

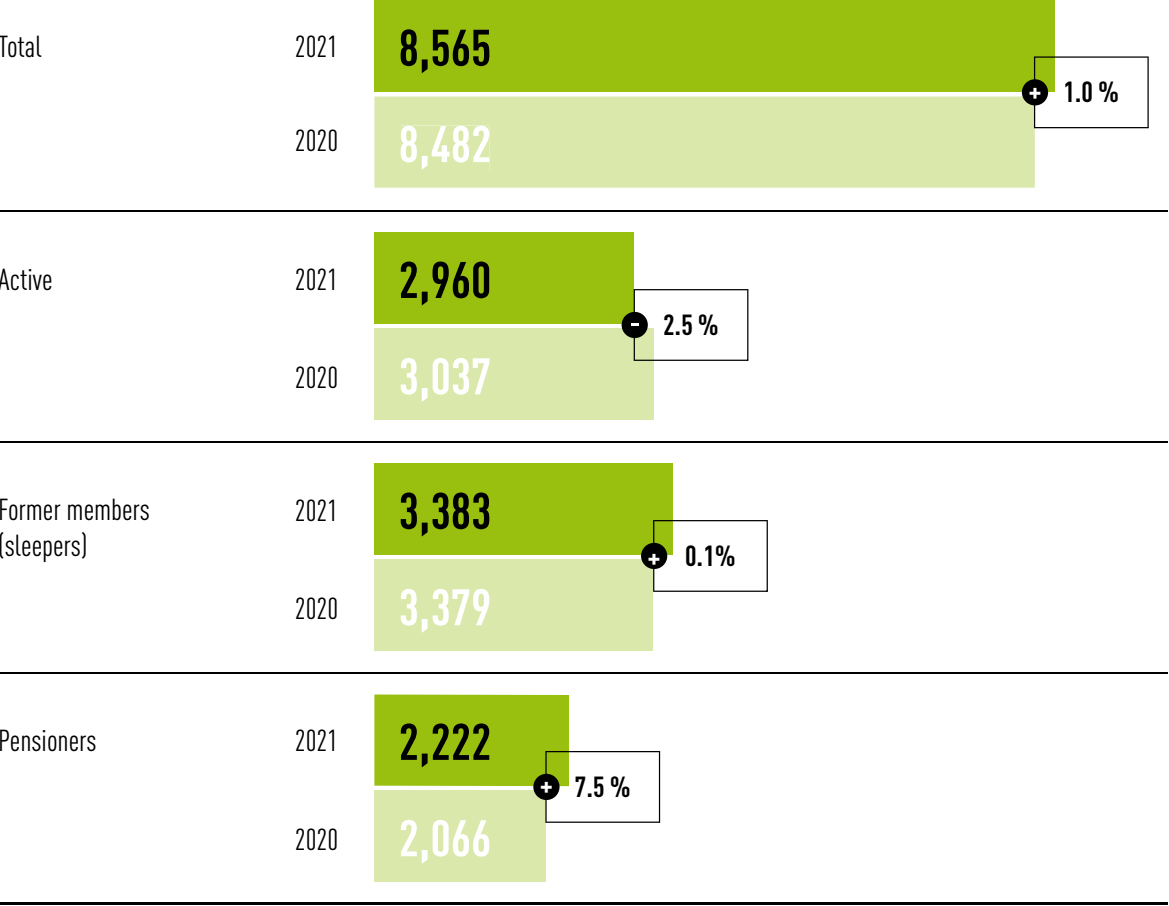
Welcome to the SPF 2021 Annual Report

We've made a visual summary of 2021 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. For more detailed information about SPF in 2021, please see the full annual report (only in Dutch), which can also be downloaded from SPF's website.

The year 2021 in key figures

Members



Pension liabilities SPF

Pension liabilities SPF at year-end 2020

3,039.1 MLN euro

Changes in pension liabilities in 2021



Benefit payments to pensioners

-55.2 MLN euro



New pension entitlements accrued by members

+77.3 MLN euro



Change in liabilities due to higher interest rate

-209.8 MLN euro



Indexation

+14.0 MLN euro



Other drops in liabilities

-11.0 MLN euro

Pension liabilities SPF at year-end 2021

2,854.4 MLN euro

Invested capital SPF

Invested capital SPF at year-end 2020

3,137.8 MLN euro

Changes in invested capital in 2021



Pension benefit payments

-55.2 MLN euro



Pension contributions received

+53.8 MLN euro



Income from investments

+213.6 MLN euro



Other (incl. administration costs)

-3.1 MLN euro

Invested capital SPF at year-end 2021

3,346.9 MLN euro

SPF FUNDING LEVEL 2021

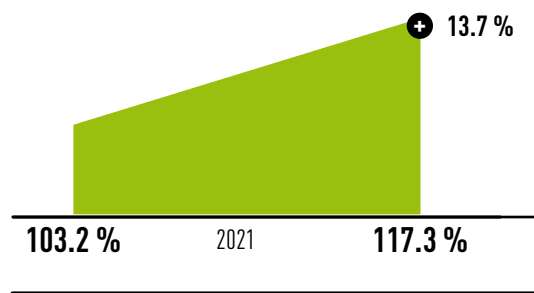
117.3%

The financial position of SPF

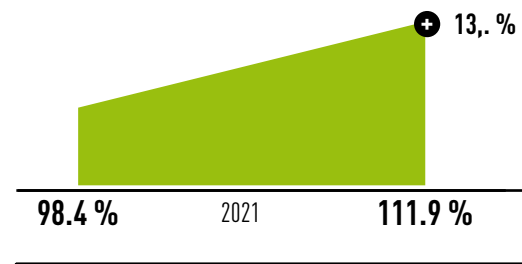
The funding level is an important yardstick for judging the pension fund's financial situation. It indicates to what extent the pension assets are high enough to meet all future pension obligations (including, in particular, the pension benefit payments).

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



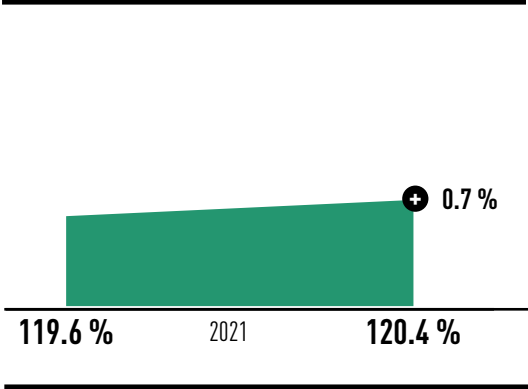
Policy funding level



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.

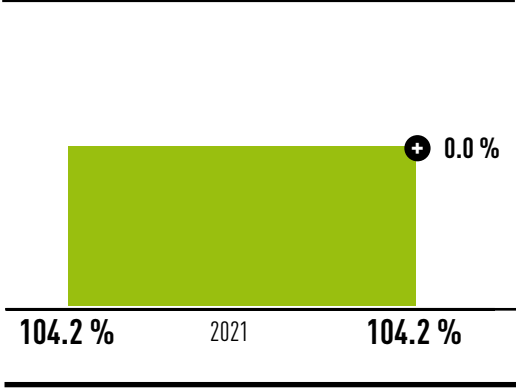
In March 2020, at the start of the global COVID-19 pandemic, SPF's actual funding level dropped to a low point of 92.6%, but recovered to 117.3% by late 2021. That is a 24.7 percentage point increase in twenty-one months. This sharp rise was the result of stock market increases and a limited rise in interest rates.

Required funding level



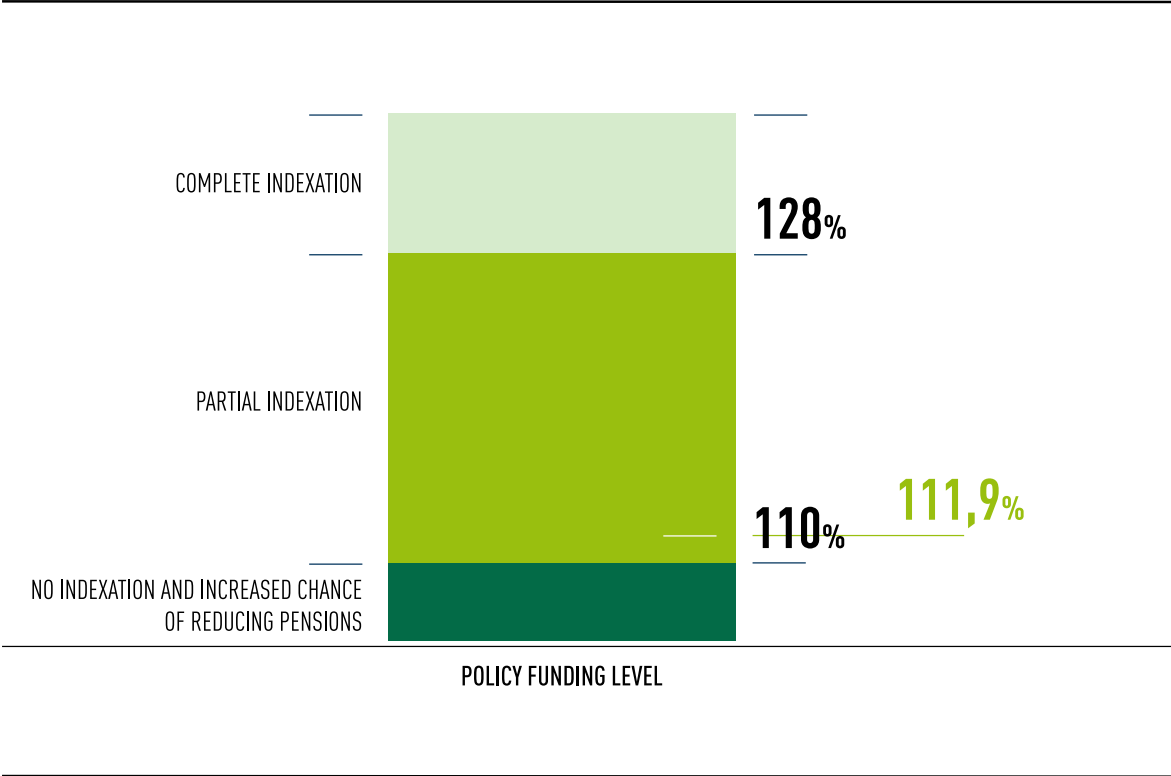
The required funding level indicates the legal level of SPF's policy funding level. If the policy funding level falls below the required funding level, SPF must submit a recovery plan.

Minimum required funding level



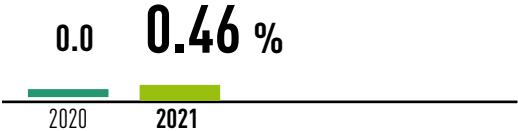
The minimum required funding level indicates the absolute lower limit. If SPF's policy funding level falls below this level, there is a funding shortfall. SPF will then have insufficient capital to be able to pay future pensions. If the policy funding level remains below the minimum required funding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

Indexation

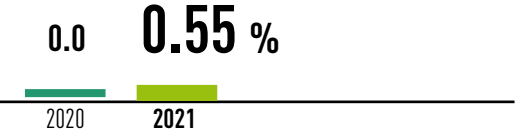


In 2021 and based on the indexation policy, the Board decided to award indexation as of January 1, 2022, to members and pensioners as well as deferred members in line with the fund's financial situation as at end 2021. The fund is awarding indexation of 14.1% of the maximum benchmark. For members, this means indexation of 0.55% and indexation of 0.46% for deferred members and pensioners.

Indexation for pensioners and deferred members



Indexation for active members



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."



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.

	2021	2020
Total invested assets (in mln. €)	3,345.5	3,138.7

Composition of investments 2021	mln. €	weighting	2020	
Matching portfolio	1,346.8	40.0%	1,416,7	45,0%
Government bonds (swaps incl.)	552.6	41.0%	627.6	57.0%
Inflation-linked bonds	207.4	15.4%	193.5	17.6%
Credits	261.5	19.4%	279.3	25.4%
Mortgages	334.3	24.8%	316.3	22.3%
Interest rate hedging	-9.0	-0.7	-	-
Return portfolio	2,011.3	60.0%	1,740.1	55.0%
Valuta overlay	-5.8		14.3	
Shares	1,136.1	56.3%	982.6	55.3%
Bonds	363.1	18.0%	318.9	20.1%
Real estate bg	311.7	15.5%	248.8	14.8%
Real estate nbg	78.2	3.9%	71.1	3.8%
Infrastructure	125.0	6.2%	101.5	5.8%
Private Equity	3.0	0.1%	2.9	0.2%
Cash	- 12.6	- 0.4%	-18.1	-0.6%
Totaal	3,345.5	100,0%	3,138.7	100.0%

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

Matching portfolio

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.

Return portfolio

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.

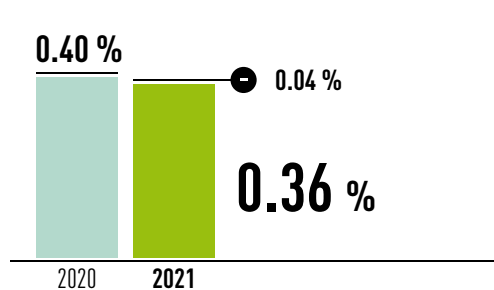
Investment return (in %)

	2021	2020	
Total portfolio	7.0%	6.5%	
Matching portfolio	-5.5%	12.5%	
Return portfolio	17.4%	1.1%	

SPF achieved a good return in 2021 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.

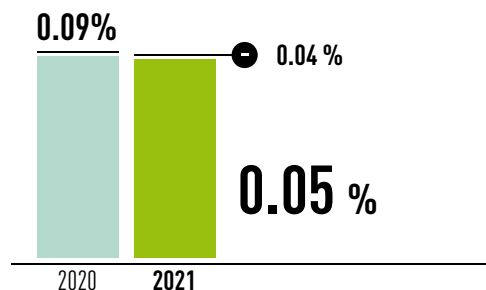
Asset management costs

in % of average invested assets



Transaction costs

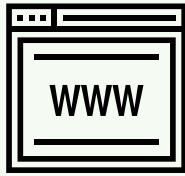
in % of average invested assets



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

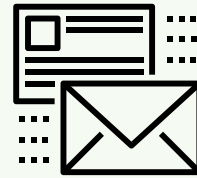
The figures of some communication tools

www.spf-pensioenen.nl



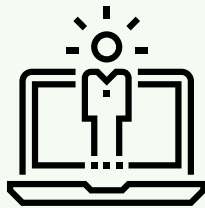
Number of visits (average)	35,390
Visits per day (average)	97

Electronic newsletter



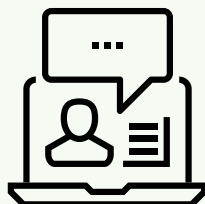
Number of subscribers	1,752
Sent → Opened	5 → 71%

My SPF Pension



Number of users	95.3%
Number of visits (average)	28,769
Number of visits per day (average)	79
Number of users of Digital Mail	91.4%
Evaluation	
NL planner	8.2
My SPF Pension	8.3

Pension journeys



Q4 Pension journey Employed

54 sent, number of visits 24

Q4 Pension journey 60-year olds

154 sent, number of visits 83

General questions

756



Number answered in
timely manner (average)

97.3 %

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

Appreciation General questions: **8.0**

Specific questions

331



Number answered in
timely manner (average)

96.8 %

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

Appreciation Specific questions: **8.4**

Evaluation



Granting of retirement pension

8.6

Granting partner's pension

8.3

Value transfer

8.3

Evaluation of personal conversations

9.8

- 17 with 40-year olds

- 29 with 50-year olds

- 51 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.

The Accountability Council as of May 2022



ROLF VAN KOUWEN

Chairman



ED VAN LAMOEN



TOINE JANSEN



JAN HELLINGS



HERMAN POLDERMAN

Vice Chairman



RENE WITJES

Summary evaluation

The Board acted on the AC's advice in 2021 and rewrote its Mission, Vision, and Core Beliefs. Instead of focusing on the fund, the Board has placed members at the heart of the new mission statement. The AC is positive about this approach. The AC's assessment is positive. Important elements that determine that assessment are:

- The Board has been proactive in taking initiatives to prepare for the introduction of the Pension Agreement. It does, however, depend on decision-making by the social partners.
- Governance is in good shape, partly because of a policy on succession planning. Vacancies that arise

are filled in an efficient way. The key functions are arranged effectively and perform well. Many governance-related documents were also updated this year.

- During the pandemic, the Board maintained a steady course. No ad-hoc decisions were taken to change that course and the Board made a conscious decision to continue adhering to the long-term policy.
- Steps were also taken regarding ESG. The Board adopted the sustainability policy and started implementing control measures.

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The Board also worked hard to increase diversity within and assure the continuity of the various fund bodies. The periodic organization of the SPF Academy is one of the means used to realize the policy. A training class started again in 2021. The AC is enthusiastic about the diversity of the group.

The Accountability Council's spearheads for 2022

The AC formulated the following priorities for the coming year:

- The Pension Agreement. Although the Social Partners need to take the first step, a good communication plan is essential in involving all members in the coming developments. The AC aims to keep a careful watch over all relevant aspects of the Pension Agreement, especially as the AC will eventually be asked to give its opinion on how balanced the chosen interpretation is.
- IT Policy. Concrete adaptations are being introduced that result in further administrative "control" and the effectiveness of the chosen methods. The AC also considers the data quality project results to be vital and that the necessary improvement steps must be well prepared in transitioning to the new pension contract.
- Socially Responsible Investing. The AC will assess the extent to which SPF maintains its own course and its connection with developments at the employer, SABIC. Another important focus point is the impact of the policy: To what extent can any additional costs of the Socially Responsible Investing policy be justified?
- Balanced decisions. A further priority is how balanced management decisions are justified. The AC will also schedule topics according to the annual agenda, and the Executive Board will be asked to address these in the periodic consultation.

Important topics will be scheduled according to the Board's annual agenda, and the Executive Board will be asked to address these in the periodic consultation.

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 as of May 2022



KES
SCHEEPENS

Chairman

WILLEKE
ONG

STEPHAN
LINNENBANK

The Supervisory Board concludes that the fund is well managed.

Follow-up aanbevelingen 2020

Internal supervision evaluates the follow-up that the Board gives to previous internal supervision recommendations. The following topics were identified for 2020:

1. Take responsibility.
2. Considered appointments.
3. Promote transparency.
4. Board policy based on IORP-2.
5. Board ESG policy.
6. Board crisis management and business community policy.
7. The Pension Agreement and the possible consequences for DPS.
8. The Supervisory Board took note of the report from the Board, which clarified the follow-up to the Supervisory Board's recommendations over 2020. The Supervisory Board is of the opinion that the Board has followed up the relevant recommendations effectively.

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Pension fund code

The Board has incorporated the recommendations and best practices from the Pension fund code in its business operations. This code comprises 65 standards, divided into eight themes:

- Engender and confirm confidence
- Take responsibility
- Act with integrity
- Aim for quality
- Careful procedures
- Appropriate remuneration
- Supervise and safeguard participation
- Promote transparency

The Board conducted an analysis on compliance with the Code. This analysis showed that all relevant standards were met apart from standards 25, 33, and 34.

- Standard 25: According to the code, every Board member has voting rights. The external Chairman is not formally a Board member and, therefore, has no voting rights. In this respect this provision is not in conflict with the code.
- Standard 33: In both the Board as well as the AC or stakeholder body there is at least one woman and one man and there are people both above and below the age of forty. The Board has produced an action plan to promote diversity.
- Standard 34: The maximum term of office of a Board member is four years. A Board member can be reappointed twice. The fund's statutes changed in 2021. A Board member can now be reappointed three times instead of twice.

Specific focus points for 2021

The specific focus points for 2021 were:

- Members' own risk assessment (ERB).
- Managing IT and outsourcing risks.
- Future Pensions Act.

Members of the board

The Board of the fund consists of ten voting members, all of whom are appointed by the Board. The employers (SABIC Europe BV, SABIC Limburg BV, SABIC Capital BV, SABIC Innovative Plastics BV, SABIC Global Technologies BV, SHPP BV, SHPP Sales BV en SHPP 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 2022.

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 2021 annual report (in Dutch only), which is also available on SPF's website.

Board composition as of May 2022



**ARNOUT
KORTEWEG**

Chairman
External independent Chairman



**GUIDO
CROONEN**

Deputy chairman
Nominated by employer



**JOS
VAN GISBERGEN**

Nominated by
employer



**LEON
JACOBS**

Nominated by
employer



**JOHN
VAN MOORSEL**

Nominated by
employer



**GISELLE
VERWOORT**

Nominated by
the Works' Councils



**RUDGER
SCHIEWER**

Nominated by
the Works' Councils



**WILLEM
GRIN**

Nominated by
retirees



**STUF
KAASBROOD**

Nominated by
retirees



**ANGELA
PETERS**

Nominated by
the Board – Board professionals



**MARCEL
ROBERTS**

Nominated by
the Board – Board professionals

SPF's Sustainability Policy

SPF considers sustainability to be a major aspect of the investment philosophy and an integral component of its investment principles. SPF is convinced that the sustainability policy is a way of contributing to sustainable development in the world without necessarily putting pressure on the portfolio's risk and return profile. Please consult SPF's website under downloads for the complete sustainability policy (PDF).

The following six pillars are key in the SPF sustainability policy:

1. Themed Focus Areas

In signing the broad track of the IRBC Agreement in December 2018, SPF endorses the OESO guidelines for multi-national companies and the UN Guiding Principles on Business and Human Rights. In committing to these guidelines and principles, SPF aims to focus on specific societal developments that are important for its members and have been identified as high risk for its investment portfolio. Against this background, SPF aims to work particularly on the sustainability theme of climate change.

2. ESG-integratieSanctioning Policy

Where possible, SPF manages and evaluates investments according to ESG factors. ESG stands for Environment, Social, and Governance.

3. Engagement

SPF encourages companies to effect positive developments in the field of social issues and sustainability. Broader engagement processes are also being initiated to appeal to entire sectors.

4. Voting Policy and Corporate Governance

SPF monitors all Dutch listed real estate and other companies in which it invests via its voting policy.

5. Exclusion

We exclude activities in companies and countries that the United Nations, the European Union, or the Dutch government deem unacceptable. The fund therefore does not invest in companies that fail to act in accordance with the 10 principles of the United Nations Global Compact. Producers of controversial weapons such as nuclear weapons, biological weapons, chemical weapons, depleted uranium munitions, and white phosphorus munitions that do not fall under the exclusion criteria of the Global Compact (such as cluster munitions) are also excluded. Based on the above criteria, not only shares are excluded but also corporate and state bonds of countries that are sanctioned by the United Nations or the European Union. For the most part, these sanctions relate to human rights and weapons issues.

6. Transparency

SPF publishes an annual report to ensure transparency about the sustainability policy and its implementation. In this report, SPF indicates how it handled sustainability in that year and which results it has achieved with respect to sustainability. In the context of transparency about where SPF invests, SPF publishes an annual overview of the total investment portfolio on its website. SPF will also provide a Vote Summary Report of shareholder meetings on its website. To conclude, the SPF Newsletter and the website regularly feature items on the SPF sustainability policy.

The Board further developed the fund's sustainability policy in 2021. As well as discussing the ambition with respect to climate-proof investments, various decisions were taken in 2021, partly in the

context of legislation and regulations (including SFDR legislation). The fund's sustainability policy will again be prominent on the agenda of the Board in 2022. A summary of the Board's sustainability policy decisions in 2021 was included in section 4.3 of the annual report as well as the survey questions that will be placed on the Board agenda in 2022.

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 Remuneration policy is also in line with the Dutch Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act.

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 2022

New Pension System

The Board expects 2022 to be an important year as we move toward a new pension system. It is expected that a bill relating to this will be sent to the House of Representatives prior to the summer. In cooperation with SABIC social partners (employer and trade unions), the fund started the process to develop a new pension contract for SABIC.

The implementation of the pension agreement will take shape by formulating the transition plan, implementation plan, and a communication plan with members. The fund stakeholders will be informed in time of any developments in this respect.

Financial position

The funding level increased slightly in early 2022, partly due to a rise in interest rates. The nominal funding level was 123.3% by end March and the policy funding level stood at 114.8%.

COVID-19 and financial markets

The combination of measures by the European Central Bank (ECB), incentive measures from governments, and the high vaccination levels have enabled further economic recovery in 2022.

The further course of the COVID-19 pandemic, the development of new variants, for example, and the consequences of government pandemic measures on further economic development are difficult to predict. The Board will continue to monitor developments closely.

The invasion in Ukraine

The Russian threat of military action in Ukraine increased in early 2022. After Russia invaded Ukraine on February 24, this had several consequences. SPF only had very limited interests in Russian investments, namely less than 0.03% of assets. This means that the direct impact on the portfolio was minor.

The effects were, however, more drastic on the international markets. The oil price increased significantly, while gas prices rose spectacularly. The Western world united in its response by issuing sanctions against the Russian state, companies, and oligarchs. After an initial decline, stock markets recovered and reached pre-Russian invasion levels. Interest rates continued to rise, fueled by increased inflation expectations.

Whereas the initial expectation was that the rise in inflation was temporary, current thinking is that this may remain at a high level for the next few years.

For the time being, the Board has worked out possible scenarios on the course of the war and has identified possible consequences for the world economy. For 2022 as a whole, it is and remains difficult to predict how the economy will develop and what this will mean for the fund's policies. The fund has considered various policy options based on the possible scenarios, but decided to adhere to its long-term policy for the time being, due to the uncertainty and unpredictability of the current crisis.

Search for yield

As in previous years, the low interest rate, regarded within the pension sector as the primary risk for pension fund balance sheets, remains a concern for 2022. Because of the low interest rate, investing in alternative products that generate added value within an acceptable risk profile will also be considered in 2022.

Sustainability policy

The sustainability policy appeared on several Board meeting agendas in 2021. In the context of the obligations that flow from the SFDR, the Board took various decisions. With respect to SFDR article 8, the Board decided to classify the pension scheme as "light green." With this, the Board is indicating that the scheme promotes ecological and social characteristics. This classification has two important consequences: From 2022 onward, the pension fund will be required to report on those assets designated as environmentally sustainable according to EU Taxonomy. In addition, when SFDR Level 2 comes into effect (January 1, 2023), SPF must publish more detailed sustainability policy information on its website, in Pension123, and in its annual report. In the context of the obligations from the IMVB covenant, certain requirements will apply as of July 1, 2022. The Board had already set out the necessary actions for this in 2021.

The Board discussed its ambition with respect to climate investments during the October 2021 theme day. This resulted in a number of actions that will be placed on the Board agenda in 2022, including investigating the possibilities of measuring/monitoring the investment portfolio's carbon emissions and investigating the possibilities of themed investment within the portfolio. A study of the sustainable investment preferences of members, deferred members, and pensioners is also on the agenda for

2022. The outcomes of this will be included in further developing SPF's sustainability policy.

Communication policy from 2020 through 2022

A member survey was conducted in spring 2021. The target groups approached for this survey were members and pensioners. The study showed that the policy is effective, as was also evidenced by various other studies and contact moments with members. Where necessary, 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, and best practices, when these emerge. The policy priorities are further digitization and connections with the employer (SABIC).

The new pension contract will be an important focus point in communications. In the first instance, the social partners will be asked to reach agreement and the responsibility for communicating about this lies with them. This does not alter the fact that the fund will also need to make choices in the course of 2022. For instance, the Board will need decide on whether the fund will use the transitional financial assessment framework (Transitie FTK).

Pension administration

DSM has informed SPF that it is reconsidering how pension schemes are administered at DSM in the Netherlands. Part of this reflection process is the reappraisal of DPS, the administrator of SPF's scheme.

The current Service Level Agreement with DPS ends as of December 31, 2023. With this in mind, SPF is already examining how the administration will be carried out after January 1, 2024. As a result of the DPS reappraisal, the Board decided to accelerate the market survey and scenario analysis associated with it. The objective is to safeguard pension administration continuity.

Contact

**If you have any questions about your pension, visit www.spf-pensioenen.nl
Or contact the Pension Desk.**

Pension Desk

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