

SABIC UK Petrochemicals Pension Scheme
Environment Social and Governance Policy

Introduction

This Environment, Social and Governance Policy (“the ESG Policy”) has been prepared by SABIC UK Pension Trustee Limited (“the Trustee”) to set out its views on Environmental, Social and Governance (“ESG”) factors. It considers how they are addressed whilst meeting the overall objectives of the SABIC UK Petrochemicals Pension Scheme (“the Scheme”).

The ESG Policy is referenced in the Scheme’s Statement of Investment Principles (“SIP”), which is publicly available.

The Trustee defines Responsible Investment (“RI”) in line with the UN-backed Principle for Responsible Investing (“PRI”), which states that RI is an approach to investing that aims to incorporate ESG factors into investment decisions, to better manage risk and generate sustainable, long term returns.

Rationale for the Policy

The Scheme is a large institutional investor, investing on behalf of its members. As part of its fiduciary duty, the Trustee recognises the need for the Scheme to be a long-term responsible stakeholder. The Trustee aims to ensure that value for its members is always delivered through long-term financial returns generated in a way that is responsible. The Trustee also believes ESG risk factors may have a material financial impact on the Scheme.

The Scheme’s Sponsor, SABIC UK Petrochemicals Limited (“the Company”) is committed to achieving the highest standards of environmental performance. Recognising the importance of having an ESG Policy aligned to that of the Company, the Trustee has considered the Company’s policies when formulating their own ESG Policy. The Trustee will continue to engage with the Company on the Company’s policies and will consider any future policies in the context of the Scheme’s investment and ownership decisions.

The Trustee’s ESG beliefs

The Trustee has considered and discussed ESG issues to establish their own beliefs to help underpin investment decision-making, having regard to an appropriate time horizon for the Scheme.

The following statements summarise the ESG beliefs held by the Trustee. These were formulated during an ESG beliefs session completed in 2021:

Risk Management

- i. ESG factors are important for risk management and can be financially material. Managing these risks forms part of the fiduciary duty of the Trustee.
- ii. The Trustee believes that ESG integration leads to better risk-adjusted outcomes and will look for opportunities to reflect this in the investment strategy.
- iii. The Trustee will continue to consider the ESG values and priority areas of the sponsoring employer.

Investment Approach/Framework

- i. The Trustee should understand how investment managers integrate ESG considerations into their investment process and in their stewardship activities.
- ii. The Trustee believes that sectors which demonstrate particularly bad ESG characteristics may underperform and will consider this as needed.
- iii. The Trustee believes that where investment managers are underperforming in relation to ESG, it is not necessarily the best option to terminate their appointment. Where possible, engaging with the manager(s) to initiate change is a more effective option.

Voting & Engagement

- i. ESG factors are relevant to all asset classes and, whether equity or debt investments, managers have a responsibility to engage with companies on ESG factors.
- ii. The Trustee should understand the impact of voting & engagement activity within their investment mandates.

Reporting & Monitoring

- i. ESG factors are dynamic and continually evolving, therefore the Trustee should receive training as required to develop their knowledge.
- ii. The Trustee will seek to monitor key ESG metrics within their investment portfolio to understand the impact of their investments.

Collaboration

- i. Investment managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices as well as sign up and comply with common codes such as UNPRI, TCFD and Stewardship Code.
- ii. The Trustee could consider signing up to a recognised ESG framework to collaborate with other investors on key issues in due course.

The Principles of Responsible Investment (“PRI”) is a proponent of Responsible Investment and works to consider the investment implications of ESG factors on investment and ownership decisions. The Trustee will consider all six of the Responsible Investment principles from the PRI’s voluntary code when making investment decisions. These principles are outlined in the Appendix to this document.

Impact of the Policy on investment decision-making

The Trustee decides the Scheme’s investment strategy and asset allocation. This includes high-level strategic decision-making into which asset classes should be invested in.

Within each asset class, ESG will be incorporated into the decision-making process with regards to the appointment of each asset manager. The Trustee will, as part of its ongoing due-diligence, re-evaluate the manager’s ESG policies on an annual basis (as part of the “ESG Impact Assessment”).

The Trustee delegates the day-to-day investment decision-making to the investment managers – e.g., holding a bond issued by a particular company or exposure to a particular sector. In appointing and reviewing the Fund’s investment managers, the Trustee, with the assistance of its investment advisor, considers the manager’s expertise, track record and stated policies and frameworks on ESG related issues. Going forward, as part of the initial and ongoing due diligence of the Fund’s investment managers, the Trustee will assess and monitor their considerations of ESG factors and how these are incorporated into their investment decision-making.

Implementing the Policy

The Trustee, with appropriate actions, input and advice from its investment advisors, will implement the ESG Policy.

For bespoke/segregated mandates, the Trustee has greater influence over the set-up of the investment mandate (e.g. guidelines and restrictions). This gives the Trustee more flexibility to directly implement the ESG Policy for this proportion of the Scheme’s assets.

Assets held in pooled funds (whereby the Scheme invests alongside other investors) have a more limited scope to implement the Trustee’s ESG Policy. The investment mandate of the pooled fund will determine the extent to which ESG factors are considered (even in passive funds, managers can engage with underlying assets). The Trustee recognises there is little scope to alter these investment mandates and therefore will focus on incorporating ESG criteria into the selection process when appointing such managers.

Monitoring and reviewing the Policy

The Trustee will monitor the Scheme’s assets against the ESG Policy on an ongoing basis, with the assistance of its investment advisor (for instance through investment managers joining Trustee meetings). When reviewing the ESG Policy, the Trustee will take account of any significant developments in the market to ensure they are taking a best practice approach.

Communicating the Policy to members

The Trustee operates an open and transparent relationship with its members and the Company. Recognising the topical importance of an ESG Policy, the Trustee will continue this relationship and communicate the ESG Policy to its members frequently.

Signed

Date: ..22/4/22.....

For and on behalf of the SABIC UK Pension Trustee Limited as Trustee of the SABIC UK Petrochemicals Pension Scheme

Appendix

A. What are the UN-backed Principles for Responsible Investment (“PRI”)?

The PRI is a proponent of responsible investment.

It works to understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The PRI is truly independent. It encourages investors to use responsible investment to enhance returns and better manage risks but does not operate for its own profit; it engages with global policymakers but is not associated with any government; it is supported by, but not part of, the United Nations.

Source: www.unpri.org

B. What are the six UN-backed Principles for Responsible Investment?

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

Source: www.unpri.org

C. What are Environmental, Social and Governance (“ESG”) factors?

- Environmental factors relate to how business activities produce emissions and utilise resources that have an impact on the environment. Examples include:
 - Climate change and carbon emissions
 - Resource depletion, including water
 - Waste and pollution
 - Deforestation
- Social factors relate to how a business interacts with key societal stakeholders it interacts with. Examples include:
 - Working conditions, including slavery and child labour
 - Local communities, including indigenous communities

- Conflict
- Health and safety
- Employee relations and diversity

- Governance factors relate to corporate structuring and matters at the boardroom level of a business. Examples include:
 - Executive pay
 - Bribery and corruption
 - Political lobbying and donations
 - Board diversity and structure
 - Tax strategy

Source: www.unpri.org