

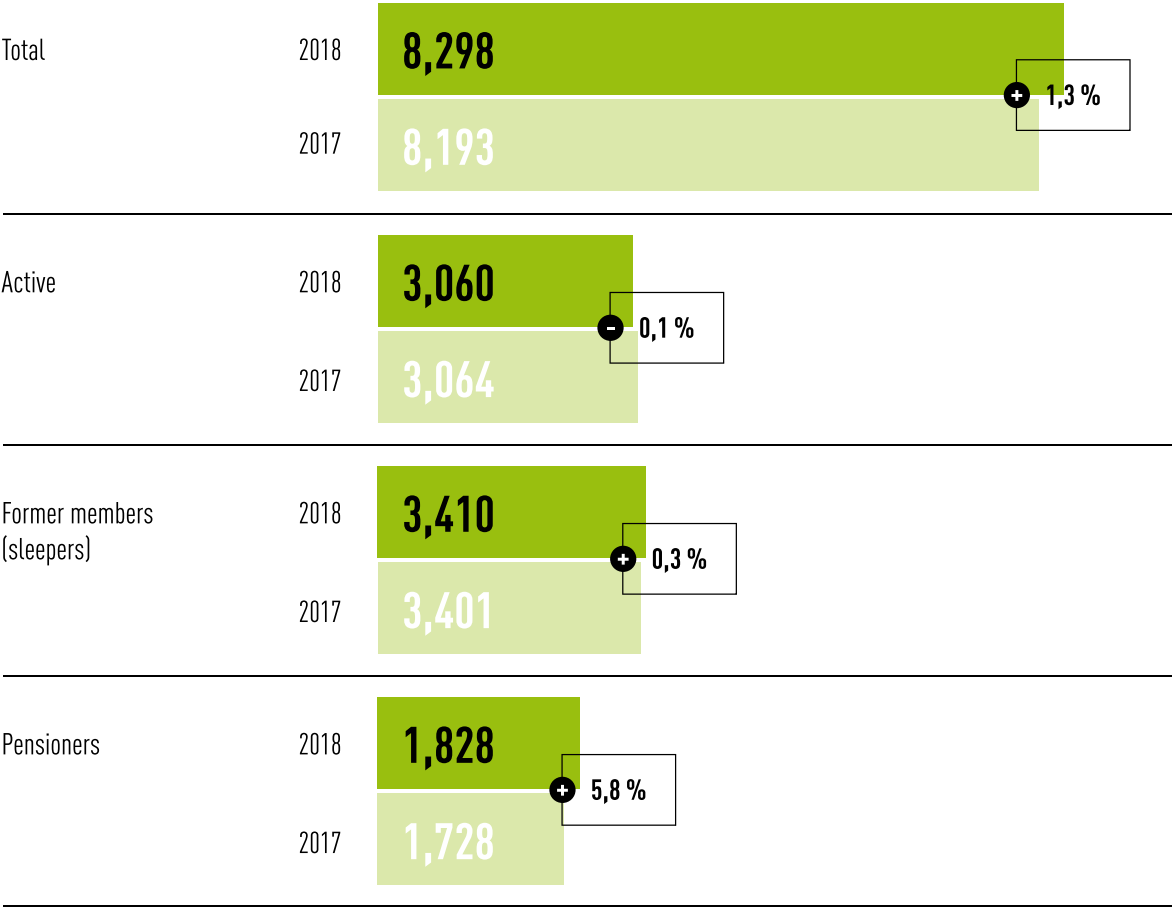
Welcome to the SPF 2018 Annual Report

We've made a visual summary of 2018 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 2018, please see the full annual report (only in Dutch), which can also be downloaded from SPF's website.

The year 2018 in key figures

Members



Pension liabilities SPF

Pension liabilities SPF at year-end 2017

2,254.0 MLN euro

Changes in pension liabilities in 2018



Benefit payments to pensioners

- **43.0** MLN euro



New pension entitlements accrued by members

+ **50.6** MLN euro



Higher liabilities due to lower interest rate

+ **99.9** MLN euro



Indexation

+ **8.7** MLN euro



Other drops in liabilities

- **25.9** MLN euro

Pension liabilities SPF at year-end 2018

2,344.3 MLN euro

Invested capital SPF

Invested capital SPF at year-end 2017

2,584.8 MLN euro

Changes in invested capital in 2018



Pension benefit payments

- **42.8** MLN euro



Pension contributions received

+ **52.7** MLN euro



Income from investments

- **-75.4** MLN euro



Other (incl. administration costs)

- **0.9** MLN euro

Invested capital SPF at year-end 2018

2,518.4 MLN euro

SPF FUNDING LEVEL 2018

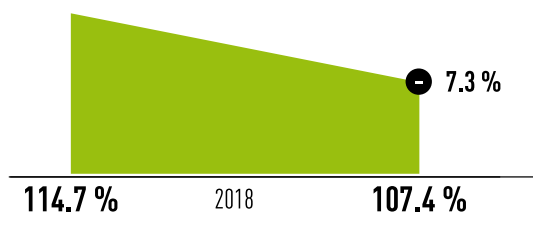
107.4%

The financial position of SPF

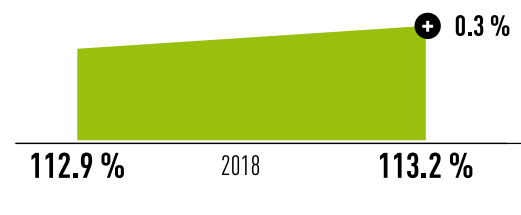
The funding level is an important yardstick for judging the pension fund's financial situation. It indicates to what extent the pension assets are high enough to meet all future pension obligations (including, in particular, the pension benefit payments).

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

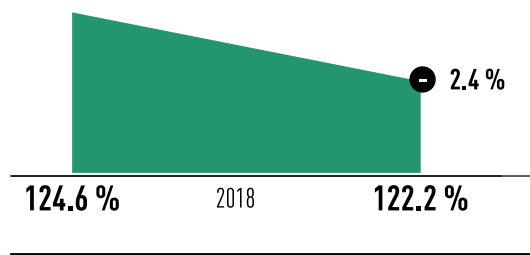


Policy funding level



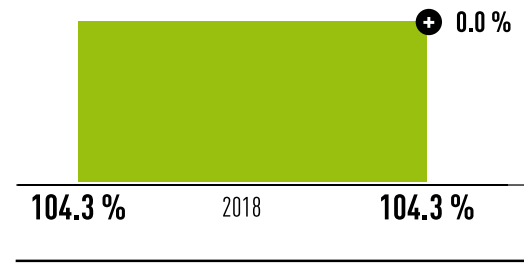
The policy funding level can also be used to determine whether a pension fund is in a deficit situation, in which case the pension fund would be required to submit a recovery plan to the Dutch central bank, DNB (De Nederlandsche Bank). The recovery plan outlines how a pension fund aims to achieve a higher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

Required funding level



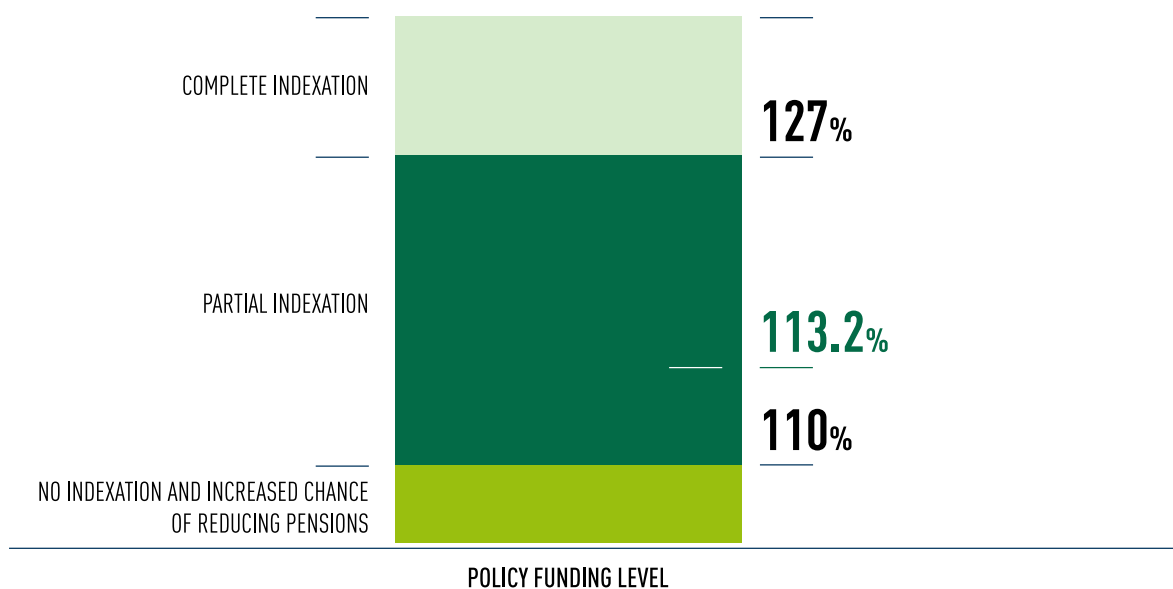
The required funding level indicates the legal level of SPF's policy funding level. If the policy funding level falls below the required funding level, SPF must submit a recovery plan.

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

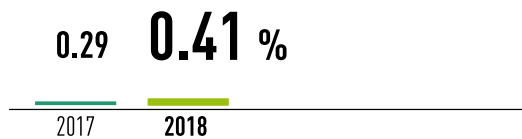


Based on the policy funding level, it was possible to partially index in 2018.

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.

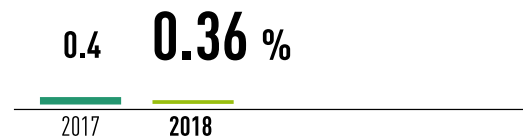
Unfortunately, it is only to a very limited extent that the fund has been able to achieve its ambition of providing indexed pensions. The gap that has gradually emerged has diminished the purchasing power of our pensions and the pension accrual. Provided the financial situation does not deteriorate again, the fund expects to be able to grant increases in part again in due course. Despite the fact that the risk of having to curtail pensions was smaller in 2018, the risk of doing so cannot be ruled out. More information about indexation is available on SPF's website.

Indexation for pensioners and deferred 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."

Indexation for active members



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.

	2018	2017
Total invested assets (in mln. €)	2,520.0	2,585.8

Composition of investments 2018	mln. €	weighting	2017	
Matching portfolio	1,078.2	42.8%	1,010.5	39.1%
Government bonds (swaps incl.)	527.6	48.9%	549.1	54.3%
Inflation-linked bonds	129.1	12.0%	134.6	13.3%
Credits	218.9	20.3%	228.4	22.6%
Mortgages	202.6	18.8%	98.4	9.8%
Return portfolio	1,417.5	56.3%	1,565.0	60.5%
Valuta overlay	2.5		7.9	
Shares	755.8	53.4%	900.4	57.8%
Bonds	319.5	22.6%	330.6	21.2%
Real estate bg	196.8	13.9%	208.7	13.4%
Real estate nbg	45.0	3.2%	38.4	2.5%
Infrastructure	94.9	6.7%	75.1	4.8%
Private Equity	3.0	0.2%	3.9	0.3%
Cash	24.3	0.9%	10.3	0.4%
Total	2,520.0	100.0%	2,585.8	100.0%

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.

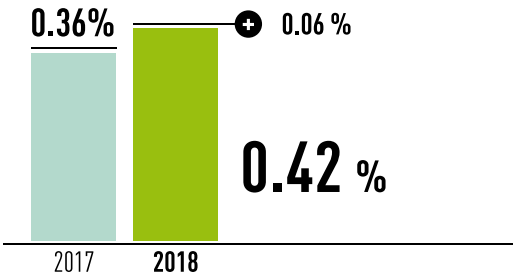
Investment return (in %)

	2018	2017	
Total portfolio	-2.8%	6.6%	
Matching portfolio	1.6%	0.1%	
Return portfolio	-5.8%	11.0%	

Although we much prefer seeing positive returns, there is no need for you to worry about negative returns. SPF invests with a long horizon. Fluctuations are expected to be compensated over the years.

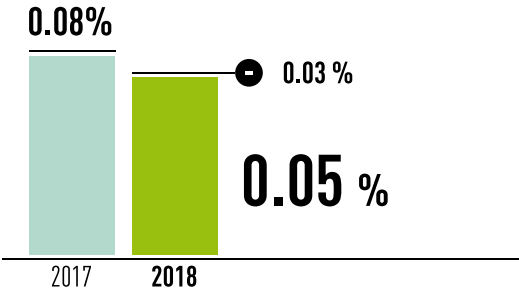
Asset management costs

in % of average invested assets



Transaction costs

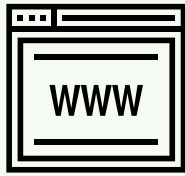
in % of average invested assets



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

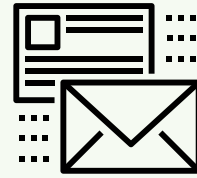
The figures of some communication tools

www.spf-pensioen.nl



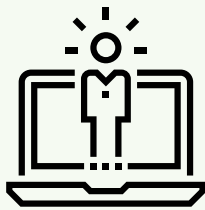
Number of visits (average)	31,011
Visits per day (average)	85

Electronic newsletter



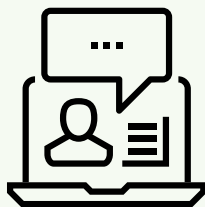
Number of subscribers	2,086
Sent → Opened	5 → 73%

My SPF Pension



Number of users	35.7 %
Number of visits (average)	14,124
Number of visits per day (average)	39
Number of users of Digital Mail	21.3 %
Evaluation	
NL planner, active members	7.9
My SPF Pension, active members	7.9
My SPF Pension, non-active members	7.7

Pension journeys



Q1 Pension journey 60-year olds

64 sent, number of visits 112

Q2 Pension journey 61-year olds and 61-year olds

141 sent, number of visits 112

Q3 Pension journey Sustainable employability

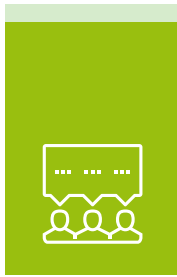
published on the website

Q4 Pension journey Employed

published on the website

General questions

612



Number answered in
timely manner (average)

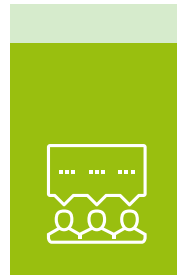
99.0 %

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

Appreciation General questions: **8.1**

Specific questions

174



Number answered in
timely manner (average)

97.0 %

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

Appreciation Specific questions: **7.9**

Evaluation



Granting of retirement pension

7.9

Granting partner's pension

8.1

Value transfer

8.3

Evaluation of personal conversations

9.5

- 17 with 40-year olds

- 40 with 50-year olds

- 68 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.

Changes on Board

Theo van den Elshout stood down from the Board of the Accountability Council. The vacant position was filled by Rolf van Kouwen on the employer's recommendation. The pensioners on the Accountability Council stood down on January 1, 2019 in accordance with the retirement rota. Both Jan Coenen and Olaf Tant ended their membership of the Accountability Council at the end of 2018. Jan Hellings and Ed van Lamoen stood for the vacant positions. No other candidates came forward. Both were therefore nominated by the Accountability Council and appointed by the Board as members of the Accountability Council with effect from January 1, 2019.



Samenstelling per mei 2019

v.l.n.r.: Ed van Lamoen, Rolf van Kouwen, Gerard Tummers, Ben Jonker en Jan Hellings.
Op de foto ontbreekt John van Moorsel.

The Accountability Council believes the Board is solid and made its policy decisions while aiming to consider the interests of all members as far as possible. The fund acted in accordance with legislation and regulations, the articles of association and the fund's regulations. A lot of money circulates in the fund. The Board is aware of its fiduciary responsibility. It does not hesitate to make investments if there is room for improvement in the fund's administration. This does not alter the fact that the Board also takes a critical approach to costs: duplication and excessive complexity are avoided wherever possible.

In its general evaluation, the Accountability Council was positive about the Board's policy decisions in 2018.

In 2018, the Board worked intensively on completing its strategic agenda. Central to this was the Service Level Agreement with DSM Pension Services (DPS). The efforts made in this regard by both the Board and the administrator cannot be overstated. The main focus was on concluding a contract that guarantees continuity while offering parties the opportunity to reach different agreements in the event of new legislation and regulations or changing market conditions. To serve the interests of the members, the Board has succeeded in continuing its collaboration with DPS, which has been judged positively.

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.

On February 1, 2018 The Supervisory Board started operating and took over the internal supervision of the Review Committee. The Supervisory Board is made up of three members. In 2018, these were Kees Scheepens, Willeke Ong and Peter de Groot (Chairman).



From left to right: Willeke Ong, Kees Scheepens, Peter de Groot (Chairman)

A supervision plan was drawn up for 2018 based on the most recent report of the Review Committee and its own conclusions, with – in addition to its statutory tasks – the spearhead policies of evaluating and detailing the strategic choices made in 2017, the ongoing professionalization of risk management, including the implementation of IORP II, and the effective reorganization of activities related to the tasks, responsibilities, and powers of the three fund bodies.

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

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.

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, 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.



Board composition as from May 2019

From left to right: Jos van Gisbergen, Marcel Roberts, René Witjes, Arthur Smit (Deputy Chairman), Giselle Verwoort, Guido Croonen, Leon Jacobs, Stuf Kaasenbrood en Pascal Wolters (Chairman).

Not on this picture: Willem Grin en Dries Nagtegaal.

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.

External independent Chairman

Pascal Wolters (Chairman)

Nominated by employer

Arthur Smit (Deputy Chairman)

Guido Croonen

Jos van Gisbergen

Leon Jacobs

Nominated by the Works' Councils

Giselle Verwoort

René Witjes

Nominated by retirees

Willem Grin

Stuf Kaasenbrood

Nominated by the Board – Board professionals

Dries Nagtegaal

Marcel Roberts

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 2018.

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 2018 annual report (in Dutch only), which is also available on SPF's website.

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.

In 2018 SPF signed the Covenant for International Socially Responsible Investments ("Internationaal Maatschappelijk Verantwoord Beleggen covenant") for the Dutch pension sector. This Covenant is based on the OECD "Guidelines for Multinational Enterprises" and the UN "Guiding Principles on Business and Human Rights." The OECD guidelines help companies to deal with issues such as human rights, child labor, the environment, and corruption.

By signing the covenant, SPF undertakes to incorporate the OECD guidelines and UN guiding principles in its sustainability policy and in its contracts with external service providers.

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.

In 2017, the Board made a decision on the remuneration of the Chairman of the Fund as the representative of the pensioners. It emerged in 2018 that the estimated amount of time was not in line with the time required for the chairmanship. The Board therefore proposed adjusting the remuneration policy on this point and basing remuneration for the Chairman in 2018 on three days a week. The Accountability Council issued a positive recommendation on this proposal, after which the Supervisory Board approved the amended policy. This approval was given subject to the condition that the increased remuneration would only apply for the year 2018.

With effect from January 1, 2019, SPF will have an external director as its Chairman. This external director's remuneration covers the chairmanship position. The Board has made agreements with the Chairman about the amount of his remuneration. The starting point of the Remuneration Policy is that the remuneration of external parties must be on market terms.

Looking ahead to 2019

New Pension Agreement 2019-2023 / New Administration Agreement 2019-2023 / New Service Level Agreement 2019-2023

SABIC's employer(s) and trade unions have concluded a new pension agreement for the period 2019 through 2023. The main adjustments to the basic pension scheme are the increase in the pension calculation age to 68 and the associated increase in pension accrual to 1.875%. On January 1, 2019, all accrued retirement pension entitlements with a different pension calculation age were converted into retirement pension entitlements with a pension calculation age of 68. It was further agreed to continue the risk attitude and current contribution level of 25.5% of the wage bill for the period 2019 through 2023.

In the fourth quarter of 2018, the Fund tested the new pension agreement for lawfulness, enforceability, and sustainability and decided on that basis to implement it with effect from January 1, 2019.

As the existing administration agreement between SABIC and SPF expired at the end of 2018, the year partly revolved around preparing for a new administration agreement for a five-year period from 2019. SABIC and SPF signed the new administration agreement on November 2, 2018.

The Service Level Agreement between SPF and DPS also expired at the end of 2018. At the end of 2017, SPF's board established a working group which was tasked with negotiating a new share of turnover (DVO) with DPS. SPF has sought support from a third party and has carried out a benchmark study regarding quality and costs. The intensive negotiation process between the working group and the DPS resulted in the signing of a new DVO for the period 2019-2023 on November 2, 2018.

Brexit

The United Kingdom's withdrawal from the European Union is planned for 2019. The Board is investigating the consequences of a hard Brexit for the pension fund and taking the necessary measures to mitigate these consequences 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.

IORP II

The incorporation of IORP II into national legislation is planned for early 2019. This is European legislation on matters including organization (Governance) and communication in relation to pension funds. Such matters were already well organized in the Netherlands, but we now need to adapt to the new rules which will require considerable work. Measures have been taken by SPF to comply with the new legislation. This will be done behind the scenes, and members will not experience any noticeable change or inconvenience. The changes relating to communication: the next UPS must feature the funding level, pension age, and contribution, among other things. Further-reaching changes are expected for the 2020 UPSs, and three pension scenarios will be shown: expected, pessimistic, and optimistic.

Member survey April 2019

Biennial survey of all SABIC employees. We hope you completed the questionnaire to provide us with feedback on how we can further improve our communications.

Net pension scheme July 1, 2019

The scheme will be extended and improved with effect from July 1. The employees in question will receive an information pack by e-mail. We will also be holding a number of webinars on June 5. A personal letter will be sent out in early June.

Contact

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

Pension Desk

+31(0)45 5788100 / info.pensioenfondssABIC@dsm.com



Disclaimer

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Colofon

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