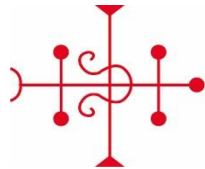


# **Statement of Investment Principles (SIP)**

**Official version**



ExxonMobil OFP

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**Institution for Occupational Retirement Provision**

**EXXONMOBIL OFP**

Hermeslaan 2

1831 Machelen


Identification number Belgian Official Gazette 2240/87

Judicial district Brussels

Enterprise number: 0432.957.916


Identification number issued by the FSMA: 50.246

IORP authorized on 11 January 1996

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## EXXONMOBIL OFP STATEMENT OF INVESTMENT PRINCIPLES

THIS STATEMENT OF INVESTMENT PRINCIPLES IS CONCLUDED BETWEEN:

### **EXXONMOBIL PETROLEUM & CHEMICAL BV**

Company according to Belgian law having its registered office at Polderdijkweg, Haven 447, 2030 Antwerp, registered in the Crossroads Bank for Enterprises with number 0416.375.270, duly represented by H. Detre and J.F. Alen, directors,

### **EXXONMOBIL CHEMICAL EUROPE INC.**

Company according to the laws of the State Delaware, United States of America, having its registered office at 251 Little Falls Drive, Wilmington, Delaware U.S.A., registered in the Crossroads Bank for Enterprises with number 0407.625.474, with a branch in Belgium having its registered office at Hermeslaan 2, 1831 Machelen, duly represented by A. Mareschal, legal representative,

Hereafter jointly referred to as “**the Belgian Sponsoring Undertakings**”,

**AND**

### **ESSO NEDERLAND B.V.**

Company according to Dutch law having its statutory office at Breda, The Netherlands and its address at Graaf Engelbertlaan 75, 4837 DS Breda, number in the register of commerce 27004771, duly represented by R.M. van der Horst and R.M. de Jong, directors,


### **EXXONMOBIL CHEMICAL HOLLAND B.V.**

Company according to Dutch law having its statutory office at Rotterdam, The Netherlands and its address at Botlekweg 121, HAVENNR 4060, 3197 KA Botlek Rotterdam, number in the register of commerce 24231768, duly represented by R.M. van der Horst and J.F. Alen, directors,

### **EXXONMOBIL FINANCIAL SERVICES B.V.**

Company according to Dutch law having its statutory office at Breda, The Netherlands and its address at Graaf Engelbertlaan 75, 4837 DS Breda, number in the register of commerce 20055241, duly represented by M.M.H.W. Speklé and M. Spieksma, directors,

Hereafter jointly referred to as “**the Dutch Sponsoring Undertakings**”,

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**AND**

**Esso S.A.F.**

Having its statutory office at 20 rue Paul Héroult, 92000 Nanterre, France,  
duly represented by C. Amyot, President,

**Esso Raffinage**

Having its statutory office at 20 rue Paul Héroult, 92000 Nanterre, France,  
duly represented by C. Amyot, President,

**ExxonMobil Chemical France**

Having its statutory office at 20 rue Paul Héroult, 92000 Nanterre, France,  
duly represented by C. Amyot, President,

Hereafter jointly referred to as **“the French Sponsoring Undertakings”**,

Hereafter all together referred to as **“the Sponsoring Undertakings”**,


**AND**

**EXXONMOBIL OFP**

Institution for Occupational Retirement Provision according to Belgian law, having its registered office at Hermeslaan 2, 1831 Machelen, registered in the Crossroads Bank for Enterprises with number 0432.957.916, authorized by Royal Decree of 11 January 1996 and registered at the Financial Services and Markets Authority (FSMA) with number 50.246,  
duly represented by A. Roeland and N. Nowé, directors,


Hereafter referred to as **“the IORP”**,

Hereafter jointly referred to as **“Parties”**.

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#### WHEREAS:

- The IORP's objective is to act as an institution for occupational retirement provision with cross-border activities within the meaning of the Directive 2003/41/EC and the Belgian IORP Act (hereafter **IORP Act**).
- At present the IORP has established three Separate Funds within the meaning of article 80 of the IORP Act:
  - a Separate Fund for all assets and liabilities relating to the Pension Schemes of the Belgian Sponsoring Undertakings ("the Belgian Separate Fund"), and
  - a Separate Fund for all assets and liabilities relating to the Pension Schemes of the Dutch Sponsoring Undertakings ("the Dutch Separate Fund"), and
  - a Separate Fund for all assets and liabilities relating to the Pension Schemes of the French Sponsoring Undertakings ("the French Separate Fund").
- The Statement of Investment Principles ("SIP") describes the investment policy of the IORP with respect to the Assets of all Separate Funds. The same policy and principles will be applied for all Separate Funds.
- The Financing Plan and Partial Plans describe the Belgian, Dutch and French Separate Fund in more detail.
- The Assets of all Separate Funds will be managed separately. Investments will be done strictly separately per Separate Fund. This will also be reflected in separate agreements with the asset managers for each of the Separate Funds.
- The Assets cannot be transferred from one Separate Fund to another, unless in the exceptional situation provided by law, i.e. in case of a simultaneous liquidation of the Separate Funds or in case of a dissolution and liquidation of the IORP, as described in the Management Agreement.
- A number of terms used in this SIP are defined in the Lexicon, being a part of this SIP. The terms indicated with a capital letter have the meaning as defined in this SIP or in the Lexicon.

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## OBJECTIVE

### GENERAL

This SIP) describes the basic assumptions of the investment policy of the ExxonMobil OFP (hereafter 'IORP').

This Statement is

1. drafted in accordance with the IORP Act on the supervision on Institutions for Occupational Retirement Provision, the provisions on the principles of prudence (Art. 91§1) and the provisions on the drafting, modification and communication of such a statement (Art. 95);
2. drafted by the Board of Directors of the IORP in accordance with the legal and contractual provisions;
3. ratified by the General Assembly of the IORP.


In accordance with the provisions of the aforementioned Art. 95, this statement shall be reviewed at least every three years and at the time of any significant change of the investment policy.

The purpose of this Statement is to:

- provide guidelines for the entire investment process, and more particularly to:
  - set the strategic asset allocation;
  - determine the responsibilities of the different parties involved in the management of the IORP;
  - determine the tasks which can be outsourced and the selection procedure;
  - determine the different risk types to which the investment process is exposed;
  - determine the audit process of the outsourced tasks.
- determine how the asset manager should implement the investment mandate in practice and to determine the performance objectives which must be accomplished.

### DESCRIPTION AND FINANCING OF THE PENSION SCHEMES

In accordance with an Obligation of Means, the IORP will fulfill its obligations towards the occupational pension liabilities to which the Sponsoring Undertakings committed themselves in the defined benefit schemes (basic schemes).

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For each Separate Fund, the duration of the liabilities of the schemes is annually calculated and recorded in the actuarial report. The discount rate for the LTP liabilities is determined according to Appendix A of the Financing Plan. See annex 3 for Separate Fund details.

The pension plans of the Sponsoring Undertakings contain pension schemes whereby the investment risk is solely carried by the Sponsoring Undertakings (consult the Financing Plan for further details).


The IORP investment objectives recognize the interests of both Plan Members and Sponsoring Undertakings. The investment objectives create a framework to balance potential conflicts:

- Security of Plan Members and Beneficiaries benefits over the long term (fiduciary obligation);
- Avoid unrewarded risk taking and value leakage for Plan Members or Sponsoring Undertakings;
- Manage volatility of annual pension funding obligations.

### THE PRINCIPLE OF PRUDENCE AS STARTING POINT

The prudent person principle is key when implementing the investment policy in accordance with article 91 of the act of 27 October 2006 on the supervision on Institutions for Occupational Retirement Provision. Specifically the following rules must be complied with:

- The assets shall be invested in the best interest of the Plan Members and Beneficiaries. In case of a potential conflict of interest, the Board of Directors shall ensure that the investment is made in the sole interests of the Plan Members and Beneficiaries;
- The assets shall be invested in such manner to ensure the security, quality, liquidity and return of the Separate Funds as a whole. The assets covering the technical provisions will be invested in line with the nature and the duration of the expected future pension benefits;
- The assets shall be predominantly invested on regulated markets. Investments in assets which are not admitted to trading on a regulated financial market must in any event be kept to a prudent level;
- Investments in derivative instruments shall be possible insofar as they contribute to a reduction of the investment risks or facilitate an efficient portfolio management. Such investments must be valued on a prudent basis, taking into account the underlying assets, and included in the valuation of the IORP's assets. The IORP shall avoid excessive risk exposure to a single counterparty and to other derivative operations;
- The assets shall be properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings and accumulations of risk in the portfolio as a whole.

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## INVESTMENT BELIEFS

The primary investment objective is to have sufficient funds to pay the benefits of the Pension Schemes. The IORP aims to achieve the objective by investing in a balanced mix of fixed income and equity securities, taking into consideration the suitability of investments and the agreement with the Sponsoring Undertakings to provide required contribution. This balance across asset classes should provide the level of return required by the Pension Schemes to meet its liabilities at an acceptable level of risk.

The IORP believes in well diversified, passive investments which track market indices at a low cost, leveraging the scale of its portfolio. To a large extent this is being implemented through index based funds, unless there are sound reasons to do otherwise. As a result, undue concentration in particular companies, industries or countries are avoided.

The IORP does not believe that, with an active investment strategy, it can outperform the markets on a structural, long term basis net of cost.

## SUSTAINABLE INVESTMENT POLICY

### Environmental, Social and Governance (ESG) aspects

The IORP mainly invests in marketable securities, i.e. holdings of Euro denominated government and corporate bonds, and in index funds that consist of large and medium-sized companies worldwide. As described in the IORP Sustainable Finance Disclosure Regulation (SFDR) statement, the IORP assumes that by admission of a company to the regulated market of developed and emerging countries, the company operates within the legal framework of the specific country. Because index strategies do not rely on active security-selection, portfolio managers of index funds do not add or remove a company's securities to or from their portfolio as long as that company remains in the relevant index.


The IORP believes that the markets in which it invests are efficient and those markets will therefore value companies which have sound corporate governance practices, including those relating to the environmental and social aspects of their operations, more highly than companies with weaker governance practices. By investing in market-capitalisation weighted indices, the IORP believes it gains exposure to companies which are able to deliver long term value.

Therefore, in the context of traditional index-investment mandates, engagement with companies, including proxy voting, is the mechanism used to integrate and advance material sustainability-related insights that we believe will enhance long term value.

### EU Shareholder rights directive

The EU Shareholder rights directive aims to ensure that all investors are incentivised to participate in the long term sustainability of companies in which they invest in order to make a more long-term sustainable EU economy. It establishes rules promoting the exercise of shareholder rights at general



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meetings of companies with registered offices in the EU and the equities that are admitted to trading on a regulated market in the EU.

The vast majority of the equities of the IORP are invested in index funds. The funds in which the IORP invests do not give fund participants direct voting access to the companies in which they are invested. The participants rely on the asset managers to represent their best interests when voting. Prior to investing in a fund, the stated aim of that fund is reviewed to ensure it aligns with the IORP's policy of acting in the best financial interests of the participants. Furthermore, the voting practices of the asset managers are stewarded by the ExxonMobil Treasurers' group, Benefit Finance & Investments (BF&I), with a feedback loop to the Investment Committee.

The IORP is a participant in the following equity funds (together with other investors).

Asset Manager	Fund Name	Fund Description
BlackRock Institution Trust Company N.A.	Global Broad Cap (ex-US) Large Cap Fund B	All Country Weighted Index ex. US Large Cap
ExxonMobil Investment Management, Inc.	ExxonMobil Investment Fund (EIF)	S&P 500 Index fund
Horsley Bridge Partners	Various	Private Equity fund of funds


BlackRock provides detailed explanations of their approach to stewardship of their investments on its website:

<https://www.blackrock.com/corporate/about-us/investment-stewardship#our-responsibility>

The IORP is satisfied that the information provided on this website, together with its engagement with BlackRock management through BF&I, demonstrates that BlackRock is acting in the best financial interests of the fund participants for the funds in which IORP invests.


ExxonMobil Investment Management (EMIM) is mandated to manage the ExxonMobil Investment Fund (EIF). In all cases, the operative fund document specifies an index and requires EMIM, or any sub-manager, to manage the portfolio against that index subject to liquidity constraints, and in a way that maximizes economic value to the various participating plans. Consistent with these passive value-maximizing mandates, EMIM has developed proxy voting guidelines that it believes will maximize fund value, and these guidelines are regularly reviewed.

EMIM has implemented this philosophy by contracting with a third party, to manage vote submission for the equity securities held within the EIF. The third party does not decide how the proxies should be voted, but rather, is contracted to submit votes based on EMIM's guidelines. This arrangement allows EMIM to specify in advance how frequently-occurring shareholder votes should be made, with unusual or unique items being referred to EMIM for specific analysis and decision consistent with the voting guidelines.

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Horsley Bridge Partners (HBP) is a private equity asset manager and operates on a fund-of-funds basis. Private equity investments include venture capital partnerships investing in early-stage companies, partnerships investing in growth companies and buyout partnerships investing in mature companies. As part of the annual compliance process, HBP completes a Controls Questionnaire in which it asserts that it does have proxy voting guidelines and HBP acts in the best economic interests of its clients.

The IORP has appointed BF&I as its investment advisor. BF&I manages the global relationship with BlackRock, EMIM and HBP. BF&I communicates with the asset managers regularly on a formal and informal basis on a wide variety of issues, including voting practices. BF&I performs the annual compliance checks on behalf of the IORP. The IORP's Investment Committee periodically reviews the practices with BF&I. The IORP will report on the outcome of these reviews in the annual report.

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## INVESTMENT PROCESS

### STRUCTURED INVESTMENT PROCESS

The IORP realises the investment policy through a structured investment process. Investment process means the entirety of rules concerning the preparation, implementation and follow-up of the investments. The risks linked to this investment process fit into an acceptable risk profile, taking into account the short and long term liabilities of the IORP.

The IORP ensures that it possesses the professional expertise required for an optimal investment result, a proper management of the investments and the management of the risks connected to the investments, in all stages of the investment process.

### ROLES AND RESPONSIBILITIES

#### **Board of Directors**

The Board of Directors formulates and approves the general investment policy on the basis of “good governance”, by drafting and reviewing this Statement. The board has mandated the Investment Committee and BF&I to provide advice on the investment strategy and to monitor the performance of the investments. The Board of Directors can make use of other investment advisors when deemed appropriate. The management of assets is outsourced to asset managers on the basis of agreements, which ensures the implementation of the formulated investment policy. The Board of Directors will regularly assess the quality of the performance and processes of the asset managers.

#### **General Assembly**

The investment responsibilities of the General Assembly include the discussion and ratification of this Statement.


#### **Daily Management**

Following “Reglement Dagelijks Bestuur”, the Daily Management ensures the implementation of decisions made by the Board of Directors. The Daily Management is responsible, among others, for the following operational tasks related to investments:

The collection of contributions from the Sponsoring Undertakings, monitoring investments performance and monthly and quarterly reporting. The execution of the rebalancing and the related transactions with the asset managers. The implementation and follow-up of investment-related controls.

#### **Investment Committee**

The Board of Directors has appointed an Investment Committee which advises the Board of Directors about the investment portfolio. Following the “Terms of Reference of the Investment Committee”,

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the Investment Committee is, among others, responsible to advise on the optimal investment structure of the IORP, the asset classes and the selection of the asset managers. The Investment Committee reviews the input and results of the Asset and Liabilities Management (ALM) studies. In addition the Investment Committee ensures that investments are in line with the SIP and that control's related to the SIP are executed.

### Investment advisors

The Board of Directors has an agreement with BF&I. As described in the "BF&I mandate", BF&I advises and makes recommendations on a variety of topics, including, but not restricted to: investment objectives, strategy and guidelines, strategic asset allocation and selection of asset managers/custodians.

BF&I is responsible for the performance review and stewardship of global asset managers in a qualitative and quantitative way (performance, type of mandate, role manager,...). In addition, BF&I ensures that their controls framework and risk profile is appropriate. BF&I will provide an annual representation that it has completed the necessary reviews.

BF&I is represented in the Investment Committee.


The Board of Directors can appoint other investment advisors when deemed appropriate.

## RISK MANAGEMENT POLICY

The objective of Risk Management is to identify, measure, track and mitigate risks.

The IORP has a "Risk Management Policy", that documents the risk management process, involving the following steps:

Step	Description
Policy	The Risk Management Policy of the IORP describes amongst other the risk profile, risk appetite and the measures taken in case the risk tolerance limits are exceeded.
Analysis	Identify risk, analyze risk scenario's and apply prioritization, and define mitigating measures to reduce risk to an acceptable level. This is achieved through the concept of the <b>Risk Matrix</b> .  The end result of the above steps is the IORP's <b>Risk Register</b> (separate document).
Reporting & Monitoring	Ensuring financial and non-financial risks are effectively managed on an ongoing basis, mitigating measures (i.e. "controls") are collected in a <b>Controls Calendar</b> (separate document) that is periodically stewarded by Board of Director's for timely execution and review of findings.
Management	The feedback on risk and controls measurers and the evaluation of the risk management policy.

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## Analysis

Once risks have been identified, the Risk Matrix is used for risk prioritization and effective controls assessment, where Risk = Probability x Consequence.

The IORP uses the Risk Register as tool for classifying identified (potential) risks, documenting scenario-based risk assessments, listing relevant controls and documenting the outcome of mitigation.

The Risk Register covers financial as well as non-financial risks.

## INVESTMENT RELATED RISKS


The Board of Directors recognises that risks are inherent to investing and therefore to the investment strategy for the assets of the IORP.

### Asset Liabilities Management (ALM) study

The Board of Directors took the necessary steps to measure the long term investments risks – with regards to the future liabilities – and take them into account when determining the strategic asset allocation strategy. An ALM study is executed for all Separate Funds on a regular basis (every 3 years and more frequently if necessary) to support this analysis. This ALM study will contribute to a solid long term investment policy taking into account the IORP's liabilities, future cashflows and regulatory requirements. The ALM study supports and validates the strategic asset allocation.

The most relevant long term investment risks, and its mitigating measures are summarised below:

- **Mismatching risk:** the risk of a discrepancy between the performance of the assets in which the IORP invests and the changes in the values of the liabilities over time.  
**Mitigation:** The IORP aims to mitigate this risk by implementing a Liability-Driven Investment (LDI) Strategy. Mismatching risk consists of the following risk types :
  - **Interest rate risk:** the risk that the assets do not respond to movements in interest rates  
Mitigation: by allocating assets to fixed-income securities, the IORP aims to gain exposure to interest rate movements.
  - **Duration risk:** the risk that the duration of the fixed income assets differs from that of the liabilities.  
Mitigation: the IORP mitigates this risk by annually reviewing the duration of the liabilities and updating the strategic allocation within the fixed-income assets accordingly.
  - **Exchange rate risk:** the risk of adverse changes in the asset value due to exchange rate movements.  
Mitigation: by allocating the majority of assets in local currency, the foreign currency position and its impact is limited.

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- **Inflation Risk:** the risk of deterioration of the financial position due to persistent high inflation.

Mitigation: under the Management Agreement, the Sponsoring Undertakings have agreed to provide sufficient contribution in case inflation translates into an increase in liabilities and the coverage ratio becomes insufficient.

- **Market Risk:** the risk of adverse market volatility, resulting in a significant negative impact on the returns of the asset classes.


Mitigation: by diversifying investments, adverse market volatility can be moderated.

Market risk consists of the following risk types:

- **Systematic Risk:** The IORP assesses every investment solely on the basis of risk and return considerations. In general, four broad asset classes can be distinguished on the basis of their risk characteristics.
  - Bonds (fixed income): this category has the lowest historical volatility and has as an investment instrument, similar characteristics as the pension liabilities and will therefore serve as a basic investment category.
  - Equities: since pension liabilities have a long term character, it is appropriate to invest a part of the assets of the IORP in equities since they are expected to generate a return in excess of bonds (risk premium) on a long-term basis; this category is characterised by a high to very high historical volatility.
  - Real Estate and/or Infrastructure: classes that (if held directly) can contribute to diversification but are higher cost and have lower liquidity than equities; may require specialized expertise and may have higher concentration risks.
  - Alternative Investments: these asset classes have an extra diversifying effect compared to equities and bonds and this on a short-term, as well as on a long-term basis, but are also characterised by a historical volatility equal to or even higher than the historical volatility of equities. Alternative Investments contain all investments which cannot be placed in the other categories.
- **Concentration Risk:** risk related to a lack of diversity in investments over and within asset classes.

Mitigation: the risks are mitigated by spreading the investments over different asset classes and spreading them within these asset classes over regions and sectors and per region/sector over several companies/debtors
- **Active Management Risk:** the risk of a relevant difference between the expected performance and the performance achieved by the manager.

Mitigation: The IORP has a passive investment strategy that is reflected in the asset managers' mandates. On a monthly basis the performances are monitored against the

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benchmark. In cases of discrepancies, BF&I at the instruction of IORP will engage with the asset managers.

- **Liquidity Risk:** the risk of insufficient liquidity (including immediately available assets) to cover the short term financial obligations.  
Mitigation: the majority of assets held are highly liquid and in daily-traded funds.
- **ESG-Risk:** risks that may result from climate change, social factors or poor governance and that could potentially impact the safety and soundness of individual institutions and have broader financial stability implications.  
Mitigation: the IORP believes that these risks are included in the valuation of companies in the index or the credit rating valuation of companies. Therefore the IORP mitigates this risk by investing in well diversified passive index funds and high rated bonds.
- **Credit Risk:** default risk of a debtor in relation to his bonds (payment of interests or repayment of the bond in the long term).  
Mitigation: the bond portfolio is diversified predominantly contains investment graded bonds by Moody's and S&P.
- **Actuarial Risk (Longevity):** the risk related to the extension of the life expectancy.  
Mitigation: the IORP will do what is necessary to measure risks posed by future demographic evolutions and take them into account when determining the asset allocation strategy. The IORP also insists that these risks will be taken into consideration on a regular basis by actuarial evaluations.
- **Outsourcing risk (Investment Custodian):** the risk of incurring a loss on assets held in custody in the event of a custodian insolvency, negligence, inadequate recordkeeping, etc.  
Mitigation: this risk is governed by monitoring the custody arrangements.
- **Legal risk:** risk of changing local and international legislative and taxation rules and treaties which may have an impact on the return of the different investment instruments.  
Mitigation: the IORP manages this risk by closely monitoring the (draft) legislation and via its compliance officer and legal advisors.

#### Reporting and monitoring:

To ensure that the above risks are effectively managed, the the Board of Directors, Investment Committee and "Pensioenraad" (NL) receive the following reports which are discussed in their respective meetings on a regular basis:

1. A funding status report
2. An investment report that includes more detailed information on the OFP portfolio (risk) characteristics and performance

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## OUTSOURCING

When deciding between no, partial or complete outsourcing, attention will be paid to the available expertise, the culture of the own organisation, scale advantages and flexibility. The two most important investment related tasks to outsource are the following:

### *Asset management*

Asset managers are appointed to implement the policy as determined in this Statement. Every asset manager is free to invest within the tight conditions described in the investment mandate. It will be monitored whether the asset managers act within their mandate and whether they achieve the agreed objectives.

The asset managers receive a copy of this Statement.

### *Custodian*

Independent custodians are appointed. The custodians are responsible for administering the investments, as well as providing a monthly asset performance reporting service.

The selection of external service providers and the evaluation of their performance will be based on objective criteria consistent with the Outsourcing policy, as approved by the Board of Directors.

The appointment of the asset manager and/or custodian can at any time be reviewed by the Board of Directors on the basis of the investment results and by monitoring the procedures determined in this Statement.

## MONITORING PROCESS INVESTMENT MANAGERS AND CUSTODIANS


The IORP must comply with all legal investment provisions. The asset manager ensures compliance with these legal provisions when executing his mandate.

Monitoring of the asset manager and/or investment advisor, as described below, is an additional guarantee to limit the risk. Appendix 2 describes the reporting requirements of the asset managers.

The asset manager receives an investment mandate and the Board of Directors will monitor if the asset manager and/or custodian duly implements the rules stated in this mandate.

As part of the general investment monitoring process, BF&I, as mandated by the Board of Directors will periodically meet with the asset managers to ensure that they continue to perform their tasks in a competent way and that they have the required knowledge and experience to manage the investments of the IORP. BF&I will report the outcome of these reviews to the Investment Committee.



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### *Performance Analysis*

A first check will be done via a performance analysis. Therefore, a report that compares the performance of every portfolio with the explicitly predetermined performance objectives related to the selected benchmarks must be reviewed at least annually. The assessment criteria depend on the type of asset manager.

The performance analysis shall contain at least the following elements:

- The composition of the portfolio and the structure, split-up in market value vis-à-vis the strategic allocation and per asset class.
- A detailed analysis of the risk/return of the entire portfolio compared to the benchmark and this also split-up over the different asset classes. The performance analysis shows besides the quarterly results at least the cumulative year-to-date performance.
- The cost structure: total cost as a percentage of the assets managed per investment fund. Review of management fees paid.

Moreover it will be assessed whether the asset manager respects all the limitations imposed by their mandate in line with this Statement.

### *Custodian*

The monitoring of the custodian is based on the following criteria:


- Executing the agreed reporting and account information on time and in a satisfying way or sending the accounting information in time.
- Supporting the transactions of the assets managers on time and in a prudent way (e.g. wrong registration of the transactions/the received revenues or reporting of changes in the share structure (corporate action reporting)).
- The cost structure.

The Board of Directors will decide about the termination of the investment mandate of the specific portfolio and/or manager and/or Custodian if the predetermined objectives/limits are not met and this over an average duration of maximum 3-4 years.


### *Daily Management*

The Daily Management is responsible for:

- Monitoring the effectiveness of the Liability Driven Investment (LDI) strategy;
- proposing and checking the investment mandates and benchmarks for the different portfolios and/or investment funds;
- administering the investment activities such as initiating contribution and withdrawal instructions, fee payments and oversight of fund accounts;

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- reviewing how the asset managers implement the investment policy, and reviewing the compliance with the investment mandates;
- adequate reporting to the Investment Committee and the Board of Directors on the developments of the investments.

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## IMPLEMENTATION OF THE INVESTMENT POLICY

### STRATEGIC ALLOCATION WITH ACCOMPANYING BAND WIDTHS AND BENCHMARKS

An Asset Liability Management (ALM) Study is completed at least every three years by a third party advisor. The ALM study supports and validates the strategic asset allocation, which is periodically reviewed and approved by the Board of Directors. This process substantiates the appropriateness of the strategic asset allocation.

The IORP has implemented a LDI strategy, which aims to mitigate the risk of a mismatch between assets and liabilities. The LDI strategy matches the characteristics of the assets with the characteristics of the plans' liabilities. This strategy protects the funding level as market conditions change.


The IORP aims to hedge 70% of its liabilities for the Dutch and French Separate Funds and 60% for the Belgian Separate Fund through the use of highly liquid and rated euro corporate bond funds and euro government bond funds. The combination of corporate bonds and government bonds is reviewed and adjusted annually to ensure the hedge remains effective.

The strategic asset allocation is selected in such a way that the risk and return characteristics are appropriate given the liability structure and risk tolerance of the fund.

The strategic asset allocation is set at 30% equities and 70% bonds for the Dutch and French Separate Funds and 40% equities and 60% bonds for the Belgian Fund. For this strategic mix, the additional contributions or possible recovery plan payments are acceptable for the directors of both the IORP and the Sponsoring Undertakings.

Benchmarks are set for each asset class, in order to evaluate the performances of the portfolio. The quality of the management of each asset class is evaluated by comparing the portfolio return with the benchmark. Additionally, an evaluation is made of the volatility of the portfolio return compared to the benchmark.

The Board of Directors has agreed the following investment framework:

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<u>Class</u>	<u>Sector</u>	<u>Minimum</u>	<u>Strategic allocation</u>	<u>Maximum</u>	<u>Gross Benchmarks</u>
Bonds	<i>Euro Corporate Bonds</i>				<i>FTSE EuroBig<sup>1</sup></i>
	<i>Long Duration Euro Gov't Bonds</i>				<i>Specific benchmark<sup>2</sup></i>
	<b>Total LDI Bonds</b>				
	<b>French and Dutch Separate Fund</b>	<b>60%</b>	<b>70%</b>	<b>80%</b>	
	<b>Belgian Separate Fund</b>	<b>50%</b>	<b>60%</b>	<b>70%</b>	
Equities	World All Countries				<i>MSCI ACWI IMI<sup>3</sup></i>
	Private Equity				<i>Specific benchmark<sup>4</sup></i>
	<b>Total Equities</b>				
	<b>French and Dutch Separate Fund</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>	
	<b>Belgiun Separate Fund</b>	<b>30%</b>	<b>40%</b>	<b>50%</b>	
Cash		<b>0%</b>	<b>0%</b>	<b>10%</b>	<i>Cash Index Euribor</i> <i>1m EUR</i>
	<b>TOTAL</b>		<b>100%</b>		


Within the Bonds portfolio, the weight for each Separate Fund allocated to the Euro Corporate Bonds and the Euro Government Bond Portfolio, respectively, are set such that the duration of the total LDI Bonds portfolio is broadly aligned with the duration of the Liabilities of that Separate Fund. The duration is recalculated annually and reported in the actuarial reports. The actual year-end asset allocation per sector will be reported in the annual report. See annex 3 for details.

<sup>1</sup>FTSE EuroBIG ex Domestic Treasury Index

<sup>2</sup>Specific benchmark is calculated every month by an external party on the basis of the strategic mix of bonds in the portfolio.

<sup>3</sup> MSCI All Country World Index (Investable Market Index)

<sup>4</sup> External party collects return information of other similar equity funds and ranks them to quartiles.

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The above described division is used as the strategic guideline for the allocation of the assets of the IORP. The margins are set in such a way that on the one hand a too frequent rebalancing is avoided and hence costs minimized; while at the other hand ensuring that the investment allocation cannot drift too significantly from the target.

In exceptional circumstances, the Board of Directors can decide to temporarily deviate from this investment mix.

In addition, as a result of the investment mix, the exchange rate risk is limited since 70% of the assets is allocated to Eurobonds for the Dutch and French Seaparate Funds and 60% for the Belgian Separate Fund.

### REBALANCING POLICY

Every quarter it will be checked whether the structure of the portfolio deviates from the specific strategic allocation as determined per asset class. If necessary, a rebalancing will take place within a reasonable period in function of the nature of the required rebalancing and taking into account market liquidity. The timing of the rebalancing is coordinated by BF&I covering all ExxonMobil pension funds (including IORP) in order to minimize overall trading cost. The asset managers are responsible for the rebalancing policy within the limits of their mandate.

### STRUCTURE AND AMOUNT OF MANDATES

There are several mandates for equities and bonds.

The portfolios have to be managed in the following way:


- Discretionary management of the portfolio in line with this Statement;
- The share mandates are completely passive, the corporate bond mandate is enhanced passive.

### PERFORMANCE OBJECTIVES FOR THE MANDATES

A set of measurable objectives has been developed for the asset managers at the level of the individual asset classes linked to the specific mandate. These objectives are in line with the long term objectives of the IORP.

#### **LDI portfolio**

The average duration of the total bond portfolio (Euro government bonds + Euro corporate bonds) per Separate Fund is annually modified in such a way that it corresponds with the average duration of the liabilities of the Separate Fund involved.

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- **Euro Corporate bonds (enhanced passive management)**
  - Benchmark: FTSE EuroBIG ex Domestic Treasury Index
  - Target perf.: 50bps outperformance per year or better over a continuous period of 4 years
  - Tracking error: No more than 60bps
- **Euro Government bonds (passive management)**
  - Benchmark: Custom Benchmark. Long-dated Euro denominated fixed rate investment grade bonds, issued by European Union sovereign states or supranational entities weighted by market cap corrected with a factor to reflect the credit worthiness.
  - Target perf.: Track the benchmark
  - Tracking error: no more than 30bps
- **Global Broad Cap ex- US Large Cap equities (passive management)**
  - Benchmark: MSCI ACWI IMI ex-US IMI plus Dow Jones Total Market Completion Index
  - Target perf.: Track the benchmark
  - Tracking error: No more than 50bps
- **ExxonMobil Investment Fund (passive management)**
  - Benchmark: S&P500
  - Target perf.: Track the benchmark
  - Tracking error: No more than 50bps

The performance of the total portfolio is the weighted average of the underlying values of all benchmarks compared to the performance of the portfolio. The tracking error may not exceed the sum of the underlying individual portfolios.

#### ALLOWED INVESTMENT CATEGORIES:

##### *Equities*


- World Equities: Large/Mid/Small Caps of developed and emerging markets;
- Currencies: Euro and non-Euro;
- Private Equity: limited commitments in United States Dollars to specific funds, not hedged.

##### *Euro Bonds*

- Government bonds (nominal and inflation linked) only investment grade by Moody's and S&P
- Corporate bonds: contains predominantly investment grade bonds by Moody's; minimum (Baa3) or S&P (BBB-).

##### *Euro Cash equivalents*

All investments are made on regulated markets, except investments in private equity, collective investments undertakings and investments in bonds on the OTC-market (Over The Counter – market).

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## SECURITIES LENDING

The IORP invests in funds which engage in securities lending.. The asset managers determine the appropriate counterparties, define the collateral requirements and ensure the systematic daily follow-up on activities. Gains from securities lending will be shared between the asset managers and the IORP. Furthermore, the asset managers agreed upon an indemnity guarantee, i.e. any shortfall due to a defaulting borrower will be compensated by the asset managers. This results in minimal risks for the IORP. Moreover, the IORP considered the EU Regulation on Short Selling and concluded no objections against securities lending.

## PROHIBITED INVESTMENT CATEGORIES, FINANCIAL INSTRUMENTS AND TRANSACTIONS:

- Investments in financial instruments which are traded on non-regulated markets, except for investments in collective investment undertakings, private equity and investments in bonds on the OTC-market.
- At time of purchase, the bonds can not be graded below “investment grade”, Moody’s (Baa3) and S&P (BBB-).
- Investments in derivatives, such as options, futures, interest rate swaps, currency swaps or equity swaps, unless they are used to reduce the investment risk or for efficient portfolio management.
- Lending or executing transactions which will lead to a debit valuation on the balance.
- Entering into leveraged transactions.
- “Sales and repurchase” (“REPO”) agreements, unless explicitly approved by the Board of Directors, and within the scope of relevant legislation and/or regulations.
- Executing transactions which need a credit facility, “margin payment” or every other form of investment including “pledging” the assets of IORP to third parties.
- Structured products, Synthetic products, Asset backed securities, Infrastructures, Hedge Funds, Hedge Funds of Funds.

The IORP does not enter into any investment transaction which is prohibited by national and/or international law.

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## MISCELLANEOUS

### Separation of interest

When implementing the investment policy, attention is paid to pooling of interests / conflicts of interest.


### Written agreements concerning asset management

The written agreements must contain the same guidelines concerning the strategic asset allocation and band widths, the allowed and prohibited asset classes, the financial instruments and transactions, as well as the counter party risk, transparency and liquidity, as described in this Statement. All written agreements concerning asset management are reviewed annually in the Investment Committee.

### Costs

When realising the investment plan, the IORP will incur no other costs than these which are reasonable and in proportion with the scope and composition of the invested assets and objectives of the IORP.



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## REVISIONS

This Statement will be reviewed periodically and, if deemed necessary, modified. The review will happen at least every three years.

This Statement will also be promptly modified at every change in the nature of the liabilities, or if the financial market circumstances require so.

Following changes have been implemented:


Date	Changes
Dec 2023	Further clarified the roles and responsibilities section, and the risk management policy sections. Changed Belgian Separate Fund Strategic Asset Allocation from 70/30 to 60/40 FI/Equity.
Dec 2020	Include ESG, Shareholders Right paragraph, securities lending
July 2019	Include French Separate Fund – language changed to English
Dec 2017	Change of asset allocation (60/40 to 70/30)
Sep 2017	Full rewrite to include Dutch Separate Fund

This Statement includes three Appendices which can be modified when required. The update of these defined Appendices is not considered as an update of this Statement, and will therefore not change the “date of entry into force” on the cover page. The date of the latest update of the Appendices is stated in the Appendix.








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## ANNEX 1: LEXICON

The terms with a capital letter used in this Statement of Investment Principles have the meaning mentioned below:


- **ABO:** Accumulated Benefit Obligation, the obligation as accrued today and based on the current situation, without taking into account future events (such as salary increases).
- **Accrued Pension Rights:** the accrued pension benefits to which the Active, Disabled, Deferred and Retired Plan Members or possibly the Beneficiaries are entitled and which are determined, calculated and paid according to the applicable Pension Schemes and/or legal provisions.
- **Annuities in Payment:** all annuities in payment (“pensioenen” / “pensions”), which are paid according to the terms and conditions of one of the Pension Schemes to the Plan Members and / or the Beneficiaries.
- **Approval:** in The Netherlands this signifies “Instemming” / “consent”.
- **Beneficiaries:** all persons, other than the Plan Members, who according to the terms and conditions of one of the Pension Schemes, receive an annuity from the IORP (e.g. the partner of a (former) plan member or retiree, the children of a (former) plan member).
- **Board of Directors:** as defined in the Bylaws of the IORP.
- **Collective value transfer:** a collective transfer of assets and liabilities from the IORP to another recognised pension provider, in line with the applicable social and labour legislation.
- **Consolidation Plan:** a preventive measure requested or imposed by the FSMA (the supervisor) on the IORP to prevent that the funding or the assets of the pension fund would be insufficient or to prevent that the rights of the plan members or beneficiaries are at risk on account of the deterioration of the pension fund’s financial situation.
- **Database Occupational Pensions:** a database containing data on the pension accrual. In the Netherlands this is the website [www.mijnpensioenoverzicht.nl](http://www.mijnpensioenoverzicht.nl) made available to the public by the Stichting Pensioenregister for the public. In Belgium this is the Database Occupational Pensions (DB2P) managed by the vzw SiGedis.
- **Departure:** the termination of the employment contract with the Sponsoring Undertaking for another reason than retirement or death. According to Belgian law it refers to the departure as defined in article 3, §1, 11° of the Act on Occupational Pensions of 28 April 2003.
- **Financing Plan:** the agreement between the IORP and the Sponsoring Undertakings describing the financing rules applicable to the Sponsoring Undertakings as follows:
  - The general part of the Financing Plan regulates the financing rules applicable to all Sponsoring Undertakings within both Separate Funds and the IORP as a whole;
  - This general part is completed by the Partial Plans, which are only applicable to the Sponsoring Undertakings linked to a specific Separate Fund.
- **General Assembly:** as defined in the Bylaws of the IORP.

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- **IORP:** the institution for occupational retirement provisions as defined in the Belgian Act of 27 October 2006 on the supervision of institutions for occupational retirement provision.
- **Legal Interests:** the legal interest rate applicable in case of payment arrears, as determined by the applicable legislation.
- **Member State:** a Member State of the European Economic Area in which the Sponsoring Undertakings are located.
- **Obligation of Means:** the obligation of the IORP to manage the funds entrusted to it in the most efficient way possible in view of operating the Pension Schemes.
- **Outsourcing Policy:** the policy determined by the Board of Directors of the IORP, to be followed when the IORP wishes to outsource specific tasks to specialized service providers or to a Sponsoring Undertaking, and defining the outsourcing conditions.
- **Pension Scheme:** an agreement between the Sponsoring Undertaking and its (former) employees determining which pension benefits are granted and under which conditions.
- **Plan Members:** Plans Members are the persons who are or have been affiliated to the Pension Schemes managed and implemented by the IORP. In the Dutch legislation they are called “participants, deferred participants and retirees” (“deelnemers, gewezen deelnemers en gepensioneerden”). The following distinction is made:
  - Active Plan Member: the employee bound by the Sponsoring Undertaking and meeting the affiliation conditions of one of the Pension Schemes managed by the IORP (“participant” / “deelnemer”);
  - Deferred Plan Member: the former Active Plan Member or former Disabled Plan Member who kept his Accrued Pension Rights in the IORP after Departure (“deferred participant” / “gewezen deelnemer”);
  - Disabled Plan Member: the Plan Member entitled to a disability or work incapacity indemnity according to one of the Pension Schemes managed by the IORP (“disabled participant” / “invalide deelnemer”);
  - Retired Plan Member: the former Active, Disabled or Deferred Plan Member who receives a pension annuity from the IORP following one of the Pension Schemes managed by the IORP (“retiree” / “gepensioneerde”).
- **Probability of Reactivation:** probability to recover, to be available again to work after a disability pension has been granted.
- **Recovery Plan:** a recovery measure requested or imposed by the FSMA (the supervisor) on the IORP when problems occur on the asset or liability side of the pension fund or when the pension fund is in a general situation of insolvability.
- **Revaluation:** Increase of accumulated pension reserves or annuity according to Pension Schemes.
- **Separate Fund:** a legally separate fund as defined in the Belgian Act of 27 October 2006 on the supervision on Institutions for Occupational Retirement Provision.

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- **Solvency margin:** the margin to be maintained for the risks of death, disability and incapacity to work according to RD 12 January 2007 executing the IORP Act.
- **Sponsoring Undertaking:** a company of the ExxonMobil Group that is a member of the General Assembly of the IORP
- **Statement of Investment Principles or Strategic Investment Policy (“SIP”):** the investment policy determined by the IORP for the assets of the Separate Funds, which are managed strictly separately.
- **Vested Reserves:** the Accrued Pension Rights which the Plan Member would receive at the calculation date as if he would depart at the calculation date and the payment of contributions would be stopped as a result thereof.

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## ANNEX 2: REPORTING

The asset managers and IORP and/or BF&I , will meet on a regular basis and at least every six months. During these meetings they will discuss the implementation of this Statement by the asset managers, to ensure they complied with their mandate. By doing so, the IORP can ensure that the asset managers implement this Statement in a competent way and that they have the required knowledge and experience to manage the assets of the IORP.

The asset managers provide a monthly written report per Separate Fund, containing at least the following elements:

- Details of the composition and structure of the Portfolio, the total value of the Portfolio and the performance of the Portfolio on a monthly and annual basis;
- An overview of the realised capital gains and losses concerning the complete Portfolio;
- An overview of the spread of risks concerning the Portfolio (including the currency risk):
  - o Concerning the equities: the geographic spread of the equities;
  - o Concerning the bonds: the monetary, average duration/ maturity and rating spread;
- Details of the individual investments;
- Details of the completed transactions;
- The benchmark weights and the related fund performance per benchmark class, as mentioned in the SIP.

The asset managers provide a quarterly written report per Separate Fund, containing financial results of securities lending.

Possible investments in derivatives are valued on a prudent basis, taking into account the underlying assets. They are taken into account when valuing the Assets.


The asset managers keep a permanent inventory of the assets under management which the IORP can request at any time.

The asset managers are expected to immediately report about events that might have a significant impact on the implementation of their mandate in line with this Statement.

The Asset Manager of the IORP informs the IORP, at its first request, about the technical characteristics of the functioning, organisation and management of the services which it provides to the IORP on the basis of this Statement.

The Board of Directors receives every quarter an extended report about the investments.



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## ANNEX 3: SEPARATE FUND VARIABLES AND ALM SUMMARIES

### Belgian Separate Fund

#### Variables 2023

Duration 12 years

Long Term Expected Return rate 3.6%

Implicit discount rate 3.0%

Allocation of assets within the bond portfolio is based on duration:

<u>Class</u>	<u>Sector</u>	<u>Minimum</u>	<u>Strategic allocation</u>	<u>Maximum</u>
Bonds	Euro Corporate Bonds	63	71	79
	Long Duration Gov't Bond Portfolio	21	29	37


#### Continuity test and ALM summary (Sep 2022)

##### Dataset

The file of the Plan Members is based on the situation ultimo 2021. The file is developed conform the following principles:

- The expected retirement age is:
  - o Born before 1962 63
  - o 1962 – 1998 64.6
  - o As of 1999 65
- The possibility of withdrawal from service varies according to age from 6.5% for younger employees to 1% for older employees.
- The ratio Male/Female: 86% M/ 14%
- The annual promotion percentage depends on the age and is on top of the expected general increase of 2% and varies from 5% for younger employees to 1% for older employees.
- The benefit at retirement is a lump-sum.
- Mortality table: MR/FR with an age correction of 5 years

The Pension Scheme applicable on 1/1/2022 is used as the basis for the accrual of future benefits.

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The future development of the IORP is evaluated over a horizon of 15 years, taking into account the following long term expectations concerning the market circumstances:

	15 yrs. average	Standard deviation
Price inflation	2.67%	N.A.
Government bonds	2.1%	5.5%
Corporate bonds (Euro)	3.1%	7.3%
Equities (developed markets)	6.5%	17.7%


With this input, insight is given in the financial results for the coming 15 years such as pension premium, fund solvency and investment returns based on the risk profile with 30% equities and 70% bonds. Additionally, scenarios were drafted for 80/20 (fixed interest/equities) investment portfolio's.

Fund solvency (based on LTP)

Funding ratio (LTP) after additional contributions	70/30	60/40
Max (implicit) discount rate %	2.8	3.0
Average % (over a 15-year period)	109	110
2.5% percentile	100	100
97.5% percentile	135	143
Probability % funding ratio < LTP	0%	0%

Premium

Pension premium (as % of total salary mass)	70/30	60/40
Premium paid upfront (%)	8	7
Year end additional contribution (if underfunded)	5	5
Paid premium – total	13	12
2.5% worst scenarios	22	22
2.5% best scenarios	5	3
Probability of an additional contribution	31	29

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#### Investment returns

Investment return	70/30	60/40
Investment return (net) %	3.7	4.0
Standard deviation %	9	10

#### Continuity test

The objective of the continuity test is to prove that the prudential assumptions used for the LTP technical reserve are 'robust' enough to meet the risk budget parameters. The continuity test is executed every three years (or when an important event took place or when the investment principles change).


For the continuity test one calculates 1000 return scenarios per prognosis year to determine both the probability of funding level based on the LTP to be below 90% after 3 years is maximum 10% and the annual probability (max 25%) that ruin occurs over a longer horizon (60 years).

The following assumptions are used:

- Liabilities: a closed group run-off of accrued pension rights
- Assets: are equal to the LTP liability, current strategic asset allocation is assumed to be constant over the projection period

Based on the outcome of the continuity test an ABO buffer will be calculated, expressed as a percentage of the LTP ABO. The Implicit Discount Rate is the equivalent single discount rate to meet the ABO including the buffer outcome.

	After 3 years Max 10% probability FR < 90%	After 60 years Yearly probability of Ruin: max 25%	Implicit discount rate	ABO LTER	ABO LTER Buffer
Asset mix	%	%	%	%	%
70/30	10	21	2.8	3.3	3.0
60/40	10	22	3.0	3.6	9.0

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### **Dutch Separate Fund**

#### Variables 2022

Duration 19 years

Long Term Expected Return rate 2.9%

Implicit discount rate 1.9%

Allocation of assets within the bond portfolio is based on duration:

<u>Class</u>	<u>Sector</u>	<u>Minimum</u>	<u>Strategic allocation</u>	<u>Maximum</u>
Bonds	Euro Corporate Bonds	20	33	40
	Long Duration Gov't Bond Portfolio	60	67	80


#### Continuity test and ALM summary (Sep 2022)

##### Dataset

The file of the Plan Members is based on the situation ultimo 2021. The file is developed conform the following principles:

- The retirement age is 68
- The possibility of withdrawal from service varies according to age from 4% for younger employees to 1% for older employees.
- The ratio Male/Female: 86% M/ 14% F
- The annual promotion percentage depends on the age and is on top of the expected general increase of 2% and varies from 6% for younger employees to 0.5% for older employees.
- The benefit at retirement is an annuity.
- Mortality table: AG2022, with correction factors 'Mercer high'

The Pension Scheme applicable on 1/1/2022 is used as the basis for the accrual of future benefits.

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The future development of the IORP is evaluated over a horizon of 15 years, taking into account the following long term expectations concerning the market circumstances:

	15 yrs. average	Standard deviation
Price inflation	2.0%	N.A.
Government bonds	2.1%	5.5%
Corporate bonds (Euro)	3.1%	7.3%
Equities (developed markets)	6.5%	17.7%


With this input, insight is given in the financial results for the coming 15 years such as pension premium, fund solvency and investment returns based on the risk profile with 30% equities and 70% bonds. Additionally, scenarios were drafted for 60/40 (fixed interest/equities) investment portfolio's.

Fund solvency (based on STP)

Funding ratio (STP) before additional contributions	70/30	60/40
STP Buffer %	20	25
Average % (over a 15-year period)	123	129
2.5% percentile	97	98
97.5% percentile	154	166
Probability % funding ratio < LTP	40	39

Premium

Pension premium (as % of total salary mass)	70/30	60/40
Premium paid upfront (%)	85	88
Year end reimbursement (-)/additional contribution (+)	-40.0	-53
Paid premium - total	45	35
2.5% worst scenarios	551	627
2.5% best scenarios	-430	-542
Probability of an additional contribution	40.0	39
Size of an additional contribution	176	211

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Probability of a reimbursement	60	60
Size of a reimbursement	190	233

#### Investment returns

Investment return	70/30	60/40
Investment return (net) %	3.4	3.9
Standard deviation %	12	11.2

#### Continuity test

The objective of the continuity test is to prove that the prudential assumptions used for the LTP technical reserve are 'robust' enough to meet the risk budget parameters. The continuity test is executed every three years (or when an important event took place or when the investment principles change).


For the continuity test one calculates 1000 return scenarios per prognosis year to determine both the probability of funding level based on the LTP to be below 90% after 3 years is maximum 10% and the annual probability (max 25%) that ruin occurs over a longer horizon (60 years).

The following assumptions are used:

- Liabilities: a closed group run-off of accrued pension rights
- Assets: are equal to the LTP liability, current strategic asset allocation is assumed to be constant over the projection period

Based on the outcome of the continuity test an ABO buffer will be calculated, expressed as a percentage of the LTP ABO. The Implicit Discount Rate is the equivalent single discount rate to meet the ABO including the buffer outcome.

	After 3 years Max 10% probability FR < 90%	After 60 years Yearly probability of Ruin: max 25%	Implicit discount rate	ABO LTER	ABO LTER Buffer
Asset mix	%	%	%	%	%
70/30	10	4	1.9	2.9	15
60/40	10	6	2.1	3.1	15

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### **French Separate Fund**

#### Variables 2022

Duration 15 years

Long Term Expected return rate 3.3%

Implicit discount rate 2.6%

Allocation of assets within the bond portfolio is based on duration:

<u>Class</u>	<u>Sector</u>	<u>Minimum</u>	<u>Strategic allocation</u>	<u>Maximum</u>
Bonds	Euro Corporate Bonds	45	53	65
	Long Duration Gov't Bond Portfolio	40	47	60

#### Continuity test and ALM summary (Sep 2022)

##### Dataset


The file of the Plan Members is based on the situation ultimo 2021. The file is developed conform the following principles:

- The expected retirement age is 62
- The ratio man/woman is the YE 2021 ratio man/woman for pensioners.
- The annual promotion percentage depends on the age and is on top of the expected general increase of 2%.
- The benefit at retirement is an annuity.
- Mortality table: TGH/TGF05

The Pension Scheme applicable on 1/1/2022 is used as the basis for the accrual of future benefits.

The future development of the IORP is evaluated over a horizon of 15 years, taking into account the following long term expectations concerning the market circumstances:

	15 yrs. average	Standard deviation
Price inflation	2.0%	N.A.
Government bonds	2.1%	5.5%
Corporate bonds (Euro)	3.1%	7.3%
Equities (developed markets)	6.5%	17.7%

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With this input, insight is given in the financial results for the coming 15 years such as pension premium, fund solvency and investment returns based on the risk profile with 30% equities and 70% bonds. Additionally, scenarios were drafted for 60/40 (fixed interest/equities) investment portfolio's.

In the scenario's the additional increase in funding over the next 15 years as required by the French law has been taken into account.

#### Fund solvency (based on LTP)

Funding ratio (LTP) after additional contributions	70/30	60/40
Average % (over a 15-year period)	114	118
2.5% percentile	100	100
97.5% percentile	151	163
Probability % funding ratio < LTP	0.0	0.0


#### Premium

Pension premium (MEuro)	70/30	60/40
Premium paid upfront	12.1	11.6
Year end additional contribution (if underfunded)	6.6	6.3
Paid premium – total	18.7	17.9
2.5% worst scenarios	54.1	57.1
2.5% best scenarios	5.5	4.6
Probability of an additional contribution	32	29

#### Investment returns

Investment return	70/30	60/40
Investment return (net) %	3.6	4.0
Standard deviation %	10	11



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### Continuity test

The objective of the continuity test is to prove that the prudential assumptions used for the LTP technical reserve are 'robust' enough to meet the risk budget parameters. The continuity test is executed every three years (or when an important event took place or when the investment principles change).

For the continuity test one calculates 1000 return scenarios per prognosis year to determine both the probability of funding level based on the LTP to be below 90% after 3 years is maximum 10% and the annual probability (max 25%) that ruin occurs over a longer horizon (60 years).

The following assumptions are used:

- Liabilities: a closed group run-off of accrued pension rights
- Assets: are equal to the LTP liability, current strategic asset allocation is assumed to be constant over the projection period

Based on the outcome of the continuity test an ABO buffer will be calculated, expressed as a percentage of the LTP ABO. The Implicit Discount Rate is the equivalent single discount rate to meet the ABO including the buffer outcome.

	After 3 years Max 10% probability FR < 90%	After 60 years Yearly probability of Ruin: max 25%	Implicit discount rate	ABO LTER	ABO LTER Buffer
Asset mix	%	%	%	%	%
70/30	8	25	2.6	3.3	11
60/40	7	25	2.6	3.5	13