Classification
Under the Sustainable Finance Disclosure Regulation (SFDR), which is European legislation arising from the EU Sustainable Finance Action Plan, the pension fund has to classify its pension scheme. In accordance with this requirement, the Staples Pension Fund classifies its pension scheme as a sustainable product that promotes ecological or social aspects, with part of its investments placed in sustainable products. The pension fund has not set sustainable investing as an objective for its pension scheme, however, the fund believes that socially responsible investing leads to better results in the long term in both financial and social terms. The Staples Pension Fund considers socially responsible investing (SRI) to be important, but this does have to be in line with the primary objectives of the pension fund.

The following explains the objective of the fund with respect to sustainable investing and how the aspects of sustainability are reflected. Information is also provided on the fund's use of methodologies, reference benchmarks, Environmental, Social and Governance (ESG) indicators, data sources and screening criteria, to the extent these are in use. Finally, an account is given of how SRI policy is applied and the benchmark used in each investment category and how this corresponds to ESG aspects.

The Staples Pension Fund is still engaged in the implementation of its SRI

policy. Objective of the SRI policy

The objective of the SRI policy of the Staples Pension Fund is to use socially responsible investing for its primary objective in order to able to achieve in the long term a pension that maintains purchasing power and thereby to realise the highest possible return, based on its strategic asset allocation with an acceptable level of risk, taking account of the fund's liability structure.

The fund strives to be transparent regarding the policy it applies, and the effects of this policy, to the extent measurable and identifiable. The fund accordingly regularly renders account of its SRI policy to its stakeholders in accordance with the requirements of legislation and regulation.

Sustainability aspects

Within the broad context of ESG, the Staples Pension Fund considers all three E, S and G factors as equally important for the fund. The fund believes that these factors in combination make a contribution to sustainability and should therefore be assessed together.

Methods

The Staples Pension Fund addresses the ecological and social aspects that the fund promotes in the following ways:

Integration of ESG
The pension fund sees socially responsible investing as an integral part of its investment process. This means that SRI is part of the decision-making process in every step of the investment process and

in every decision regarding the investment policy, in addition to the usual financial factors. SRI is therefore always considered in combination with (expected) returns, risk and cost.

The integration of ESG in the investment portfolio varies for each investment category, depending on the opportunities, costs and importance of socially responsible investing in each category.

The Staples Pension Fund bases this on the opportunities at its asset managers that are in line with the pension fund's view of cost. Account is therefore taken of ESG in the selection and monitoring of external parties as well.

Active shareholdership (engagement and voting)
The pension fund applies its influence as a shareholder to prevent or mitigate any negative impact on sustainability factors in its portfolio and to enable recovery and/or redress. The fund does this by being an engaged shareholder and exercising its voting rights, thus influencing the strategy of the companies in which it invests. Given its size, the fund has limited options in the structure and implementation of its portfolio, and for practical reasons follows the voting and engagement policy of its asset managers. The pension fund accordingly considers the voting and engagement policy of its asset managers in its selection process.

Exclusion
The Staples Pension Fund's investment exclusion policy is in accordance with the statutory requirements. The fund moreover avoids investing in companies engaged in the production, maintenance of trading of controversial and/or nuclear weapons and companies that seriously contravene the UN Global Compact principles in their business or products and services. The fund prefers engagement to exclusion. Further information on the exclusion policy is provided in the SRI policy.

<u>ESG indicators</u>

The fund believes that the E, S and G factors in combination make a contribution to sustainability and should therefore be assessed together.

The fund does not yet apply any ESG indicators or ESG targets in its investment policy.
The pension fund has evaluated its SRI policy in 2021, and established that it wishes to study whether specific ESG targets for each investment category would be practically feasible. Where possible, the fund also aims to use ESG benchmarks for each investment category. These ESG targets and ESG benchmarks for each investment category will be studied in the regular 3-yearly cycle of evaluation of the investment cases.

<u>Data sources</u>

Given its size, the fund has limited options in the structure and implementation of its portfolio. For practical reasons, the fund therefore uses the services of its fiduciary manager in this area. The fiduciary manager's data sources are used to calculate the annual ESG scores for the portfolio.

The fund monitors the progress and impact of its ESG policy by receiving an annual report from its fiduciary manager.

Screening criteria

The fund uses the data sources mentioned above for the screening of its policy for both its engagement and its exclusion policy.

Overview per investment category

The following overview shows the methods used for the application of the ESG policy for each investment category in which the fund invests. The benchmark used is also shown.

Matching portfolio	Methods for ESG policy	Benchmark
Government bonds	• Exclusion policy	Buy-and-Hold
Credits (Europe and United States)	• Exclusion policy	- Barclays Capital Euro Credit Bond Index / JP Morgan Emerging Markets - Barclays Capital US Credits Index
Dutch mortgages	• n.a.	JPM GBI Netherlands Index/ Barclays Capital Customized Swap Index 4-7 years
Cash	• n.a.	n.a.

Return portfolio	Methods for ESG policy	Benchmark
Equities developed markets	• Exclusion policy • Engagement • Voting	MSCI World Index
Equities emerging markets	• Exclusion policy • Engagement • Voting	MSCI Emerging Markets Free
Listed real estate	• Exclusion policy • Engagement • Voting	GPR LIFE Global Real Estate Index
High yield bonds (United States)	• Exclusion policy	ML US HY Master II Constr. Index
Leveraged loans (Europe)	• Exclusion policy	SC Institutional Western European Leveraged Loans Index, non USD, hedged to EUR
Emerging markets debt	• Exclusion policy	JPM GBI EM Global Diversified

Adverse effects of investment decisions

Under European legislation (the SFDR), a pension fund has to disclose whether it takes account of the principal adverse effects of its investment decisions on sustainability factors.

The Staples Pension Fund does not currently take account of the principal adverse effects as referred to in Article 4 of the SFDR.

The fund takes various ESG criteria into consideration in its investment decisions. It does not, however, specifically take account of the adverse effects of investment decisions on sustainability factors as defined in the SFDR. The reasons for this are as follows:

- Firstly, the pension fund is currently engaged in refining its SRI policy to achieve implementation that is in line with the International Responsible Investment (IMVB) covenant. Since the fund has accordingly chosen at this point in time to apply certain ESG criteria to measure the impact on sustainability factors that correspond to the pension fund's vision and the principles of the IMVB covenant, the pension fund does not as yet take account of the principal adverse effects of investment decisions on sustainability factors as referred to in Article 4 of the SFDR.
- Secondly, pension funds which do take the adverse effects of investment decisions on sustainability factors into consideration will also be obliged to report on a large number of indicators. The fund will also depend on the data on adverse effects that can be provided by its asset managers. This could lead to additional, labour-intensive and expensive reporting. This does not correspond to the pension fund's primary objective, which is to achieve a pension that maintains its purchasing power in a cost-effective manner.

The Staples Pension Fund has decided first to test whether it is able to meet these reporting requirements and whether this would be in line with the realisation of its socially responsible investment policy before it decides whether to take adverse effects as referred to in Article 4 of the SFDR into consideration in its investment decisions.

Remuneration policy

The pension fund pursues a controlled remuneration policy, designed to ensure quality, continuity and consistency. The remuneration policy is line with the nature, size, organisation and complexity of the pension fund. The pension fund applies the principle that the remuneration policy should not provide an incentive to take on more risk, including sustainability risk, than is acceptable for the fund. The pension fund applies a fixed and competitive remuneration for its trustees. This remuneration is not linked to the return on the investment portfolio. The consideration of potential sustainability risks is therefore not affected by the remuneration policy for the fund's trustees.

The remuneration policy complies with the statutory requirements of the Sustainable Financial Disclosure Regulation, the Pension Funds (Financial Assessment Framework) Decree (*Besluit Financieel Toetsingskader*), the Pension Funds Code and the Principles for a Controlled Remuneration Policy of the AFM and DNB.