

Sustainability-related information clarification

(a) Summary:

The Staples Pension Fund believes that socially responsible investing is important, and is aware of the influence it can bring to bear as a long-term investor. At the Staples Pension Fund, socially responsible investing is seen in the context of the primary objectives of the pension fund.

The following ecological and social characteristics are promoted by the Staples Pension Fund:

1. Not contributing to controversial behaviour and controversial activities by means of exclusions
2. Exercising influence as a shareholder and achieving positive change
3. Inclusion of ESG (Environment, Social, Governance) criteria in the selection of asset managers and investments

The Staples Pension Fund promotes these characteristics with the following instruments:

- Exclusions
- Active shareholdership (voting and engagement)
- Integration of ESG

This document gives further details of how the Staples Pension Fund expresses these characteristics.

(b) No sustainable investment objective

The Staples Pension Fund promotes ecological and social characteristics, but does not have a sustainable investment objective.

(c) Environmental or social characteristics of the financial product

The Staples Pension Fund promotes the following ecological and social characteristics:

1. Not contributing to controversial behaviour and controversial activities by means of exclusions
2. Exercising influence as a shareholder and achieving positive change
3. Inclusion of ESG (Environment, Social, Governance) criteria in the selection of asset managers and investments

(d) Investment strategy

The Staples Pension Fund applies the following investment strategy in its promotion of ecological and social characteristics:

1. **Not contributing to controversial behaviour and controversial activities by means of exclusions**

Instrument: Exclusions

Exclusions apply to companies involved in controversial and/or nuclear weapons, companies responsible for serious and permanent breaches of the United Nations Global Compact Principles and companies subject to EU sanctions legislation.

2. **Exercising influence as a shareholder and achieving positive change**

Instrument: Active shareholdership

Given its size, the Staples Pension Fund has limited options in the structure and implementation of its portfolio, and for practical reasons follows the engagement policy of its asset managers for both its investments in investment funds and its discretionary mandates. When investing in investment funds, the Staples Pension Fund has limited opportunity to apply its own voting policy, and therefore it follows the voting policy of the asset manager concerned. The Staples Pension Fund also follows the voting policy of the asset manager(s) when investing in discretionary mandates because it is more practical to delegate this, also due to the limited assets involved. The Staples Pension Fund also believes that there is a more effective impact if voting rights are combined.

3. **Inclusion of ESG (Environment, Social, Governance) criteria in the selection of asset managers and investments**

Instrument: Integration of ESG

Socially Responsible Investment (SRI) is therefore always considered in combination with (expected) returns, risk and costs. The ESG impact is quantified where possible, otherwise a qualitative or descriptive assessment is sufficient. The integration of ESG in the investment portfolio varies for each investment category, depending on the opportunities and the importance of socially responsible investing in each category. The SRI policy of external asset managers is assessed on this basis. Specifically for the global equity portfolio, a benchmark is followed on which basis investment is made only in companies with above-average sustainability performance.

Good governance practices

Good governance at companies is assessed on the basis of the UN Global Compact Principles and international codes of conduct. Businesses with the lowest scores in the screening for compliance with these international standards are excluded. These are the minimum policy guidelines for the fundamental responsibilities of businesses in the areas of human rights, employment rights, the environment and anti-corruption measures.

(e) Proportion of investments

The Staples Pension Fund promotes ecological and social characteristics without having a sustainable investment objective. The Staples Pension Fund does not make any minimum allocation to sustainable investments as referred to in the SFDR or invest in ecologically sustainable activities as defined in the Taxonomy Regulation. The vast majority of the Staples Pension Fund's investments are aligned with ecological and/or social characteristics. These investments concern equities, corporate bonds, leveraged loans, listed real estate and government bonds. The other investments are not aligned with these characteristics and are placed in derivatives or cash, for which no ecological or social minimum requirements apply. The strategic allocation to these other investments is 10%, however the actual allocation may vary.



(f) Monitoring of environmental or social characteristics

Ecological and social characteristics are monitored as follows:

- **Not contributing to controversial behaviour and controversial activities by means of exclusions**
 - This is measured using the following indicator:
 - i. Number of investments in excluded companies and countries
 - This is monitored as follows:
 - i. On the instruction of the Staples Pension Fund, an external party compiles a list of investments that are not permitted on the basis of the exclusion criteria. These exclusion criteria are included in the selection of investment funds.
 - ii. The list is communicated to all the underlying asset managers. The contract with these parties states that these investments are not permitted.
 - iii. The list is updated at least twice a year.
 - iv. Any breaches have to be reported by the external asset managers to the Staples Pension Fund and the fiduciary asset manager of the Staples Pension Fund.
 - v. The fiduciary asset manager of the Staples Pension Fund checks regularly that no prohibited investments have been made.
- **Exercising influence as a shareholder and achieving positive change**
 - This is measured using the following indicator:
 - i. Number of companies with which engagement is made
 - This is monitored as follows:
 - i. The Staples Pension Fund follows the activities of the external asset managers with respect to engagement.
 - ii. The Staples Pension Fund is regularly informed on the engagement activities and progress in engagement projects.

- **Inclusion of ESG (Environment, Social, Governance) criteria in the selection of asset managers and investments**
 - This is measured using the following indicator:
 - i. The average ESG score of the global equity portfolio relative to the standard benchmark
 - This is monitored as follows:
 - i. The Staples Pension Fund has communicated ESG criteria as an element of its benchmark as an investment restriction to its external asset managers. The benchmark chosen is an MSCI ESG Leaders Index. Following this benchmark is part of the contractual agreement with the external asset manager.
 - ii. The Staples Pension Fund is regularly updated on the application of the investment policy and whether the portfolio is still managed within the agreed frameworks. Twice a year, the Staples Pension Fund is informed of the ESG risk ratings and ESG scores of the relevant investment portfolios on the basis of several data sources. The Staples Pension Fund will report on the ESG score of its global equity portfolio on the basis of data from its fiduciary asset manager. This score will be compared with the ESG score of the standard benchmark (MSCI World).
 - iii. The Staples Pension Fund has assessed the policy, processes and results of its external asset managers in relation to socially responsible investing. It has been agreed with the asset managers that they will act in conformity with the SRI policy of the Staples Pension Fund. This assessment may be periodically repeated if there is reason to do so.

(g) Methodologies

- Exclusions

The Staples Pension Fund applies the following limits for exclusions:

- The production, maintenance or sale of controversial weapons and/or nuclear weapons (such as cluster munitions) or crucial parts thereof: more than 5% of revenue

Companies with the lowest scores on compliance with the United Nations Global Compact Principles are excluded by the asset managers. These companies are determined on the basis of Sustainalytics data. More information on the methodology is available on the Sustainalytics website under “Controversies Research”.

- Active shareholdings

Engagement and voting by the Staples Pension Fund follows the activities of the external asset managers. The external asset managers select businesses eligible for engagement on the basis of an ESG assessment. The Staples Pension Fund is regularly informed on this and its Investment Committee assesses the outcomes of engagement twice a year. Further information is available on the websites of the external asset managers.

- Integration of the ESG criteria

The methodology varies depending on the asset manager. The Staples Pension Fund is not able to provide a general description. When selecting its external asset managers, the Staples Pension Fund assesses whether an external asset manager is able to comply with the Staples Pension Fund’s SRI policy and it is contractually established that the Staples Pension Fund’s SRI policy will be followed with respect to the integration of ESG criteria in the selection of investments. Specifically for the global equity portfolio, a benchmark is followed in which ESG criteria are integrated. Companies are selected on the basis of above-average sustainability performance, measured by ESG scores, good performance with respect to controversies and limited involvement in controversial activities. The criteria and limits applied for the benchmark are available on the website of the benchmark manager MSCI on “MSCI ESG Leaders Indices”.

(h) Data sources and processing

Data sources used

The Staples Pension Fund uses the following data sources, mainly through its fiduciary asset manager (BNP Paribas Asset Management) and its external service provider (Caceis):

- Sustainalytics for screening of activities, UN Global Compact Principles, carbon footprint, carbon intensity and ESG risk ratings
- MSCI, Sustainalytics and BNP Paribas Asset Management for ESG scores

The external asset managers, Caceis and BNP Paribas Asset Management may use their own data sources.

Measures to safeguard data quality

The above data sources are used by the Staples Pension Fund, the fiduciary asset manager, the external service provider and the external asset managers. The Staples Pension Fund does not receive data directly from data providers and thus has not taken any measures to safeguard data quality. It is of course very important that the data used by the fiduciary asset manager, the external service provider and the other external asset managers is of sufficient quality. The asset managers have processes in place for this purpose. Data quality is an element in the selection process for external asset managers, the external service provider and the fiduciary asset manager.

Data processing

The Staples Pension Fund does not itself process data other than the reports and dashboards it receives periodically from the fiduciary asset manager, the external service provider and the external asset managers. The Staples Pension Fund is regularly informed by means of reports on implementation, results and progress of its policy. The fiduciary asset manager, the external service provider and the other external asset managers of course do process data.

Proportion of data estimated

The Staples Pension Fund does not itself estimate data, but cannot exclude the possibility that its appointed fiduciary asset manager, external service provider or other external asset managers estimate data or use the services of data providers that estimate data. While our preference is for reported data, missing information is frequently supplemented with estimated data by data providers.

(i) Limitations to methodologies and data

The Staples Pension Fund acknowledges the following limitations to methodologies and data

1. Lack of reported data.

To comply with the ecological and social characteristics, use is made of data that is processed by the fiduciary asset manager and external asset managers. They generally receive this data from external data providers. These data providers receive this data from company reports (such as annual reports). Not all companies report the necessary data. Missing data is sometimes estimated by the external data providers and in some cases is completely lacking if a meaningful estimate is not possible. This means that all the reported information to be able to assess whether the promoted characteristics have been complied with is not available in all cases. The likelihood of incorrect estimates is mitigated by the choice of a reputable data provider.

2. Inclusion of the ESG criteria

The Staples Pension Fund has assessed the sustainability policy and the results of its external asset managers. It is of course possible that these policy documents have been changed since this assessment and therefore meet the standards of the Staples Pension Fund to a lesser extent. Some external asset managers use ESG scores. These are aggregate scores, and it may be the case that the overall score is positive but that individual investments score poorly on E, S or G aspects.

3. Updating of data

The Staples Pension Fund updates its exclusion list at least twice a year. It may of course be the case that businesses display controversial behaviour or engage in controversial activities between the timing of these updates, as a result of which they are wrongfully not included in the exclusions list for a brief period of time.

4. Investments in investment funds

The Staples Pension Fund may also invest in investment funds. The Staples Pension Fund has no control over the conduct of policy by the investment funds in which it invests. It may therefore be the case that the Staples Pension Fund is invested in companies that are on its exclusions list via investment funds, or that these investment funds are directed at other engagement themes. The Staples Pension Fund strives to ensure as far as possible that it selects investment funds that are in line with the policy described in this document. If there are investments in the investment fund that are not in line with the policy of the Staples Pension Fund, the fiduciary manager will engage in dialogue with the manager of the investment fund on behalf of the Pension Fund. If necessary, and if no improvement can be achieved, the Staples Pension Fund may decide to withdraw its investment in the investment fund concerned.

(j) Due diligence

The Staples Pension Fund does not itself select investments, it uses external asset managers for this. As described in the monitoring section of this document, the Staples Pension Fund does impose restrictions on its external asset managers with respect to the selection and exclusion of investments. This is monitored by the fiduciary asset manager of the Staples Pension Fund and the Staples Pension Fund is periodically informed regarding implementation.

Finally, the Staples Pension Fund applies an extensive due diligence procedure for the selection of external asset managers. The outsourcing of asset management is organised to ensure central priority for independence and control. The fiduciary asset manager advises on portfolio construction and the selection of asset managers. This advice includes the ESG assessment of asset managers. The Board of the Staples Pension Fund decides on the appointment or dismissal of asset managers and assesses, among other things, compliance with the various restrictions by its appointed asset managers. The investment committee prepares for these decisions, and takes advice from an independent external consultant. The fiduciary asset manager is responsible for the monitoring of the selected asset managers and reporting on the investment portfolio. The fiduciary asset manager is monitored and checked by the investment committee.

(k) Engagement policies

The Staples Pension Fund aims to exercise its influence as a shareholder through engagement, by entering into a dialogue. The Staples Pension Fund believes it is important to enter into a dialogue in order to use the opportunity for positive changes, and thus to contribute to the quality, sustainability and continuity of businesses and markets. For practical considerations, the Staples Pension Fund follows the engagement policy of its external asset managers. More information on the engagement policy is available in the SRI policy published on the website of the Staples Pension Fund and on the websites of its external asset managers.

(l) Designated reference benchmark

The Staples Pension Fund does not designate a reference benchmark with ecological and/or social characteristics at the level of the pension scheme as referred to in this document.