improved governance: To enable the attainment of the characteristics 'lower carbon intensity' and 'improved governance' in relation to equity and corporate credit portfolios, ESG-tilted benchmarks are provided by external benchmark providers, separately for equity and corporate credit portfolios. These are constructed through an (optimisation) process under which broad market benchmarks are tilted toward lower carbon intensity and higher governance ratings. All ESG data is provided by an external data provider that has been assessed on its qualities regarding ESG data and data provisioning. Prior to implementation, the benchmarks have been back tested across the relevant regions or strategies, confirming the methodology works.

ESG inclusion criteria – sovereign debt: To enable the attainment of the characteristic 'ESG inclusion criteria' with respect to sovereign debt (emerging markets debt (EMD) hard currency), this product uses a custom benchmark from an external provider that does not include issuers that fail to meet the inclusion criteria.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?

The fiduciary manager is responsible for the alignment between the investment strategy at hand and the construction and updating of specific indices which are designated as reference benchmarks.

Lower carbon intensity and improved governance: The relevant portfolios are managed against custom ESG benchmarks, taking into account the active risk budget and investment guidelines. Depending on the exact strategy at hand, the portfolios may be rebalanced periodically, ensuring they stay close to the benchmark over time. The benchmarks are reset semi-annually for equities and annually for corporate credit, taking the most recent ESG data into account. The attainment of the characteristics is then monitored on a bi-monthly basis relative to a set of standard (non-ESG) parent indices aggregated based on relative weights (separately for each asset class). Larger than expected deviations from the set expectations would be investigated and, where appropriate, corrected.

ESG inclusion criteria – sovereign debt: The relevant portfolios are managed against the custom ESG benchmark, taking into account the active risk budget and investment guidelines. The EMD hard currency benchmark is reset monthly. Compliance with the inclusion criteria is monitored. The attainment of the characteristic is further monitored on a bi-monthly basis by the fiduciary manager.

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

Lower carbon intensity and improved governance: In relation to the characteristics 'lower carbon intensity' and 'improved governance', the custom benchmarks are built with the objective to have 10% higher governance rating and 25% reduction in carbon intensity relative to a standard (non-ESG) benchmark. Their risk/return characteristics of the custom ESG benchmarks are similar to the standard (non-ESG) benchmarks, with limited deviations (tracking error and drifts) as well as turnover required to achieve the characteristics.

ESG inclusion criteria – sovereign debt: The standard benchmark includes issuers which are fully excluded from the custom index.

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

The methodology for the calculation of the designated index is proprietary information of SSPF's fiduciary manager. For that reason, the methodology will not be shared.

Where can I find more product specific information online?

Information regarding this product's sustainability-related disclosures, can be found athttps://www.shellpensioen.nl/pensioenfonds-sspf/verantwoord-beleggen-sspf