

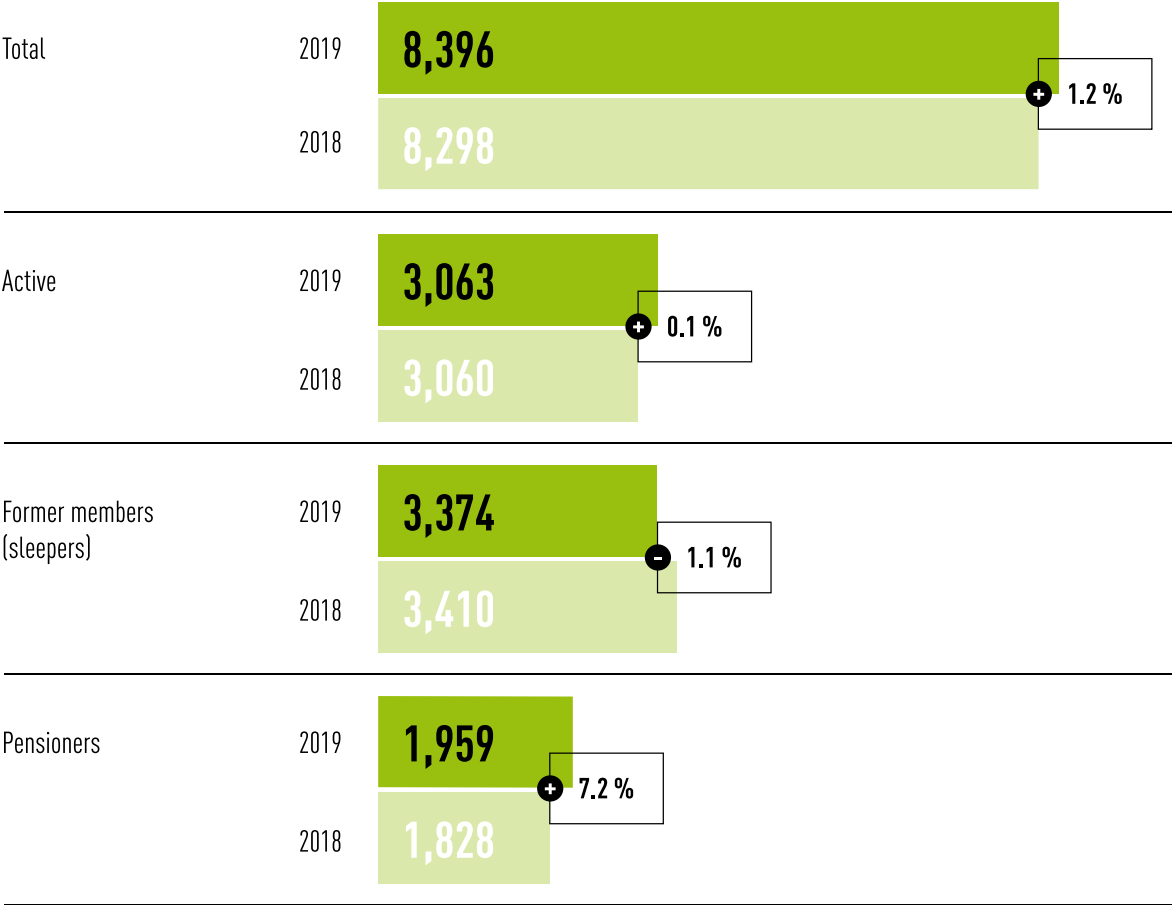
# Welcome to the SPF 2019 Annual Report

**We've made a visual summary of 2019 for you. In this annual statement, we present the most significant developments and figures for SPF and highlight the main points. What has SPF done with your pension money? How did the funding level develop and what about the investment returns?**

If you read this annual statement, you will be aware of what's going on with your own pension fund. [Click here](#) for a printer-friendly PDF of the annual statement 2019. For more detailed information about SPF in 2019, please see the full annual report (only in Dutch), which can also be downloaded from SPF's website.

# The year 2019 in key figures

## Members

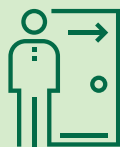


## Pension liabilities SPF

Pension liabilities SPF at year-end 2018

**2,344.3** MIL euro

Changes in pension liabilities in 2019



Benefit payments to pensioners

**-47.0** MIL euro



New pension entitlements  
accrued by members

**+54.7** MIL euro



Increase in liabilities  
due to lower interest rate

**+389.5** MIL euro



Other drops in liabilities

**-0.7** MIL euro

Pension liabilities SPF at year-end 2019

**2,740.8** MIL euro

## Invested capital SPF

Invested capital SPF at year-end 2018

**2,518.4** MIL euro

Changes in invested capital in 2019



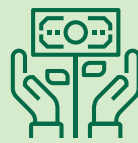
Pension benefit payments

**-46.6** MIL euro



Pension contributions received

**+54.4** MIL euro



Income from investments

**+422.4** MIL euro



Other

**-0.8** MIL euro

Invested capital SPF at year-end 2019

**2,947.8** MIL euro

SPF FUNDING LEVEL 2019

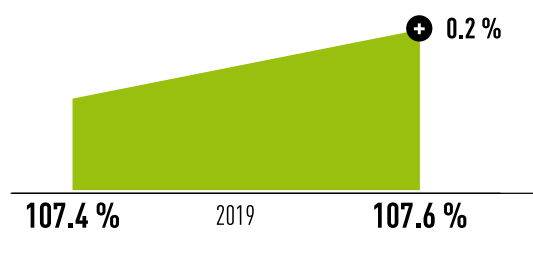
**107.6%**

# The financial position of SPF

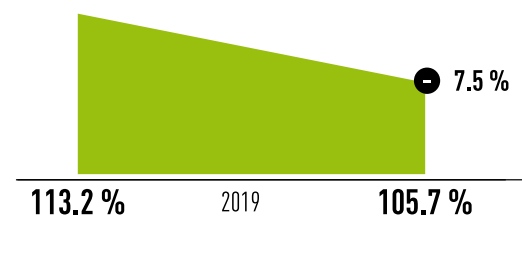
**The funding level is an important yardstick for judging the pension fund's financial situation. It indicates to what extent the pension assets are high enough to meet all future pension obligations (including, in particular, the pension benefit payments).**

Besides the funding level, a pension fund must calculate the "policy funding level," being the average of the last twelve months of monthly funding levels. The policy funding level can be used to determine whether a pension fund needs to curtail accrued pensions and pensions that have commenced payment.

## Funding level



## Policy funding level

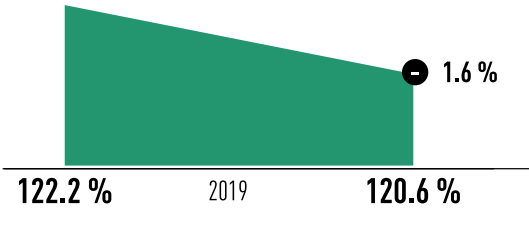


Besides the funding level, a pension fund must calculate the "policy funding level," being the average of the last twelve months of monthly funding levels. The policy funding level can be used to determine whether a pension fund needs to curtail accrued pensions and pensions that have commenced payment.

The policy funding level can also be used to determine whether a pension fund is in a deficit situation, in which case the pension fund would be required to submit a recovery plan to the Dutch central bank, DNB (De Nederlandsche Bank). The recovery plan outlines how a pension fund aims to achieve a higher funding level in the coming years. The policy funding level plays a decisive role in the fund's decision on whether to index.

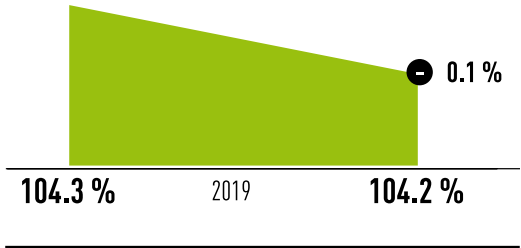
2019 was a challenging year for SPF. Interest rates fell to levels not thought possible a few years ago, and this also negatively affected SPF's financial position. The funding level ended in August below 100%. This was partly why the policy funding level fell below 110% at year-end, the limit below which SPF is not allowed to grant indexation.

**Required funding level**



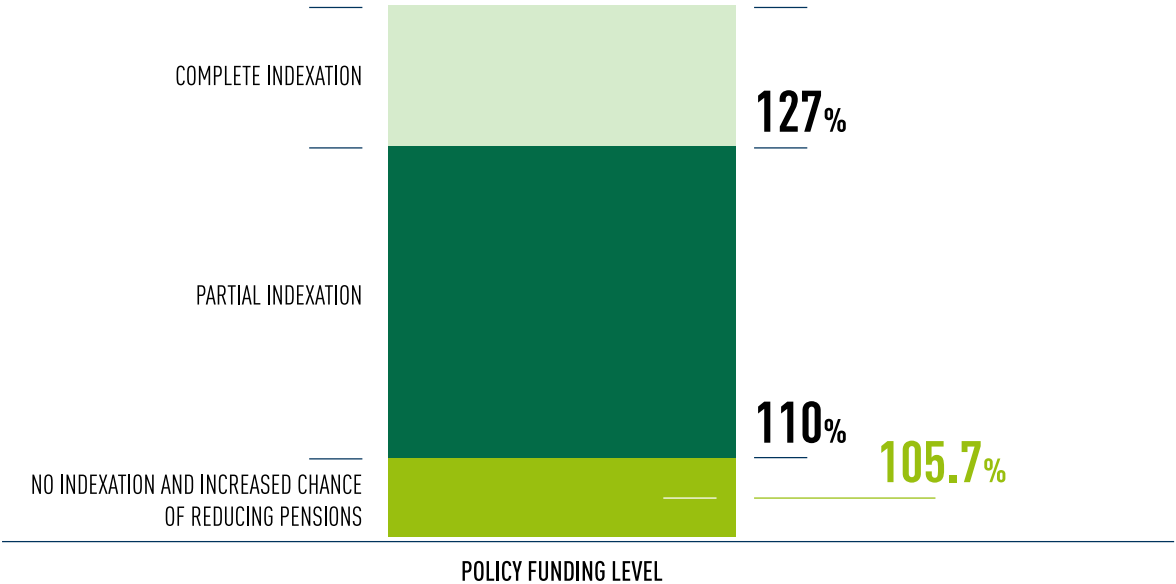
The required funding level indicates the legal level of SPF's policy funding level. If the policy funding level falls below the required funding level, SPF must submit a recovery plan.

**Minimum required funding level**



The minimum required funding level indicates the absolute lower limit. If SPF's policy funding level falls below this level, there is a funding shortfall. SPF will then have insufficient capital to be able to pay future pensions. If the policy funding level remains below the minimum required funding level for five years, SPF must reduce (curtail) the accrued pensions.

**Indexation**

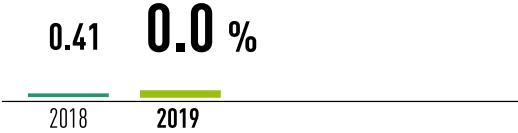


Fortunately, the policy funding level did not necessitate any curtailment in 2019, but unfortunately neither did it allow any indexation. SPF tries to increase pensioners' and deferred members' pensions annually in order to bring these in line with price increases. We also aim to increase active members' pensions to bring these in line with wage increases. We refer to this increase as "indexation". However, we can only index if our financial situation is strong enough.

Unfortunately, it is only to a very limited extent that the fund has been able to achieve its ambition of providing indexed pensions. The gap that has gradually emerged has diminished the purchasing power of our pensions and the pension accrual. If the financial situation at SPF improves, indexation will be possible again. Although there was no need for a curtailment in 2019, the chance remains that pensions will have to be cut in the following years. More information about indexation is available on SPF's website.

**Indexation for pensioners and deferred members**

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**Indexation for active members**

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SPF aims to increase your pension every year and to allow it to grow in line with inflation or wage rises. We refer to this increase as "indexation."

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# How we invest the money

To be able to pay pensions every month, pension contributions alone do not suffice. A pension fund must invest. By investing, we make a profit. That is the return. In the long term, investments yield more return than a savings account. The return indicates what the investment yielded and is expressed as a percentage.

	2019	2018
<b>Total invested assets (in mln. €)</b>	<b>2,947.3</b>	2,520.0

Composition of investments 2019	mln. €	weighting	2018	
<b>Matching portfolio</b>	<b>1,311.2</b>	<b>44.0%</b>	<b>1,078.2</b>	<b>42.8%</b>
Government bonds (swaps incl.)	686.8	62.8%	527.6	48.9%
Inflation-linked bonds	152.7	14.0%	129.1	12.0%
Credits	253.4	23.2%	218.9	20.3%
Mortgages	218.3	16.6%	202.6	18.8%
<b>Return portfolio</b>	<b>1,632.2</b>	<b>55.0%</b>	<b>1,417.5</b>	<b>56.3%</b>
Valuta overlay	5.6		2.5	
Shares	899.2	55.3%	755.8	53.4%
Bonds	326.6	20.1%	319.5	22.6%
Real estate bg	241.5	14.8%	196.8	13.9%
Real estate nbg	61.8	3.8%	45.0	3.2%
Infrastructure	94.5	5.8%	94.9	6.7%
Private Equity	3.0	0.2%	3.0	0.2%
<b>Cash</b>	<b>3.9</b>	<b>0.1%</b>	<b>24.3</b>	<b>0.9%</b>
<b>Total</b>	<b>2,947.3</b>	<b>100.0%</b>	<b>2,585.8</b>	<b>100.0%</b>

SPF has split the investments into a matching portfolio and a return portfolio.

## Matchingportefeuille

The objective of the matching portfolio is to achieve a favorable risk/return profile with bonds that have a high credit rating, thus pursuing a high degree of certainty. This covers part of the interest rate risk.

## Rendementsportefeuille

The objective of the return portfolio is to realize a sufficient return in order to achieve the indexation ambition. Through an active policy, we try to achieve additional returns after costs or a lower risk profile within the permitted risk margin..

To reduce risk, SPF spreads its investments over various categories, including:

- **Inflation-linked bonds**  
In these loans, which are mainly made to governments, the interest rate and repayments are linked to inflation. This means you are compensated for actual inflation and a real yield is thus recorded.
- **Investment grade credits**  
The normal term of these loans, which are made to businesses with a good credit rating, is relatively short (4-5 years). Because of the good credit rating, the chance that the loans will be repaid with interest is very high and the risk is low.
- **Bonds and loans (fixed-yield securities)**  
Money is lent in this way to governments and businesses worldwide. The return (so-called interest payment) is generally stable. SPF also invests in Dutch private mortgages.
- **Shares**  
This is a worldwide interest in the capital of a company. Although higher returns can be expected in the longer term than on bonds, the risk is relatively high.
- **Alternative investments**  
This is an asset class from which an attractive return is expected in the medium term. The investments within this sub-portfolio therefore aim for an attractive return without being dependent on so-called benchmarks (market indices, such as the AEX), and include investments in microfinance, infrastructure, and commodities.
- **Real estate**  
Investments in real estate can be made in two ways: directly (houses, shops, and offices) and indirectly (shares in real estate funds). SPF only invests in indirect real estate worldwide.
- **Currency overlay**  
The above investments are made in different currencies. As the value of the currency may rise or fall against the euro, the return on the internationally diversified portfolio consists partly of currency returns. To limit the impact of currencies on the fund's performance in euros, we use currency overlay, by which the fund hedges itself against exchange rate movements.
- **Interest rate overlay**  
The interest rate sensitivity of the pension commitments differs from the investments, resulting in an interest rate risk. To limit this risk, part of the interest rate risk is hedged. For this purpose, investments are made in fixed-income securities and we use derivatives. The interest rate overlay also determines part of the fund's return.



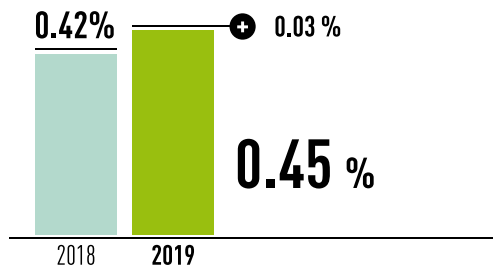
## Investment return (in %)

	2019	2018	
Total portfolio	16.9%	-2.8%	
Matching portfolio	13.7%	1.6%	
Return portfolio	19.8%	-5.8%	

SPF achieved a good return in 2019 but there is also no need for you to worry about negative returns. SPF invests with a long horizon. Fluctuations are expected to be compensated over the years.

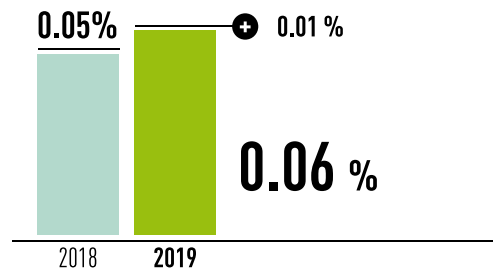
## Asset management costs

in % of average invested assets



## Transaction costs

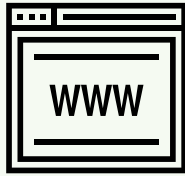
in % of average invested assets



Transaction costs are costs that have to be incurred to make and then administratively settle purchases and sales.

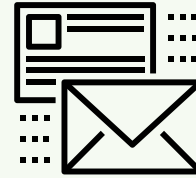
# The figures of some communication tools

## www.spf-pensioen.nl



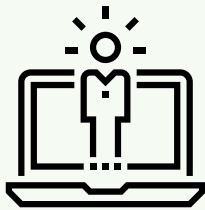
Number of visits (average)	<b>30,115</b>
Visits per day (average)	<b>83</b>

## Electronic newsletter



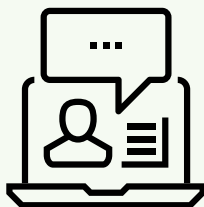
Number of subscribers	<b>2,085</b>
Sent → Opened	<b>4 → 77%</b>

## My SPF Pension



Number of users	<b>39.8 %</b>
Number of visits (average)	<b>17,998</b>
Number of visits per day (average)	<b>49</b>
Number of users of Digital Mail	<b>22.3 %</b>
<b>Evaluation</b>	
NL planner, active members	<b>7.9</b>
My SPF Pension, active members	<b>7.8</b>
My SPF Pension, non-active members	<b>7.7</b>

## Pension journeys



### Q1 Pension journey Employed

58 sent, number of visits 39

### Q2 Pension journey 60-year olds

145 sent, number of visits 47

### Q3 Pension journey Employed

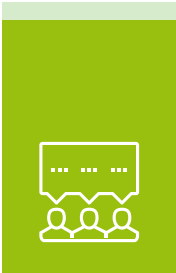
66 sent, number of visits 38

### Q4 Pension journey Surviving dependants' pension

2,728 sent, number of visits 398

**General questions**

616



Number answered in timely manner (average)

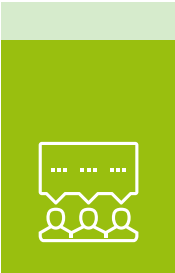
**99.3 %**

Questions which can and have to be answered within three business days.

Appreciation General questions: **8.4**

**Specific questions**

377



Number answered in timely manner (average)

**94.4 %**

More complex questions which have to be answered within ten business days.

Appreciation Specific questions: **8.1**

**Evaluation**



Granting of retirement pension	<b>8.2</b>
Granting partner's pension	<b>8.0</b>
Value transfer	<b>7.6</b>
Evaluation of personal conversations	<b>9.8</b>
- 14 with 40-year olds	
- 37 with 50-year olds	
- 105 with 60-year olds	

# The opinion of the Accountability Council

**The Accountability Council (AC) has the authority to evaluate the Board's performance, policy decisions, and policy implementation. A positive evaluation depends on whether interests were considered equally. The Council is made up of six members.**

Composition as of May 2020



The Accountability Council believes that the standard of governance is good. In formulating policy and implementing it, the Board has taken the interests of all members into account as much as possible. The fund acted in accordance with legislation and regulations, the articles of association, and the fund's regulations.

2019 was a difficult year. Despite sharply rising stock market prices worldwide, SPF's funding level fell. The reason for this was the falling interest rates. Despite these difficult circumstances, the Board has pursued a consistent policy. When triggers were hit in the middle of the year, the Board reviewed the policy once again and analysed the risks extremely carefully.

## In its general evaluation, the Accountability Council was positive about the Board's policy decisions in 2019.

### What did the Accountability Council issue recommendations on?

The Accountability Council gave recommendations to the Board on four subjects:

- The Net Pension Scheme (NPS) has been amended because, as from July 1, 2019, members can opt not only for a fixed pension benefit but also for a variable pension benefit. The Accountability Council issued a positive recommendation for the related amendments to the Administration Agreement.
- The risk appetite for the NPS 2.0 and the PPS scheme is in line with the principles used and the objectives of the scheme. The Accountability Council issued a positive recommendation for this.
- The obligation to inform members by means of the Uniform Calculation Method has applied since October 1, 2019. The Accountability Council was asked to provide its recommendation on the underlying calculation method to be used. The Board has opted to use the same methodology for all pension schemes, and the Accountability Council supports that choice.
- Every three years, the Board reviews the Communication Policy. In its recommendation, the Accountability Council advised the Board to tighten up the policy in certain areas. The Board has adopted almost all of the recommendations.

Furthermore, the Accountability Council made a binding nomination to fill the vacancy on the Supervisory Board. In accordance with this nomination, the Board has appointed Stephan Linnenbank as a member of the Supervisory Board.

### The Accountability Council's spearheads for 2020

The Accountability Council has formulated a number of spearheads for the coming year, which are:

- The further development of the cost-effective contribution.
- The implementation of IORP II. This is a European directive anchored in national regulations. "Key Function Holders" are appointed for Internal Audit, Actuarial Practice, and Risk Management, and they assess the policy independently of the Board. In certain situations, these Key Function Holders may escalate to the Board, the Supervisory Board, or De Nederlandsche Bank. The Accountability Council attaches great importance to the independence of the Key Function Holders and the correct periodic reporting lines.
- The implementation of the IT policy and the extent to which the security of the IT infrastructure and systems is ensured.
- The balanced nature of the Board's decisions and the way in which the Board substantiates them.

Several conclusions have been drawn following the self-assessment carried out by the Accountability Council at the beginning of 2020, one of which is that the Accountability Council wishes to adopt a more pro-active attitude and not simply monitor the issues raised by the Board.

The complete evaluation by the Accountability Council and the response from SPF's Board to the evaluation can be read in SPF's annual report.

# The conclusion of the Supervisory Board

**The activities of the Board are monitored by the Supervisory Board. The Supervisory Board monitors for example the policy, adequate risk management and a well-balanced evaluation of interests. The Supervisory Board consists of three members.**

## Composition in 2020



Chairman

## The Supervisory Board concludes that the fund is well managed and that the Board is in control.

The Supervisory Board has established that the Board has taken further steps in 2019 with regard to the required balancing of interests. Nevertheless, the Supervisory Board would like to draw attention to two specific subjects in this context: the fair balancing of interests in terms of catch-up indexation and the PPS scheme.

Catch-up indexation has been discussed several times by the Board and also with the Accountability Council. The Supervisory Board advises the Board to elaborate the policy on catch-up indexation and to explicitly consider the fair balancing of interests of the various stakeholder groups.

The subject of the PPS scheme has also been discussed regularly in the past. Although this scheme is hardly material at fund level, it may well be so for individual members. The Board has chosen to resume the discussion on the PPS scheme as soon as De Nederlandsche Bank has responded. The Council believes that the Board is itself responsible for its own policy; De Nederlandsche Bank is a supervisory body. The Council advises the Board to elaborate the policy on catch-up indexation and to explicitly consider the fair balancing of interests of the various stakeholder groups.

In addition, the Council has identified the following themes in its monitoring plan for 2019:

1. ICT risk management
2. IORP II and its effect and functioning
3. The Board's risk attitude
4. Strategic risks
5. Communication with members
6. Suitability policy
7. Socially Responsible Investing

The full text of the Supervisory Board's findings and recommendations and the response of SPF's Board can be read in SPF's annual report (Dutch only).

## Members of the board

**The Board of the fund consists of eleven voting members, all of whom are appointed by the Board. The employers (SABIC Europe BV, SABIC Limburg BV, SABIC Capital BV, SABIC Innovative Plastics, and SABIC Global Technologies BV) collectively nominated four members. The Works' Councils at SABIC nominate two members, while retirees nominate another two members (themselves retirees). The two external Board professionals and the external independent Chairman are appointed by the Board.**

### Executive Board

The Executive Board is made up of the Chair and the Deputy Chair. The Executive Board takes care of the day-to-day issues relating to implementation and other aspects arising from policy choices within the Board's framework.

The Board has taken note of the findings and recommendations in the Review Committee's and the Accountability Council's evaluations. Some of the findings and recommendations will inform the Board's actions in 2020.

The Board's full response to the Supervisory Board and Accountability Council's evaluations, as well as the text of the evaluations, can be read in SPF's full 2019 annual report (in Dutch only), which is also available on SPF's website.

## Board composition as of May 2020



**ARNOUT  
KORTEWEG**

Chairman  
External independent Chairman



**ARTHUR  
SMIT**

Deputy chairman  
Nominated by employer



**GUIDO  
CROONEN**

Nominated by  
employer



**JOS  
VAN GISBERGEN**

Nominated by  
employer



**LEON  
JACOBS**

Nominated by  
employer



**GISELLE  
VERWOORT**

Nominated by  
the Works' Councils



**RUDGER  
SCHIEWER**

Nominated by  
the Works' Councils



**WILLEM  
GRIN**

Nominated by  
retirees



**STUF  
KAASENBROOD**

Nominated by  
retirees



**ANGELA  
PETERS**

Nominated by  
the Board – Board professionals



**MARCEL  
ROBERTS**

Nominated by  
the Board – Board professionals



# Socially Responsible Investing (SRI)

**The Board does not only take financial aspects into account in defining and implementing its policy: It also observes aspects that are essential to achieving sustainable and inclusive social progress. The fund has developed its own policy in relation to this and bases its SRI policy on the following cornerstones:**

## 1. Exclusion Policy

We do not invest in activities in companies and countries that the United Nations, the European Union, or the Dutch government consider unacceptable or which run counter to the standards and values of the UN Global Compact's Ten Principles. Controversial weapons are also excluded from investment.

## 2. Sanctioning Policy

State bonds of countries that are under sanction by the United Nations or the European Union are excluded from the investment universe. The fund also has a sanctioning policy against individuals and terrorist organizations. For the most part, these sanctions relate to human rights and weapons issues.

## 3. Transparency

The fund is transparent with regard to the investments it holds and communicates openly on its policy in the area of SRI. The fund's website publishes the names of the companies, countries, and investment funds in which it invests.

SPF uses the services of Sustainalytics to assess its exclusions policy. This organization actively researches sustainability worldwide and carries out analyses of socially responsible investment in investment portfolios. Sustainalytics follows a structured approach that is widely accepted within the pension sector. At the end of 2019, SPF's list of exclusions comprised a total of 94 companies and thirteen countries in the investment universe.

SPF signed the broad track of the Covenant on International Socially Responsible Investment (in Dutch: "IMVB-covenant") in 2018. The "broad track" means that the fund is committed to implementing the OECD guidelines and UN Guiding Principles in its investment policy. The OECD guidelines and UN Guiding Principles relate to human rights and the environment.

# Remuneration Policy

**The Board has a controlled and sustainable remuneration policy, which SPF tests and compares with external parties as much as possible. Board members, members of the Accountability Council, and consultants and members of the Review Committee who are not employed by SABIC benefit from an expenses allowance that is in line with the prevailing market standards.**

The members of the Board and the Accountability Council employed by SABIC do not receive any remuneration or reimbursement of expenses from SPF and are subject to SABIC's terms and conditions of employment policy. They do not receive any additional or other remuneration from SPF. The representatives of the pensioners on the Board receive compensation in accordance with the Verordening vergoedingen Sociaal-Economische Raad 2011-2012 (2011-2012 Regulation on remuneration of the Social and Economic Council of the Netherlands).

The external Board members, the members of the Review Committee, and the external investment and risk advisor receive remuneration in line with the prevailing market standards. SPF does not issue performance-related remuneration or severance payments.

## Looking ahead to 2020

**The Board expects 2020 to be a year of transition for pension management as we move toward a new pension system. The social partners (government, employers' federations, and trade unions) in The Hague have agreed on a pension agreement, which calls for further elaboration of a new pension contract. It is estimated that during ongoing negotiations between the parties involved, changes in legislation and regulations and developments will be limited in scope.**

This does not alter the fact that far-reaching regulations such as IORP II need time to become engrained. The Board made the necessary adjustments in 2019. This will be reported to De Nederlandsche Bank in 2020, and an evaluation will take place in the autumn of 2020. All this will require the necessary energy and attention from the Board of SPF in the coming year.

### Governance

The composition of the Board is changing in two respects:

- The appointment of Rudger Schiewer after review by De Nederlandsche Bank;
- The appointment of Arnout Korteweg as the new external, independent Chairman since May 8, 2020.

Furthermore, Giselle Verwoort is joining the Risk & Compliance Committee and becoming a member of the Asset Management Committee. Further changes will follow and come into effect from July 1, 2020, in connection with the implementation of IORP II. In Q1/Q2, the function of Key Function Holder for Audits will be assigned to an external person.

### COVID-19 & financial markets

The outbreak of COVID-19 and the resulting measures taken by governments all over the world to curb the spread of the virus have already had a significant effect on SPF's activities in the first quarter of 2020.

The funding level fell by 15.0% from the end of 2019 to Q1 2020 (107.6% at the end of 2019 to 92.6% in Q1 2020). The further development of the funding level during 2020 depends, among other things, on the effectiveness of the measures taken by several countries to combat COVID-19.

Financial markets plummeted in March 2020, with negative returns on shares and other investments. The reasons for this were twofold. On the one hand, a pandemic broke out that prompted governments to take drastic measures to halt the spread of COVID-19. On the other hand, a latent oil dispute between Russia and Saudi Arabia escalated, leading to a free fall in oil prices at the beginning of March and a 55% drop in the course of March. All other markets followed suit: Global equity markets fell on average by 25% to recover somewhat in the second half of March. Market volatility increased sharply as a result of major uncertainties, and liquidity and trading volumes dried up, particularly in the bond markets. Governments in Europe and the US responded with support measures for citizens and businesses on an unprecedented scale. Central banks in Europe and the US are also trying to support the economy as much as possible with monetary policies (buying government bonds and lowering reserve requirements) and stimulus packages, but little can yet be said about how long the current situation will last and what impact developments and measures taken to support economic growth and financial markets will have. The Board is closely monitoring ongoing developments.

## **Brexit**

The United Kingdom's withdrawal from the European Union is planned for 2020. The Board is investigating the consequences of a hard Brexit for SPF and taking the necessary measures to mitigate these as much as possible. Issues such as central clearing and contracts with external asset managers are receiving the highest attention and are a top priority for SPF.

## **Socially Responsible Investing**

The current Socially Responsible Investing policy will be evaluated in 2019. In 2020, the Board will reassess its level of ambition and also evaluate whether the Socially Responsible Investing policy needs to be amended or broadened. This evaluation will take account of the fact that SPF signed the Covenant on International Socially Responsible Investment (in Dutch: "IMVB-covenant") in 2018, and the necessary steps to be taken will be determined as a result of this. Finally, the subject of climate policy will also become part of the Board's agenda in 2020.

## **Community policy from 2020 through 2022**

The communication policy for 2020 to 2022 will be adopted on and apply from January 1. The policy from the previous period is effective, as evidenced by various studies and contact moments with members. The policy will be adapted to reflect new insights and developments. Developments in pension communication in the field of communication and technology will be taken into account, as will developments in legislation, external developments, best practices, and other relevant developments. Spearheads of the new policy are the further digitization and connecting with the employer (SABIC).

In addition to drawing up a revised policy, one objective is to integrate the other documents relating to communication into it. The annual Communication Action Plan and the Relationship Communication Plan (previously called Relationship Management Plan) form part of the Communication Policy as an appendix.

# Contact

**If you have any questions about your pension, visit [www.spf-pensioenen.nl](http://www.spf-pensioenen.nl)  
Or contact the Pension Desk.**

## **Pension Desk**

+31(0)45 5788100 / [info.pensioenfondsSABIC@dsm.com](mailto:info.pensioenfondsSABIC@dsm.com)



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## **Disclaimer**

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## **Colofon**

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