

## **Product information on the website for financial products that promote environmental or social characteristics**

### ***a) Summary***

DPS: the 'beleggingsmandaat Pensioenfonds SABIC' ('SPF') (Stichting Pensioenfonds SABIC investment mandate) is classified as an Article 8 product according to the SFDR, which means that it promotes environmental and social sustainability characteristics.

DPS actively identifies and mitigates sustainability risks. We do this by excluding certain investments.

DPS uses various data sources and methodologies to promote environmental and social sustainability characteristics and implement the above-mentioned activities. These data sources and methodologies enable us to implement, monitor and report on our activities. The data DPS uses originates from Sustainalytics, AFM/Pension Federation, national and international sanctions lists, Columbia Threadneedle Investments (CTI), Freedom House, International Trade Union Confederation and Transparency International.

Information from data sources is used to assess companies and countries when selecting investments (integration) and to exclude companies or countries (exclusion). The information is also used to monitor the existing portfolio. The used data is based on quantitative and qualitative assessment methodologies or a combination of the two.

Inevitably, the data and methodology used also have limitations. For example, a patented scoring methodology may have limited comparability with other scoring methodologies. In addition, some underlying data regularly materialises via company self-assessment and has not always been validated by an independent party.

Integration and exclusion methods form an integral part of the investment and selection process.

### ***b) No sustainable investment objective***

This financial product promotes environmental or social characteristics but does not have a sustainable investment objective as defined in the SFDR.

### ***c) The financial product's environmental or social characteristics***

Sustainability is a major aspect of DPS's investment philosophy and an integral component of its investment principles. DPS aims to use its investments for long-term social and other value creation. To achieve this, DPS promotes the following environmental and social characteristics:

#### **1. Integrating ESG factors into management:**

ESG factors are used in managing and evaluating investments on the basis of the ESG controversy score.

## 2. Climate change mitigation and carbon reduction:

By measuring the carbon intensity of shares, listed property and corporate bonds in the investment portfolio and by having a carbon reduction target. There is a reduction target of 55% by 2030 compared with the benchmark and carbon data as at 2016 for the shares, investment grade credits and high yield US investment categories, and there is a net zero target (100% reduction) by 2050. For listed property there is a carbon reduction target of 40% compared with the 2030 benchmark and carbon data as at 2020, as well as a net zero reduction target (100% reduction) by 2050.

## 3. Exclusion based on the Ten Principles of the United Nations Global Compact:

Companies that operate in a manner not compatible with the UN Global Compact's Ten Principles are excluded from investment.

## 4. Exclusion of socially controversial activities:

Excluded from investment are companies that are involved in the production of tobacco, companies that obtain 5% or more of their turnover from coal or tar sand mining, companies that own and/or operate a gambling establishment and obtain 50% or more of their turnover from this and companies involved in the production of controversial weapons such as cluster munitions, land mines, chemical and biological weapons, depleted uranium munitions, white phosphorus munitions and nuclear weapons. DPS also does not invest in suppliers of products that are vital to the production of the aforementioned controversial weapons (key suppliers).

Investments in loans to countries that do not adhere to international treaties or that are under sanction by the UN, EU or the Dutch government are also excluded. Countries are also excluded that, according to the Freedom House, International Trade Union Confederation and Transparency International rankings, are among the most serious violators of human rights, labour rights and corruption.

### **d) Investment strategy**

DPS's sustainability policy aims for long-term social and other value creation. In adopting long-term value creation as a leading principle, sustainability and sustainability risks are integrated in all investment categories using several tools:

- ESG integration
- Exclusion
- Transparency

These tools, as well as a carbon reduction target for the shares, listed property and investment grade credits investment categories based on WACI scope 1 and scope 2 data, demonstrate DPS's commitment to using its investment portfolio to minimise negative climate impact.

### **ESG integration**

Where possible, DPS integrates ESG factors into the management and assessment of investments. The way in which social issues in the form of ESG aspects are embedded in the investment decisions differs for each investment category and mandate.

In its asset management mandates, DPS aims to achieve a better sustainability profile than the appropriate benchmark on the basis of the ESG Controversies. DPS developed a scoring methodology for this purpose. ESG Controversies provide a good indication of a company's sustainability risk profile, as they refer to incidents at companies or their suppliers that have a negative impact on stakeholders, the environment, or business operations. Data on this is provided

by Sustainalytics. DPS does not invest in companies that are classified in the worst ESG controversy score category ('severe' impact/category 5), based on information from Sustainalytics.

DPS invests in companies that follow good governance practices. This includes good management structures, relations with their employees, remuneration of staff, and compliance with tax legislation. DPS assesses companies on governance issues based on data sources such as the ESG risk score and controversy score assigned by Sustainalytics. DPS also measures the carbon footprint of the shares, listed property and investment grade credits investment categories. This measurement method is based on WACI scope 1 and scope 2 data.

## **Exclusion**

DPS also monitors its clients' exclusion policy. On behalf of SPF, DPS excludes companies and countries based on the risk of negative impact and a conflict with SPF's norms and values. DPS's exclusion policy applies to DPS's mandates within the investment categories of shares, listed property, corporate bonds, and sovereign bonds.

DPS excludes the following companies on behalf of SPF:

- Tobacco producers;
- Companies that derive at least 5% of their turnover from coal or tar sands mining;
- Companies that own and/or operate a gambling establishment and obtain 50% or more of their turnover from this;
- Companies involved in the production of controversial weapons such as cluster munitions, land mines, chemical and biological weapons, depleted uranium munitions, white phosphorus munitions, and nuclear weapons;
- Suppliers of products that are vital to the production of the aforementioned controversial weapons (key suppliers);
- Do not make enough progress with an engagement programme with respect to focus SDGs 6, 7, 12 or 13 and there are no special circumstances that justify continuing investing in the company.

Additionally, companies that operate in a manner not compatible with the UN Global Compact's Ten Principles are excluded from investment.

The Ten Principles of the UN Global Compact are derived from the following four international treaties and declarations:

1. The Universal Declaration of Human Rights;
2. The ILO Declaration on Fundamental Principles and Rights at Work;
3. The Rio Declaration on Environment and Development;
4. The United Nations Convention against Corruption.

The Ten Principles are subdivided into four main themes. These main themes are human rights, labour law, environment and anti-corruption measures.

Investments in loans to countries that do not adhere to international treaties or that are under UN, EU or Dutch sanctions are excluded. Countries are also excluded that, according to the Freedom House, International Trade Union Confederation and Transparency International rankings, are among the most serious violators of human rights, labour rights and corruption.

DPS uses the screening and research capabilities of Sustainalytics. Sustainalytics engages in worldwide research into social issues and analyses investment portfolios for their sustainability. DPS uses CTI's services to assess the progress of engagement programmes. Prior to any investment, this is checked against SPF's exclusion list. The investment portfolio is also reviewed every quarter to determine whether all the preceding quarter's investments complied with SPF's exclusion criteria.

## **Transparency**

In line with the PRI reporting cycle, DPS produces reports to ensure transparency about the sustainability policy and its implementation. DPS also submits a monthly report to SPF about sustainability each quarter.

### ***e) Share of investments***

DPS promotes environmental and social characteristics without pursuing a sustainable investment objective as defined in the SFDR. DPS has no minimum allocation to sustainable investments as defined by the SFDR or investments in environmentally sustainable activities as defined in the Taxonomy Regulation.

Most of DPS's investments are geared to environmental and/or social characteristics. These investments cover shares, listed property, corporate bonds and sovereign bonds. The other investments are not geared to these characteristics and relate to derivatives and liquid assets. These are not subject to environmental or social minimum safeguards.

### ***f) Monitoring environmental or social characteristics***

DPS uses the following sustainability indicators to monitor how environmental and social characteristics are met:

#### **Integrating ESG factors into management:**

1. The number of companies that, based on Sustainalytics information, fall in the worst ESG controversy score category ('severe' impact/category 5) or if a company receives an ESG controversy score 'high' impact/category 4.

#### **Climate change mitigation and carbon reduction:**

2. Reduction objective relating to carbon intensity for the share, investment grade credits, and high yield US investment categories: 55% by 2030 and 100% (net zero) by 2050 compared with the 2016 benchmark. For the listed property investment category: 40% by 2030 and 100% (net zero) by 2050 compared with the 2020 benchmark. This reduction target is based on scope 1 and scope 2 data.

#### **Exclusion of companies**

3. Assets invested in excluded individual companies at year-end, excluding fund investments.

DPS excludes companies that:

- a) Operate in a way that is incompatible with the UN Global Compact's Ten Principles;
- b) Are active in tobacco production;
- c) Derive at least 5% of their turnover from coal or tar sands mining;

- d) Own and/or operate a gambling establishment and obtain 50% or more of their turnover from this;
- e) Are involved in the production of controversial weapons such as cluster munitions, land mines, chemical and biological weapons, depleted uranium munitions, white phosphorus munitions and nuclear weapons;
- f) Are suppliers of products that are vital to the production of the aforementioned controversial weapons (key suppliers);
- g) Do not make enough progress with an engagement programme with respect to focus SDGs 6, 7, 12 or 13 and there are no special circumstances that justify continuing investing in the company;
- h) Are under UN, EU or Dutch sanctions.

#### Exclusion of countries

4. Assets invested in excluded countries at year-end, excluding fund investments.

DPS excludes countries that do not adhere to international treaties or that are under UN, EU or Dutch sanctions. Countries are also excluded that, according to the Freedom House, International Trade Union Confederation and Transparency International rankings, are among the most serious violators of human rights, labour rights and corruption.

#### **g) Methodologies**

The previous sections introduced the promoted characteristics and associated sustainability indicators. This section further discusses the methodologies used to monitor progress of the promoted characteristics.

#### Integrating ESG factors into management:

1. Using information from Sustainalytics, DPS monitors companies' ESG controversy scores. Companies classified in the worst ESG controversy score category ('severe' impact/category 5) are excluded. If a company receives a 'high' impact/category 4 ESG controversy score, a formal procedure is instigated.

#### Climate change mitigation and carbon reduction:

2. The Weighted Average Carbon Intensity (WACI) scope 1 and 2 emissions are used as a carbon intensity measure as an amount of emissions (in tonnes) per million of turnover within the shares, listed property, investment grade credits and high yield US investment categories. DPS calculates the carbon intensity in accordance with TCFD recommendations.

#### Exclusion of companies:

3. DPS monitors the companies that fall under UN, EU or Dutch sanctions, companies that produce tobacco, companies that obtain over 5% of their turnover from mining coal or oil from tar sands, companies that own and/or operate a gambling establishment and obtain over 50% of their turnover from this and companies that produce/supply controversial weapons or that act in violation of the UN Global Compact. Finally, DPS monitors companies' ESG controversy scores for the purposes of exclusion. This monitoring is carried out based on information and analyses from Sustainalytics. DPS also monitors the companies with an engagement programme with respect to focus SDGs 6, 7, 12 or 13. This monitoring is carried out based on information and analysis originating from CTI.

## Exclusion of countries:

4. DPS monitors the countries that do not adhere to international treaties or that are under UN, EU or Dutch government sanctions. Countries are also monitored that, according to the Freedom House, International Trade Union Confederation and Transparency International rankings, are among the most serious violators of human rights, labour rights and corruption. This monitoring is carried out based on information and analysis originating from Sustainalytics and rankings issued by Freedom House, International Trade Union Confederation and Transparency International.

## ***h) Data sources and processing***

DPS uses external data as input for the investment process, preferring standardised data where possible. We receive data from the following and other sources:

### Sustainalytics

- Sustainalytics supplies information on the exclusion of companies, State Owned Entities and countries.
- Sustainalytics supplies information on scope 1 and scope 2 carbon emissions of companies in the portfolio.
- Sustainalytics supplies information on companies' ESG controversy score.

### AFM/Pension Federation

- AFM/Pension Federation's cluster munitions list.

### National and international sanctions lists

- The publicly available EU, Dutch government and UN sanctions lists inform exclusions of countries and companies under sanctions.

### CTI

- Under the engagement policy, CTI supplies data on the implemented engagement policy, total engagements and successful engagement on milestones.

### Freedom House/ International Trade Union Confederation/Transparency International

- With respect to the country policy, we consult the publicly available rankings from Freedom House (Freedom in the World Index), International Trade Union Confederation (Global Rights Index) and Transparency International (Corruption Perception Index).

## ***i) Methodologies and data limitations***

DPS uses information that is supplied by ESG data providers. Although various sources are used to ensure that environmental and social characteristics are applied within the mandates, there are limitations to the methodologies and data sources.

The scoring methodology of ESG data providers such as Sustainalytics is based on a patented methodology. A difference in methodology between the various ESG providers can lead to different outcomes. For instance, the ESG qualification issued by ESG data providers on companies and countries may differ among the various ESG data providers. The ESG ratings issued by ESG data providers are therefore of limited comparability. The engagement programme focus can also be different depending on the engagement provider.

Data from companies and countries on which ESG data providers rely for their ESG rating may also be based on public sources. Due to transparency requirements for larger companies, there is generally more public information available about larger companies than about smaller companies.

Information can also be based on input from companies themselves. The qualification of this information is therefore subjective in certain respects. In other cases, the information is not validated by an independent party.

#### ***j) Due diligence***

Sustainability criteria form part of the selection criteria for our investments. This means that DPS considers sustainability as well as financial aspects when assessing investments or investment service providers. The above-mentioned methods of ESG integration and exclusion methods form an integral part of DPS's investment and selection process.

#### ***k) Engagement policy***

DPS itself does not implement an engagement and voting policy with respect to SPF's investment portfolio. SPF implements its own engagement and voting policy with respect to the investments in this SPF portfolio with the help of its engagement provider CTI.

For SPF's engagement and voting policy, please visit the SPF website. Click **here** for more information.

#### ***l) Designated reference benchmark***

There is no all-inclusive reference benchmark to determine whether this is geared to the environmental and/or social characteristics it promotes. This means that this category does not apply.