SSPF Statement on principal adverse impacts of investment decisions on sustainability factors

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1. Summary

Stichting Shell Pensioenfonds (SSPF) (LEI 2138006OZQ4A1SOYK780) considers the principal adverse impacts (PAIs)[1] of its investment decisions on sustainability factors. This document is the consolidated statement of PAIs on sustainability factors at SSPF and covers the reference period January 1 to December 31, 2023.

This Principal Adverse Impact Statement presents the policies and processes that SSPF has in place to prioritise and address PAIs. It also describes how they were implemented during the reference period and the way the pension scheme[2] performed on a range of PAIs (both prioritised ones and others) over the same reference period[3].

SSPF recognises that investee entities can have material adverse impacts on sustainability factors, both through their conduct and their business activities, and that investee entities that do not properly manage these adverse impacts may compromise long-term investor value. SSPF has prioritised a range of PAIs that it considers material not only to the pension scheme and its participants, but also to broader society and the environment. The prioritisation process considered the severity of the adverse impacts, including their potential irremediable character; existing policy choices and ESG preferences of SSPF's participants, including in relation to prioritised UN Sustainable Development Goals (SDGs); and data availability and quality. Table I provides a summary of the PAIs of investment decisions in terms of the sustainability factors considered by SSPF. The PAI indicators, progress achieved during the reference period and future areas of focus are further described in section 2 below.

1 The Sustainable Finance Disclosures Regulation (SFDR) describes PAIs as "the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters".

2 Where PAI data is not available for all assets of the pension scheme, the PAI indicators only reference the relevant part of pension scheme for which data was available during the reference period.

3 The PAI indicators presented in section 2 of this statement capture the average of the Q1-Q4 portfolio exposures. Where PAI data was not available throughout the year or where the underlying data is updated only once a year, some of the PAI indicators may only capture the situation as per December 31, 2023.

Table I: summary of principal adverse impact indicators reported by SSPF:

Applicable to	PAI indicator	Prioritised (yes/no) SSPF theme	Table[4]	Number[5]
Investee companies	GHG emissions.	No	1	1
	Carbon footprint.	Yes: Climate change; SDGs 7, 13	1	2
	GHG intensity of investee companies.	Yes: Climate change; SDGs 7, 13	1	3
	Exposure to companies active in the fossil fuel sector.	Yes: Climate change; SDGs 7, 13	1	4
	Share of non-renewable energy consumption and production.	No	1	5
	Energy consumption intensity per high climate impact sector.	No	1	6
	Activities negatively affecting biodiversity-sensitive areas.	No	1	7
	Emissions to water.	No	1	8
	Hazardous waste.	No	1	9
	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.	Yes: Universal principles, multiple SDGs	1	10
	Lack of processes and compliance mechanisms to monitor compliance with Un Global Compact principles and OECD Guidelines for Multinational Enterprises.	No	1	11
	Unadjusted gender pay gap.	No	1	12
	Board gender diversity.	Yes: Universal principles, SDGs 5, 10	1	13
	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons).	No	1	14
	Investments in companies without carbon emission reduction initiatives.	Yes: Climate change; SDGs 7, 13	2	4
	Rate of accidents.	Yes: Governance, SDG 8	2	2
	Incidents of discrimination.	Yes: Universal principles, SDGs 5, 10, 16	2	7
	Operations and suppliers at significant risk of incidents of child labour.	Yes: Universal principles, SDGs 8, 16	2	12
	Lack of anti-corruption and anti-bribery policies.	Yes: Governance, SDG 16	2	15
	Cases of insufficient action taken to address breaches of standard of anti-corruption and anti-bribery.	Yes: Governance, SDG 16	2	16
Sovereigns and supranationals	GHG intensity.	Yes: Climate change; SDGs 7, 13	1	15
	Investee countries subject to social violations.	No	1	16
	Average human rights performance.	Yes: Universal principles, SDGs 5, 8, 10, 16	2	20
	Average corruption score.	Yes: Governance, SDG 16	2	21
	Average rule of law score.	Yes: Governance, SDG 16	2	24
Real estate assets	Exposure to fossil fuels through real estate assets.	No	1	17
	Exposure to energy-inefficient real estate assets.	No	1	18
	GHG emissions.	Yes: Climate change; SDGs 7, 13	2	18
	Energy consumption intensity.	Yes: Climate change; SDGs 7, 13	2	19
Other	Paris Agreement ratification.	Yes: Climate change; SDGs 7, 13	1	N/A
	GHG reduction target related to real estate assets.	Yes: Climate change; SDGs 7, 11, 13	1	N/A

Source: SSPF

4 Table I indicates mandatory PAI indicators under the SFDR; these have to be reported. Table II indicates additional PAI indicators under the SFDR. These indicators are reported because they have been prioritised by SSPF.

5 The column references the number assigned to the indicator in the SFDR. These numbers are assigned on the basis of the indicator type (mandatory/additional) as well as the area they relate to (environmental, social and employee matters etc.).

2. Description of the principal adverse impacts on sustainability factors

Table I includes a description of PAIs of investment decisions on sustainability factors.

SSPF reports three sets of indicators:
- All mandatory[6] PAI indicators (some of which have been prioritised);
- Additional prioritised PAI indicators; and
- Other indicators.

The SFDR formally requires SSPF to report the PAI indicators at the entity level (the total pension scheme). The SFDR does not render any asset classes out of scope. In practice, however, there are large differences in data availability between various asset classes, with limited or no data being available for indirectly managed and/or private assets. By default, SSPF only calculates the PAI indicators for the part of its portfolio for which either reported or estimated data is sufficiently available[7]. In practice, this means that if a portion of the overall portfolio is not covered through any available data set, SSPF would exclude it from the scope of the calculation as opposed to assuming that there is no PAI exposure. Similarly, for many of the PAI indicators, using sector or country exposures to estimate PAIs would be problematic; such an approach could help inform engagement (with external managers), but SSPF would consider it less suitable for reporting purposes. As such, the PAI indicators presented in table III only capture the parts of the pension scheme for which there is sufficient data coverage. Cash and cash-equivalents are kept out of scope to avoid reducing the PAI exposure in a way that may be considered misleading, given the inclusion of cash and cash-equivalents would lead to the reported PAI exposure to be lower (better). Table II below describes overall data availability during the reference period. How SSPF has been closing the coverage gaps is further described in section 3 below.

6 The SFDR prescribes a certain set of mandatory indicators that have to be reported even if these have not been prioritised by SSPF.

7 SSPF considers data to be 'available' if the PAI indicator is covered through one or more of the data sources that SSPF uses.

Table II: PAI data availability across indicator categories:

Indicator category	Relevant assets covered	Relevant assets not covered
Investee companies	Listed equity and corporate bonds. Long-only 'credit default swaps' were included under 'corporate bonds'. During the reference period, the covered assets represented some 56% of relevant assets by market value[8]. Portfolio coverage within listed equities and corporate bonds differed per indicator. A small sub-set of indicator data is also available for the private equity portfolio. This increases the coverage of investee companies to roughly 80% of relevant assets by market value.	Private loans, structured products, externally managed private equity (for a sub-set of indicators where data is not available), private loans, hedge funds and other alternatives. In relation to the majority of these instruments, SSPF is dependent on external managers that have visibility into the profiles of the underlying entities to improve PAI reporting. Manager engagement trajectories are undertaken to improve data availability for these assets.
Sovereigns and supranationals	Sovereign debt. Coverage within the asset class is largely comprehensive.	Supranational and municipal bonds are kept out of scope as the methodological applicability of the PAI indicators to such issuers and the corresponding data availability remains limited. During the reference period, supranational and municipal issuers represented a minor proportion of the 'sovereign debt' portfolios (<1.5% relevant assets by market value)[9].
Real estate assets	Externally managed real estate. Portfolio coverage within externally managed real estate depends on whether a manager reports to GRESB, the source of real estate data used for PAI reporting. Some 60% of the real estate portfolios by market value did do this. To improve data availability, SSPF promotes GRESB reporting by its external managers.	N/A.

Source: SSPF

8 This references long-only exposure at the end of the reference period. Mortgages and infrastructure equity are not included in the denominator.

9 This references long-only exposure at the end of the reference period.

In addition to the SFDR indicator categories listed above, during the reference period SSPF also had portfolio exposure to mortgages. These made up approximately 6.7% of the market value of the overall SSPF investment portfolio. The main mortgage manager making up the majority of the quoted exposure considers PAIs, a description of which can be found on its website.[10]
Furthermore, due to evolving regulatory expectations, derivatives[11] were not included in scope of the PAI calculations. The inclusion of derivatives could meaningfully impact the PAI exposures, typically by lowering them. SSPF will continue to review regulatory guidance on this and, where relevant, align its calculation approach to the evolving standard.

During the reference period, SSPF focused on the following areas related to the PAI due diligence process:

- **(a) Formalising SSPF's approach to the prioritised climate-related PAIs through a dedicated climate policy:** SSPF has opted to formalise its approach to the prioritised climate-related PAIs[12] by means of a dedicated policy. The climate policy was developed with the help of analytical insights obtained through the climate-related PAIs. It aims to support the real-world transition to a low-carbon economy and includes time-bound targets. This is described in more detail in table III on an indicator-specific basis.
- **(b) Introducing a bottom up PAI and climate policy due diligence processes:** SSPF's fiduciary manager has introduced a semi-annual portfolio screening tool which enables the prioritisation of issuers that score relatively poorly on the prioritised PAI indicators and additional metrics relevant to the climate policy. Next to ESG exposure metrics, this process considers additional management information (how well a particular issue is being managed) and incorporates engagement insights. It results in a list of roughly 80 priority issuers – 40 related to social and governance PAIs and 40 to climate metrics. These issuers are further assessed case-by-case and assigned a 'traffic light' pursuant to a set of specified criteria. The list is reviewed and refreshed twice a year. Issuers that display insufficient progress are subject to exclusion; as of 31 December 2023, 7 issuers and their related entities were excluded.
- **(c) Implementing prioritised PAIs through engagement and voting activities facilitated by EOS[13]:** On SSPF's behalf, EOS engages on a range of issues captured by the PAI indicators. The prioritised PAIs increasingly play a central role in the type of engagement cases and voting decisions that SSPF reviews on a quarterly basis. The prioritised PAI data also helps identify those issuers that score relatively poorly on these issues but are not (yet) actively engaged, which may lead to the initiation of new engagement trajectories. To further enhance the effectiveness of its engagement and voting approach, in 2023, SSPF also formalised a policy around securities lending.
- **(d) Conducing informed and structural engagement of external managers around PAI exposure and data monitoring/reporting:** Through its fiduciary manager, in 2023, SSPF leveraged available PAI data to prioritise external managers for engagement, including in the real estate and private equity portfolios. Moreover, managers related to asset classes with lower data availability, such as hedge funds and other alternatives, were engaged on improved reporting and disclosures. On a quarterly basis such engagement cases were highlighted in the SSPF ESG Forum.
- **(e) Improving PAI monitoring and reporting capabilities:** SSPF's fiduciary manager has worked to expand PAI data coverage and formal monitoring capabilities in the private equity portfolio, capturing nine PAI indicators. This information is now monitored periodically. For its liquid assets, SSPF can also newly access a PAI developed by the fiduciary manager and climate policy monitoring dashboard.

10 DMFCO has published its PAI statement over 2023

11 With the exception of long-only credit default swaps, as mentioned in table II.

12 As well as other climate-related metrics.

13 EOS, part of Federated Hermes, is an engagement service provider contracted by SSPF to engage with its investee companies on its behalf and to facilitate proxy voting.

- **(f) Launching dedicated project to review custom ESG benchmarks:** In 2023 the fiduciary manager launched a dedicated project to review custom ESG benchmarks for equity, corporate bonds and sovereign debt - emerging markets portfolios to make sure these are aligned with the goals of the climate policy adopted by SSPF. This work carries into 2024.
- **(g) Ongoing implementation of the prioritised (as well as other) PAIs through existing processes:** Several of the PAIs are not new to SSPF; these PAIs have been part of existing policies impacting the pension scheme. These include:
  - 'GHG intensity of investee companies', implemented through the use of custom ESG benchmarks and portfolio tilts;
  - 'Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)', as of 2024 fully captured through SSPF's exclusion approach (in 2023 different data sources were used); and
  - 'Average rule of law score' and 'Average corruption score', implemented through the use of custom ESG benchmarks for EMD – hard currency portfolios.

Table III below provides a detailed description of the prioritised and other mandatory PAIs, including the actions taken to address those that have been prioritised.

In the following reference period (financial year 2024), SSPF will focus on:
- Monitoring and stimulating engagement progress with the lower-scoring issuers through EOS, and reviewing proxy voting outcomes;
- Reviewing and addressing individual issuers coming out of the PAI and climate policy due diligence processes, including – where appropriate – the consideration of potential exclusions;
- Engaging with external managers on the prioritised PAIs and stimulating improved reporting and performance;
- Reviewing custom ESG benchmarks across listed equities, corporate bonds and sovereign debt to incorporate prioritised climate PAIs;
- Expanding access to prioritised PAI indicators across key portfolio management tools and platforms; and
- Improving overall data availability/quality to inform further decision-making.

Table III: detailed description of the prioritised and other mandatory PAIs:

Adverse sustainability indictor		Metric		Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
Indicators applicable to investments in investee companies							
Climate and other environment-related indicators							
Greenhouse gas emissions	**1. GHG emissions**	Scope 1 GHG emissions.		**477.704**	**600.466**	Unit: tCO_2eq	"The PAI is not prioritised. However, the related indicators 'carbon footprint' and 'GHG intensity of investee companies' are being addressed. GHG emissions and other climate-related metrics were abundantly featured in SSPF's engagement with investee companies (conducted through EOS). They were also addressed through voting. This entailed both voting against the election of directors of companies that insufficiently manage climate-related risks and supporting climate-related (shareholder) resolutions. As part of the climate policy adopted by SSPF, SSPF aims that >=70% of financed GHG emissions within high climate impact sectors are associated with investees that are within their allocated carbon budget based on a Paris-aligned pathway, have GHG emission reduction target approved by the Science-Based Targets initiative (SBTi) or are subject to engagement. This increases to >=90% by 2030 and 100% by 2050".
		Scope 2 GHG emissions.		**107.988**	**143.197**	Unit: tCO_2eq	
		Scope 3 GHG emissions.		**4.920.992**	**6.845.526**	Available vendors (MSCI and ISS-STOXX) disagree on scope 3 GHG emissions data, with the financed GHG emissions/footprint calculated on the basis of ISS data being on average ≈39% higher throughout the year (for equity and corporate bonds) than that based on MSCI data. This difference is lower than in the previous reporting period. The average scope 3 financed GHG emissions for 2023 based on MSCI data would be 3,563,342 CO_2eq. In both cases (ISS-STOXX and MSCI), the indicator denominator - EVIC - is sourced from the same data set (Factset Fundamentals), with equal data availability. ISS data (higher) is used as a primary source based on methodology review and the precautionary principle. Unit: tCO_2eq.	
		Total GHG emissions.		**5.506.684**	**7.589.189**	GHG emissions of the portfolio (equity and corporate bonds) remained relatively stable between Q1 and Q4, despite the total market value of the relevant assets in scope going up by some 10% during the same period. If the private equity portfolio were to be included, the total 2023 financed GHG emissions would be 6,183,069CO_2eq. Unit: tCO_2eq.	
	2. Carbon footprint	Carbon footprint.	Scope 1 & 2.	**86**	**98**	Carbon footprint estimates (scope 1 & 2 only) are also available for the private equity portfolio. If the private equity portfolio were to be included, the overall 2023 carbon footprint (of corporate investees) would be lower, at approximately 68.4 tCO_2eq/mln. EUR invested (vs 78.1 tCO_2eq/mln. EUR invested in 2022). Unit: tCO_2eq/mln. EUR MV.	In 2023 SSPF formalised its approach to the prioritised climate-related PAIs by means of a dedicated policy. Carbon footprint is addressed through the policy, targeting >20% reduction in carbon footprint by 2025 relative to 2022 baseline; >40% by 2030 and net zero by 2050. Issuers' carbon footprint is one of the key metrics informing the bottom-up due diligence process on the basis of which roughly 40 issuers are prioritised, assessed and monitored, and which - in case of insufficient progress - would be subject to exclusion.
			Scope 1, 2 and 3.	**814**	**1.013**	Available vendors (MSCI and ISS-STOXX) disagree on scope 3 data. The average scope 1, 2 and 3 carbon footprint for 2023 based on MSCI data would be significantly lower at 625tCO_2eq/mln EUR invested. This difference would seem to be mainly driven by a handful of individual issuers that are assigned meaningfully higher GHG estimates in one data set relative to the other. ISS-STOXX data (higher) is used as a primary source based on methodology review and the precautionary principle. If the private equity portfolio were to be included, the overall 2023 carbon footprint (of corporate investees) would be lower at app. 625.3 tCO_2eq/mln.EUR MV. Unit: tCO_2eq/mln. EUR MV.	
	3. GHG intensity of investee companies	GHG intensity of investee companies.	Scope 1 & 2.	**157**	**214**	Carbon intensity estimates (scope 1 & 2 only) are also available for the private equity portfolio. If the private equity portfolio were to be included, the 2023 carbon intensity exposure would be lower at approximately 127 tCO_2eq/mln . EUR rev (vs 171.2 tCO_2eq/mln. EUR rev in 2022). Unit: tCO_2eq/mln. EUR rev. (weighted average).	On SSPF's behalf, SAMCo incorporates carbon intensity (scope 1 & 2) in custom ESG benchmarks applicable to listed equity and corporate bond portfolios. The custom ESG benchmarks strive to achieve 25% reduction in carbon intensity relative to a standard reference index. In 2023, these benchmarks were expanded to additional internal portfolios and externally managed mandates, achieving a near-universal coverage across relevant assets.
			Scope 1, 2 and 3.	**1.448**	**1.738**	Available vendors (MSCI and ISS-STOXX) disagree on scope 3 data. The average scope 1, 2 and 3 carbon intensity for 2023 based on MSCI data would be 1,122 tCO_2eq/mln. EUR rev. ISS data (higher) is used as a primary source based on methodology review and the precautionary principle. If the private equity portfolio were to be included, the 2023 carbon intensity exposure would be lower at approximately 1,130 tCO_2eq/mln. EUR rev. (2022 private equity data N/A). Unit: tCO_2eq/mln. EUR rev. (weighted average).	
	4 Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector.		**9,8%**	**10,2%**	"If the private equity portfolio were to be included, the 2023 exposure would be lower at approximately 7.5% (2022 private equity data N/A). It is noteworthy that the data point used considers 'any type of involvement', no matter how small, to count, bringing a relatively large proportion of the portfolio in scope. Finally, portfolio exposure to companies involved with thermal coal mining and sale - a sub-set of the reported exposure - would be much lower at under 1% MV (equity and corporate bonds). Unit: % MV".	In 2023 SSPF formalised its approach to the prioritised climate-related PAIs by means of a dedicated policy. Fossil fuel exposure is addressed through the policy, including the formalisation of expectations toward companies involved with thermal coal mining and sale, as well as unconventional oil and gas production.The polic y indicates that companies deriving any revenue from thermal coal and/or more than 5% of revenue from unconventional oil & gas without a credible climate transition plan would be excluded by 2030 in developed markets, and by 2040 globally. Issuers' fossil fuel exposure is also one of the key metrics informing the bottom-up due diligence process on the basis of which roughly 40 issuers are prioritised, assessed and monitored, and which - in case of insufficient progress - would be subject to exclusion.

Table III: follow-up

Adverse sustainability indicator		Metric		Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
Indicators applicable to investments in investee companies							
Climate and other environment-related indicators							
Greenhouse gas emissions	**5. Share of non-renewable energy consumption and production**	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources.	Non-renewable energy consumption (%).	**63,6%**	**66,9%**	In relation to energy consumption, some reporting bias is expected; energy consumption is more likely to be reported when it is material; low (non-renewable) energy consumption companies may not always be reporting this metric. If the private equity portfolio were to be included, the 2023 exposure would be higher at approximately 67.2% (2022 private equity data N/A). Unit: % (weighted average).	The PAI is not prioritised.
			Non-renewable energy production (%).	**60,8%**	**61,3%**	The coverage of the indicator at the total portfolio level is only 5.9% MV (equity and corporate bonds). However, SAMCo considers this indicator primarily relevant for the sector utilities. When calculated for reporting companies from the sector utilities only (sector coverage 60%), the indicator non-renewable energy production comes out at 73% (worse). Data from another source shows lower impact at 45.5% (better). However, there are methodological differences in how the two vendors deal with companies for which no data is reported, and SAMCo considers the data set (MSCI) selected as the primary source to be more mature in that respect. If the private equity portfolio were to be included, the 2023 exposure would be higher at approximately 66% (2022 private equity data N/A). Unit: % (weighted average).	The PAI is not prioritised.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.	All of the below.	**1,6**	**1,6**	Given the immaturity of the metric, both the data and portfolio coverage differ meaningfully between vendors. This is one of the reasons why the metric does not feature among SSPF's prioritised indicators. Unit: GWh/mln. EUR rev. (weighted average).	The PAI is not prioritised.
			Agriculture, forestry and fishing.	**4,0**	**2,4**		
			Mining and quarrying.	**1,8**	**1,6**		
			Manufacturing.	**1,7**	**1,4**		
			Electricity, gas, steam and air conditioning supply.	**2,7**	**3,9**		
			Water supply; sewerage, waste management and remediation activities.	**2,0**	**2,1**		
			Construction.	**3,4**	**0,4**		
			Wholesale and retail trade; repair of motor vehicles and motorcycles.	**0,3**	**1,1**		
			Transportation and storage.	**1,3**	**2,7**		
			Real estate activities.	**1,0**	**1,3**		
Biodiversity	**7. Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas**	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas.		**0,2%**	**0,4%**	The indicator offers a relatively large discretion in how it should be assessed. Showcased data is sourced from ISS-STOXX on the basis of a methodology which closely follows the SFDR indicator definition; the resulting no. of issuers meeting the relatively stringent criteria is low at 0.2% MV (equity and corporate bonds). Unit: % MV.	The PAI is not prioritised.
Water	**8. Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average**	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average.		**No data**	**No data**	At the moment data availability for this indicator is deemed insufficient in terms of alignment with the SFDR indicator definition. Therefore, SSPF uses a proxy metric, chemical oxygen demand (COD). COD indicates the amount of oxygen in metric tonnes needed to oxidise an organic compound to carbon dioxide. It is a metric commonly used to measure water pollution levels. It is also used in environmental legislation which obliges most industrial companies to reduce COD levels below specific values. The higher the COD value, the more serious the pollution of organic matter by water. The portfolio coverage of the metric is, however, low, at 2.7% MV (equity and corporate bonds; comparable to 2022) due to limited company reporting, e.g. driven by regulatory requirements (or lack thereof), but also materiality considerations. SSPF's weighted average portfolio exposure is 0.01 t/mln. EUR MV when measured for the whole portfolio covered through the available data set (equity and corporate bonds), and 0.3t/mln. EUR MV when measured for reporting companies only.	The PAI is not prioritised.

Table III: follow-up

Adverse sustainability indiactor		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
Indicators applicable to investments in investee companies						
Climate and other environment-related indicators						
Waste	**9. Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average**	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average.	**24,1**	**83,4**	The portfolio coverage of the metric remains low, at 9.7% MV (equity and corporate bonds) due to limited company reporting, e.g. driven by regulatory requirements (or lack thereof), but also materiality considerations. SSPF's weighted average portfolio exposure is 241t/mln. EUR MV when measured for the whole portfolio covered through the available data set (equity and corporate bonds), and 299.8 t/mln. EUR MV when measured for reporting companies only. Moreover, hazardous waste generation differs across industries and sectors; comparability across sectors should be applied with care. For instance, hazardous waste in healthcare usually refers to medical waste, which is delicate but generally light, while in metals & mining it refers to much heavier tailings. The large decrease between 2022 and 2023 can most likely be attributed to the resolution of previous data issues present in the data set. This was part of SAMCo's engagement with ESG data providers. Unit: t/mln. EUR MV.	The PAI is not prioritised.
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Social and employee matters	**10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises**	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	**2,2%**	**2,5%**	There are various ways how portfolio exposure to UNGC/OECD violators can be determined, given the principles and guidelines offer scope for interepretation. ESG data vendors have discretion in how they conduct their assessment. SSPF employs a conservative approach, whereby data from two different vendors are considered. If at least one of the vendors considers an issuer a UNGC/OECD violator, SSPF would report it as a violator. Through an alternative lens, if the assessment is based on the data from a single vendor only, the exposure to UNGC/OECD violators would be much lower at 0.5% MV (MSCI; 0.76% MV in 2022) or 1.8% (ISS-STOXX; 1.93% in 2022). Where the two vendors agree (both consider a company to be UNGC/OECD violator), this would be only 0.12% (equity and corporate bonds; 2 companies only; vs. 0.2% in 2022). In either case, SSPF has lower exposure compared to the reference benchmarks, showcasing the impact of exclusions implemented on the basis of the PAI due diligence process. Same as for other indicators applicable to investee companies, the exposure is at present reported for the equity and corporate bond portfolios only. If the private equity portfolio were to be included, the 2023 exposure would go from 2.2% to 1.6% (2022 private equity data N/A). Unit: % MV.	SSPF addressed the PAI through a bottom-up issuer shortlisting due diligence process. Through the process issuers scoring relatively poorly on the priotised S&G PAIs that do no manage the issues leading to the flag sufficiently well are identified, and it is assessed whether these are responsive to engagement efforts regarding the PAIs. In this specific PAI, the former element considers whether an issuer violates the UNGC principles and/or OECD Guidelines for Multinational Enterprises. It also considers whether such an issuer has processes in place to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises, or grievance /complaints handling mechanisms to address such violations. The assessment incorporates information on engagement progress. On the basis of these criteria, SSPF's fiduciary manager SAMCo advises the desirability of issuers' exclusion from the investment universe. As of the end of 2023, 7 issuers and their related entities were excluded on the basis of this PAI by SSPF. Furthermore, the PAI indicator plays a role in the type of engagement cases and voting decisions SSPF reviews and monitors. It also helps identify those issuers which score relatively poorly on the PAI but are not (yet) actively engaged on the identified issues.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	**16,6%**	**16,8%**	There are various ways how portfolio exposure to companies lacking UNGC/ OECD due diligence processes can be determined, given the principles and guidelines offer scope for interepretation. SSPF follows a discretionary assessment of the data vendor (ISS-STOXX) that closely follows the SFDR indicator definition. Unit: % MV.	SSPF addresses the PAI through the PAI due diligence process (as described above). The PAI is considered among 'management information' evaluated for how well a particular issue is being managed.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies.	**10,5**	**9,3**	This indicator captures a company's global mean and unadjusted gender pay gap. The value is the percentage by which women's salaries are lower than men's. A negative value indicates a higher female salary. Portfolio coverage is at present very low, at 7.6% (equity and corporate bonds; roughly the same as last year). The metric is typically reported in jurisdictions where this is a regulatory requirement. At the weighted average of 10.5% the portfolios come out better than 2022 EU average of 12.7% (source: Eurostat), though slighly worse than last year. This can be attributed to a slight increase in the reported data within the corporate bond portfoio in the second half of the year. Unit: % (weighted average).	The PAI is not prioritised.

Table III: follow-up

Adverse sustainability indiactor		Metric		Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
Indicators applicable to investments in investee companies							
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters							
Social and employee matters	**13. Board gender diversity**	Average ratio of female to male board members in investee companies.		**34,0%**	**32,2%**	The metric corresponds to % females on company Boards (weighted average). An alternative data set (ISS-STOXX) suggests a higher figure, at 35% (33.5% in 2022) but with lower coverage for corporate bonds due to methodological considerations. There are large regional differences in the average company performance, with Asia and Pacific coming out the lowest. If the private equity portfolio were to be included, the 2023 exposure would be lower at 28.2% (2022 private equity data N/A). Unit: % (weighted average).	The PAI indicator is assessed in the PAI due diligence process where it helps identify priority issuers. Through the process issuers scoring relatively poorly on the priotisised S&G PAIs that do no manage the issues leading to the flag sufficiently well are identified and it is assessed whether these are responsive to engagement efforts regarding the PAIs. As of the end of 2023, three issuers were excluded on the basis of the PAI assessment that included poor performance on and management of board gender diversity. The PAI indicator also plays a role in the type of engagement cases and voting decisions SSPF reviews and monitors, and helps identify those issuers which score relatively poorly on the PAI but are not (yet) actively engaged on the identified issues. During the reference period, board gender diversity was abundantly featured in engagement with investee companies conducted thorugh EOS on SSPF's behalf. The issue is also frequently addressed through voting, with insufficient board diversity often triggering a vote against the election of board directors.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons.		**0,00%**	**0,00%**	Unit: % MV	SSPF excludes companies that are involved with controversial weapons captured by the PAI. The exclusion process was updated in 2023 to formally include the PAI in the screening processs. The exposure remains at 0% with the private equity portfolio being included.
Environmental	**15. GHG intensity**	GHG intensity of investee countries.		**235**	**216**	The metric considers production GHG emissions of a country over its GDP. The production GHG emissions data are disclosed (by countries) with a few-year delay, with the metric currently referencing the years 2019/2020 (as available per end-2023). The 2023 figure is somewhat higher due to an increase in the GHG intensity observed in Q4 2023, constitituting a potential data error that is currently under investigation with the data vendor. The exposure was consistently lower between Q1-Q3 2023. Unit: tCO_2eq/mln. EUR GDP.	In 2023 SSPF formalised its approach to the prioritised climate-related PAIs by means of a dedicated policy. GHG intensity of sovereign issuers is addressed by focusing on countries' transition commitments and targets. Custom ESG benchmarks for the sovereign - emerging markets debt portfoilos are being reviewed for this purpose.
Social	**16. Investee countries subject to social violations**	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law.	No. of countries meeting the conditions.	**45,00**	**50,00**	The conditions the SFDR indicator sets out are very broad and allow for discretion in how strictly these are interpreted. At the moment many countries meet the criteria for being 'subject to social violations', almost exclusively concentrated in emerging markets (EM). SSPF adopts a methodology based on a discretionary assessment by a data vendor ISS-STOXX that incorporates the requirements of the PAI indicator.	The PAI is not prioritised.
			% of invested countries meeting the conditions.	**67,7%**	**71,4%**		
			% MV corresponding to countries meeting the conditions.	**11,7%**	**14,2%**		
Indicators applicable to sovereigns and supranationals							
Fossil fuels	**17. Exposure to fossil fuels through real estate assets**	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.		**No data**	**No data**	Data related to this indicator is presently not available. Through its fiduciary manager SAMCo, SSPF has been engaging with GRESB, the external source of its real estate data, to incorporate the metric into the GRESB reporting survey. Instead of this mandatory metric, SSPF provides disclosures in relation to the additional PAI indicator 'energy consumption intensity'.	The PAI is not prioritised.
Energy efficiency	**18. Exposure to energy-inefficient real estate assets**	Share of investments in energy-inefficient real estate assets.		**No data**	**No data**	Data related to this indicator is presently not available. Through its fiduciary manager SAMCo, SSPF has been engaging with GRESB to incorporate the metric into the GRESB reporting survey.	The PAI is not prioritised.

Table III: follow-up

Adverse sustainability indiactor		Metric		Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
Climate and other environment-related indicators							
Indicators applicable to investments in investee companies							
Emissions	**4. Investments in companies without carbon emission reduction initiatives**	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement.		**70,1%**	**71,7%**	At present, there is not yet a standard way to verify whether investee companies' carbon emission reduction initiatives are Paris-aligned. SSPF uses a relatively narrowly defined indiciator of 'SBTi (Science-Based Targets initiative)-approved carbon reduction targets'. It considers data from two vendors: MSCI and ISS-STOXX. If also 'Committed Science Based Targets' (i.e. SBTi approval is pending) are taken into account, the exposure would be significantly lower a 46.6% (vs. 53% in 2022). If the private equity portfolio were to be included (on the basis of the SBTi-approved only approach), the 2023 exposure would be higher (worse) at 73.7% (2022 private equity data N/A). Unit: % MV.	In 2023 SSPF formalised its approach to the prioritised climate-related PAIs by means of a dedicated policy. This indicator is addressed through the policy, targeting >20% portfolio exposure to issuers with SBTi-approved GHG emission reduction targets by 2025 and >40% by 2030. The presence and quality of issuers' GHG emission reduction targets is also one of the key metrics informing the bottom-up due diligence process on the basis of which roughly 40 issuers are prioritised, assessed and monitored, and which - in case of insufficient progress - would be subject to exclusion as well as the monitoring of % financed GHG emissions from high climate impact sectors that are in line with expectations (as mentioned above under 'GHG emissions'). As of 2025, there are also additional minimum expectations set for the GHG emission targets expected from corporate bond issuers. For externally managed funds, more stringent requirements inform the assessment of prospective managers. Finally, engagement on Paris-aligned GHG reduction initiatives is pursued through EOS. It consitutes one of the cornerstones of the climate engagement policy EOS follows. Such initiatives were also addressed through voting. This entailed both voting against the election of directors of companies that insufficiently manage climate-related risks and supporting climate-related (shareholder) resolutions.
Indicators applicable to investments in real estate assets							
Greenhouse gas emissions	**18. GHG emissions**	Scope 1 GHG emissions generated by real estate assets.		**518**	**462**	GHG emissions of real estate funds are attributed to SSPF based on the NAV of the portfolio position over the NAV of the fund on the same reference date. Due to differing approaches in how real estate managers classify tenant GHG emissions and whether these fall under scope 1/2 or 3, SSPF considers it most prudent to look at 'all GHG emissions' combined, as opposed to the scope 1-3 breakdown. The % of GHG emissions reported across time and floor area (whole portfolio) is 44% (vs. 48.7% 2022). The year-on-year drop is largely caused by reporting changes in the non-core portfolio. As reporting quality improves or estimation methodologies are introduced, the financed GHG emissions of the portfolio are expected to go up. The carbon footprint based on total GHG emissions was 12.9.tCO_2eq/mln. EUR invested (reporting funds only;same as in 2022). Unit: tCO_2eq.	GHG emissions of real estate funds are further to be addressed through the engagement of external managers. In 2023, on SSPF's behalf SAMCo prioritised managers for engagement based on their PAI reporting and performance.
		Scope 2 GHG emissions generated by real estate assets.		**3.233**	**3.636**		
		Scope 3 GHG emissions generated by real estate assets.		**2.856**	**3.520**		
		Total GHG emissions generated by real estate assets.		**6.607**	**7.618**		
Energy consumption	**19. Energy consumption intensity**	Energy consumption in GWh of owned real estate assets per square meter.		**0,000128**	**0,000120**	Energy consumption intensity of the portfolio in KWh/m2 was 128 (weighted average). The energy consumption intensity indicator is only calculated on the basis of those funds and underlying floor area for which energy consumption intensity was reported. Unit: GWh/m2 (weighted average).	Energy consumption intensity of real estate funds is to be addressed through the engagement of external managers. In 2023, SAMCo prioritised managers for engagement based on their PAI reporting and performance.

Table III: follow-up

Adverse sustainability indicator		Metric		Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters							
Indicators applicable to investments in investee companies							
Social and employee matters	**2. Rate of accidents**	Rate of accidents in investee companies expressed as a weighted average.	Number of fatalities.	**2,0**	**2,2**	SSPF considers two health and safety metrics related to accidents: recordable injury rate per million hours worked (TRIR = no. of recorable cases*1mln/ total hours worked by all employees), and the total number of fatalities. This is because the reporting quality of the two metrics differs; some companies report no. of fatalities but no accident rate, and vice-versa. The coverage of the two metrics is relatively low, though in part driven by materiality considerations, at 11.7% for fatalities and 9.7% for recorable injury rate (equity and corporate bonds; both lower than in 2022). Generally speaking, the metrics are biased toward more highly regulated jurisdictions. Recordable injury rate also tends to be higher for small cap companies. EOS has been focusing on engaging companies with high no. of fatalities/TRIR, with some positive engagement progress observed over time. Exclusions have further contributed to the improvement. The slightly higher weighted average recordable injury rate in 2023 vs. 2022 is attributable to a single issuer for which incorrect data was reported by the data vendor. This has been addressed with the vendor and we expect the data to be corrected in the subsequent reference period. Unit: number of fatalities (No.); recordable injury rate - TRIR (weighted average).	"The PAI indicator is assessed in the PAI due diligence process where it helps identify priority issuers. Through the process issuers scoring relatively poorly on the priotisised S&G PAIs that do no manage the issues leading to the flag sufficiently well are identified and it is assessed whether these are responsive to engagement efforts regarding the PAIs. As of the end of 2023, two issuers were excluded on the basis of the PAI assessment that included poor performance on and management of the health & safety indicators. The PAI indicator also plays a role in the type of engagement cases and voting decisions SSPF reviews and monitors. It also helps identify those issuers which score relatively poorly on the PAI but are not (yet) actively engaged on the identified issues".
			Recordable injury rate - per million hours worked.	**5,2**	**5,1**		
	7. Incidents of discrimination	"1. Number of incidents of discrimination reported in investee companies expressed as a weighted average 2. Number of incidents of discrimination leading to sanctions in investee companies expressed as a weighted average".		**0,3**	**0,5**	When considering severe incidents only (based on the assessment of MSCI), the weighted average would fall to 0.02. The second element of the SFDR indicator, 'Number of incidents of discrimination leading to sanctions in investee companies expressed as a weighted average', is presently not available to SAMCo in either of its data sets and thereby it is not disclosed. Unit: No. (weighted average).	"The PAI indicator is assessed in the PAI due diligence process where it helps identify priority issuers. Through the process issuers scoring relatively poorly on the priotisised S&G PAIs that do no manage the issues leading to the flag sufficiently well are identified, and it is then assessed whether these are responsive to engagement efforts regarding the PAIs. The PAI indicator also plays a role in the type of engagement cases and voting decisions SSPF reviews and monitors and helps identify those issuers which score relatively poorly on the PAI but are not (yet) actively engaged on the identified issues".
Human rights	**12. Operations and suppliers at significant risk of incidents of child labour**	Share of investments in investee companies exposed to operations and suppliers at significant risk of incidents of child labour exposed to hazardous work in terms of geographic areas or type of operation.		**1,1%**	**1,5%**	The available metric looks at the presence of child labour-related controversies (acutal or alleged). It deviates slightly from the definition of the SFDR indicator as a fully-aligned data metric is presently not available to SSPF. Namely, the metric used is broader than the SFDR indicator requirement in the sense that it focuses on any form of alleged child labour anywhere in the value chain, not just particularly hazardous types of child labour. It is more narrow in the sense that risk is assessed on the basis of past controversies. Unit: % MV.	"The PAI indicator is assessed in the PAI due diligence process where it helps identify priority issuers. Through the process issuers scoring relatively poorly on the priotisised S&G PAIs that do no manage the issues leading to the flag sufficiently well are identified, and it is then assessed whether these are responsive to engagement efforts regarding the PAIs. The PAI indicator also plays a role in the type of engagement cases and voting decisions SSPF reviews and monitors, and helps identify those issuers which score relatively poorly on the PAI but are not (yet) actively engaged on the identified issues".
Anti-corruption and anti-bribery	**15. Lack of anti-corruption and anti-bribery policies**	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption.		**28,6%**	**28,6%**	The metric assesses whether a company (likely) has a sufficient anti-corruption and anti-bribery policy in place. General statements of commitment to address bribery and corruption issues or minimum practices expected based on domestic industry norms would not be considered sufficient. Also, where no data is available, it is assumed there is no sufficient policy in place. Only a detailed formal policy on bribery and anti-corruption would be considered sufficient. Unit: % MV.	The PAI indicator is assessed in the PAI due diligence process where it helps identify priority issuers. Through the process issuers scoring relatively poorly on the priotisised S&G PAIs that do no manage the issues leading to the flag sufficiently well are identified, and it is then assessed whether these are responsive to engagement efforts regarding the PAIs. The PAI indicator also plays a role in the type of engagement cases and voting decisions SSPF reviews and monitors, and helps identify those issuers which score relatively poorly on the PAI but are not (yet) actively engaged on the identified issues. As of the end of 2023, two issuers were excluded on the basis of the PAI assessment that included poor performance on and management of bribery and corruption. Furthermore, the 'governance rating', which captures both (anti-)corruption and (anti-)bribery, is incorporated in custom ESG benchmarks applicable to listed equity and corporate bond portfolios. The custom ESG benchmarks strive to achieve 10% improvement in the governance rating relative to a standard reference index, thereby reducing the risk of corruption and bribery relative to the broader market.
	16. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery	Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery.		**7,2**	**7,1%**	The metric considers the presence of severe or very severe bribery- and corruption-related controversies. It is assumed that as long as these controversies are reported by the data vendor, they have not been fully redressed. Based on an alternative data set (ISS-STOXX) that applies discretionary assessment to determine which companies have experienced any identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery, the portfolio exposure would be significantly lower at 0.05%. Following the precautionary principle, SSPF reports the higher (worse) figure based on MSCI data. Unit: % MV.	

Table III: follow-up

Adverse sustainability indiactor		Metric		Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters							
Indicators applicable to investments in sovereigns and supranationals							
Human rights	**20. Average human rights performance**	Measure of the average human right performance of investee countries using a quantitative indicator explained in the explanation column.	Civil liberties.	**1,7**	**1,7**	To measure the average human rights performance of the sovereign portfolio, SSPF considers two metrics, 'civil liberties' and 'political rights', sourced from Freedom House through MSCI (scale: 1-7). Countries with higher score have more limited civil liberties and political rights. Most recently, the metric 'fundamental rights' has also been introduced. The metric is sourced from the World Justice Project (WJP) Rule of Law Index through MSCI (scale: 0-1.0). Higher values denote stronger national performance across a broad range of human rights issues. Unit: score.	'Average human rights performance' is considered as part of an ongoing review of custom ESG benchmarks for sovereign - emerging markets debt portfolios by SAMCo, where this indicator would inform issuer tilts within the benchmarks. This project is carrying into 2024. The data is already structurally enabled for portfolio managers to inform investment decision-making.
			Political rights.	**1,3**	**1,4**		
			Fundamental rights.	**0,77**	**0,76**		
Governance	**21. Average corruption score**	Measure of the perceived level of public sector corruption using a quantitative indicator explained in the explanation column.		**70,3**	**69,7**	The metric is sourced from Transparency International through MSCI (scale: 0-100). Countries with lower score are perceived to be more corrupt. Unit: score.	'The indicator is reflected in the 'World Bank Governance score' that informs the investable universe for sovereign issuers. It is also considered as part of an ongoing review of custom ESG benchmarks for sovereign - emerging markets debt portfolios by SAMCo. This project is carrying into 2024. The data is already structurally enabled for portfolio managers to inform investment decision-making.
	24. Average rule of law score	Measure of the level of corruption, lack of fundamental rights, and the deficiencies in civil and criminal justice using a quantitative indicator explained in the explanation column.		**1,26**	**1,23**	The metric is sourced from the Worldwide Governance Indicators (WGI) of the World Bank through MSCI (Z-score, mean 0 and standard deviation 1). Countries with higher score demonstrate better rule of law. Unit: score.	'The indicator is reflected in the 'World Bank Governance score' that informs the investable universe for sovereign issuers. It is also considered as part of an ongoing review of custom ESG benchmarks for sovereign - emerging markets debt portfolios by SAMCo. This project is carrying into 2024. The data is already structurally enabled for portfolio managers to inform investment decision-making.
Other indicators							
Other	**Paris Agreement Ratification**			**0%**	**0%**	SSPF additionally monitors a metric related to the ratification of the Paris Climate Agreement. At the moment there are no investee countries within the sovereign debt portfolio that have not ratified the Paris Climate Agreement. SSPF finds this metric particularly relevant when a country would backtrack on its commitments. Unit: % MV.	SSPF expects all its sovereign issuers to have ratified the Paris Climate Agreement. This is reflects in the climate policy.
	GHG reduction target related to real estate assets			**100,0%**	**88,8%**	At present, there is no standard way to verify whether the carbon emission reduction initiatives of external real estate managers are Paris-aligned. SSPF uses a relatively narrowly defined indicator of 'SBTi-approved carbon reduction targets'. The metric showcases the % investee funds by NAV that do not have SBTi-approved targets. The year-on-year change showcases incosistencies in manager reporting. On SSPF's behalf, SAMCo followed up with the manager who no longer reported its GHG emission target as SBTi-approved in the GRESB data set. The manager has confirmed that for the funds at hand the near-term carbon reduction target remains SBTi-approved, and that a validation for a net-zero target is underway. If targets that the fund managers consider to be 'science-based' but that have not been ratified by the SBTi are additionally taken into account, the portfolio exposure would improve significantly to 66.2%. Unit: % MV.	In 2023 SSPF formalised its approach to the prioritised climate-related PAIs by means of a dedicated policy. For externally managed real estate funds, more stringent requirements regarding this PAI inform the assessment of prospective managers.

3. Description of policies to identify and prioritise principal adverse impacts on sustainability factors

3.1. Methodology to identify and prioritise principal adverse impacts

SSPF has prioritised a range of PAIs that it considers material not only to the pension scheme and its participants, but also to broader society and the environment. The prioritisation process considered the severity of the adverse impacts, including their potentially irremediable character; the existing policy choices and ESG preferences of SSPF's participants, including in relation to prioritised UN Sustainable Development Goals (SDGs); and data availability and quality.

As a first step, the process considered the severity of the adverse impacts, including their potential irremediability, in line with the OECD Guidelines for Multinational Enterprises[15] and the accompanying paper on "Responsible Business Conduct for Institutional Investors"[16] (hereafter jointly referred to as the Guidelines). In practice, this lens tilts the focus towards indicators that address particularly severe controversial conduct or business activities that have a systemic, potentially irremediable impact. This is even more the case when accompanied by an ongoing adverse impact (e.g. where acknowledgement of the issue and/or sufficient mitigating actions have been lacking). Using this lens, the prioritised PAIs also help to identify and mitigate actual or potential sustainability risks affecting the pension scheme.

In terms of data availability and quality, SSPF opted to prioritise only those indicators for which data is sufficiently available and which have adequate portfolio coverage. These factors are seen as prerequisites for any indicator to be considered for prioritisation. Moreover, SSPF has prioritised those PAIs that are defined with sufficient level of clarity or present limited ambiguity in the way they can be implemented, as well as those that are more standardised and more consistently reported by investee entities.

3.2. Governance

In December 2021, the SSPF board formally endorsed a selection of PAIs that should be prioritised. SSPF retains its discretion to establish new policies and processes informed by the PAIs. For the practical implementation of the PAI due diligence, it closely collaborates with its fiduciary manager which:

- Collects, processes and aggregates PAI data;
- Strives to gradually improve PAI data availability and coverage;
- Facilitates due diligence processes where PAI exposures and analytical insights derived from the prioritised PAIs inform further action, policy-making and process-setting; and
- Coordinates dialogue with SSPF's engagement service provider EOS on priority engagement and proxy voting cases informed by the PAI indicators.

SSPF's ESG Forum reviews portfolio PAI exposures and updates stemming from the PAI due diligence process on a quarterly basis.

15 TOECD Guidelines for Multinational Enterprises (2011)

16 OECD Paper on Responsible Business Conduct for Institutional Investors (2017)

3.3. Data sources

SSPF invests in thousands of entities, both directly and indirectly. Because of the vast scope of the investment portfolio, not all data is readily available and SSPF is unable to collect data directly from investee companies. Instead, it relies on data collected by third-party data vendors and, where relevant, external managers. SSPF's fiduciary manager collects, processes and aggregates data from these various sources. This statement relies on data from the following sources (further described in table IV below):

- ESG data vendors supplying ESG data for listed equity, corporate bonds and sovereign debt portfolios (ISS-STOXX, MSCI);
- Financial data vendors supplying financial data (revenue, EVIC, total fund valuation) for listed equity, corporate bonds and externally managed real estate (FactSet, Burgiss);
- Data reported by the manager of SSPF's externally managed real estate funds to a third-party data platform (GRESB);
- Data reported by external private equity managers to third-party data platforms and estimates collected by its private equity manager[17]; and
- Desk research.

In the course of 2021, on behalf of SSPF, its fiduciary manager mapped the available data to the PAI indicators. This has led to the identification of certain coverage gaps. The following steps have been taken to close these identified coverage gaps:

- A request for proposal (RfP) process of vendors offering data for liquid instruments was conducted. This process was concluded in Q1 2022. A new data set specialised in the PAI indicators (focused on listed equity, corporate bonds and sovereign debt) was onboarded. This has improved the availability of data to support the implementation of the mandatory PAI indicators across these three asset classes from some 50% to nearly 100%[18];
- PAI data coverage was expanded for externally managed private equity portfolios; and
- Reporting requirements relating to the PAI indicators were incorporated in the pre-investment due diligence process relating to prospective external managers and the engagement of existing managers.

Due to the concerted effort to improve overall data availability, SSPF occasionally has a choice between several data sources for liquid instruments. In such cases, the source to be used is determined by considering the following items in a holistic manner:

- Portfolio coverage;
- Outcomes of data-quality checks, for example, by reviewing outliers and comparing the data supplied by ESG data vendors with information included in reports published by investee companies;
- The proximity to the SFDR indicator definition;
- Whether the metric is already being addressed through existing policies/processes relying on a specific data source;
- The precautionary principle, where SSPF generally opts to 'overstate' rather than 'understate' its PAI exposure; and
- Consistency between the sources of similar metrics (e.g. energy consumption and energy consumption per high climate impact sector).

17 A private equity manager outside of the fiduciary manager's organisation has been appointed on behalf of SSPF to provide private equity investment management and advisory services.

18 These figures reference the coverage across mandatory indicators for which at least some data is available.

Importantly, many PAI indicators are still rather immature, with data vendors providing (sometimes very) different values for what should be the same indicator related to the same investee entity. SSPF considers it important to highlight where this may be happening by choosing a primary source referenced under 'Impact' in table III, and providing further background and an indication of what the 'Impact' would have been based on an alternative data source under 'Explanation'.

Data quality is further scrutinised in various ways. SSPF's fiduciary manager strives for accurate data ingestion and relevant quality controls, either directly or through external partners. This includes validations related to data coverage, but also verification of whether the data falls within the expected range and is delivered in the expected format (numeric/textual) so that it can be further processed. Where relevant, it also conducts a review of data outliers and compares data from different sources. The fiduciary manager or its external partners engage with data providers in relation to actual or potential data issues that have been identified, with the objective of either explaining the finding satisfactorily or correcting the issue.

Table IV: overview of data sources of principal adverse impact indicators reported by SSPF

Applicable to	PAI indicator	Data source
Investee companies	GHG emissions.	ISS-STOXX, FactSet, the fiduciary manager, LGT.
	Carbon footprint.	ISS-STOXX, FactSet, the fiduciary manager, LGT.
	GHG intensity of investee companies.	ISS-STOXX, FactSet, the fiduciary manager, LGT.
	Exposure to companies active in the fossil fuel sector.	MSCI, the fiduciary manager, LGT.
	Share of non-renewable energy consumption and production.	MSCI, the fiduciary manager, LGT.
	Energy consumption intensity per high climate impact sector.	MSCI, FactSet, the fiduciary manager.
	Activities negatively affecting biodiversity-sensitive areas.	ISS-STOXX, the fiduciary manager.
	Emissions to water.	N/A.
	Hazardous waste.	ISS-STOXX, the fiduciary manager, LGT.
	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.	ISS-STOXX, MSCI, the fiduciary manager, LGT.
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises.	ISS-STOXX, the fiduciary manager.
	Unadjusted gender pay gap.	ISS-STOXX, the fiduciary manager.
	Board gender diversity.	MSCI, the fiduciary manager, LGT.
	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons).	ISS-STOXX, the fiduciary manager.
	Investments in companies without carbon emission reduction initiatives.	ISS-STOXX, the fiduciary manager, MSCI, LGT.
	Rate of accidents.	MSCI, the fiduciary manager.
	Incidents of discrimination.	MSCI, the fiduciary manager.
	Operations and suppliers at significant risk of incidents of child labour.	MSCI, the fiduciary manager.
	Lack of anti-corruption and anti-bribery policies.	MSCI, the fiduciary manager.
	Cases of insufficient action taken to address breaches of standard of anti-corruption and anti-bribery.	MSCI, the fiduciary manager.
Sovereigns and supranationals	GHG intensity.	ISS-STOXX, the fiduciary manager.
	Investee countries subject to social violations.	ISS-STOXX, the fiduciary manager.
	Average human rights performance.	MSCI, Freedom House, World Justice Project, the fiduciary manager.
	Average corruption score.	MSCI, Transparency International, the fiduciary manager
	Average rule of law score.	MSCI, Worldwide Governance Indicators/World Bank, the fiduciary manager.
Real estate assets	Exposure to fossil fuels through real estate assets.	N/A.
	Exposure to energy-inefficient real estate assets.	N/A.
	GHG emissions.	GRESB, Burgiss, the fiduciary manager.
	Energy consumption intensity.	GRESB, the fiduciary manager.
N/A	Paris Agreement Ratification.	MSCI, the fiduciary manager.
	GHG reduction target related to real estate assets.	GRESB, the fiduciary manager.

Source: SSPF

4. Engagement policies

4.1. Thematic and controversy-based engagement and proxy voting

SSPF's engagement policy is implemented through the engagement plan of its engagement service provider EOS. SSPF contributes to and underwrites the EOS engagement plan as its own engagement policy. This triennial engagement plan identifies key themes and related sub-themes. The engagement plan focuses on a wide breadth of coverage to reflect the diversity of the issues affecting companies in SSPF's portfolios. The effectiveness of engagement is being monitored via milestones and reported to SSPF quarterly. The engagement service provider has different engagement techniques and has procedures in place to increase pressure on companies that show insufficient progress.

Together with representatives from SSPF, the fiduciary manager coordinates dialogue with EOS on priority engagement cases informed by the PAI indicators. From the prioritised PAIs, climate-related PAIs such as 'GHG emissions' and 'Investments in companies without carbon emission reduction initiatives' are most heavily represented. In relation to proxy voting, besides the climate indicators above, 'Gender pay gap' and 'Board gender diversity' are also frequently addressed. Albeit not featured among the prioritised and other mandatory PAIs, executive remuneration represented through the PAI 'Excessive CEO pay ratio' remains a relevant topic as well. Furthermore, SSPF performs a periodic review of relevant engagement cases and voting decisions. Where there is insufficient reduction of the principal adverse impacts over a relevant time period, SSPF liaises with the engagement service provider on this lack of progress (or perceived lack of progress). Where engagement is unsuccessful or otherwise unfeasible, an escalation through divestment or exclusion is considered.

4.2. Engagement by the fiduciary manager's investment teams

The fiduciary manager investment teams may undertake direct engagement with investee entities as required to implement the considerations and workflows set out in the SSPF ESG policy, including but not limited to the adverse-impact due diligence process.

5. References to international standards

5.1. Standards and principles

The UN Global Compact principles, the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights (UNGPs) have informed the development of SSPF's responsible investment policy. SSPF asks its service providers and (indirectly) issuers in which it invests to act in accordance with these guidelines or endeavour to do so.

Both the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises directly inform the PAI due diligence process through the PAIs 'Violations of UN Global Compact Principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises' and 'Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises'. Through this process, on SSPF's behalf the fiduciary manager identifies issuers that score relatively poorly on the prioritised PAI indicators and assesses whether they are responsive to engagement efforts regarding the flagged issues. The process considers data from ESG data vendors MSCI and ISS-STOXX, as well as engagement information from EOS. The scope of coverage related to these indicators, as well as any actions taken/targets set, are described in table III.

Finally, SSPF also supports and promotes the United Nations Principles for Responsible Investment (UN PRI).

5.2. Paris Agreement

SSPF has adopted a climate policy that aims to support the goals of the Paris Agreement by focusing on the transition in the real economy. In this context, the degree of investee entities' alignment with the goals of the Paris Agreement serves to inform the use of various tools used by the climate policy. Key considerations include:

- the assessment of whether an issuer's GHG emission reduction target is approved by the Science-Based Targets Initiative (SBTi);
- the assessment of whether an issuer is exceeding its carbon budget allocated on the basis of a Paris-aligned forward-looking scenario-based pathway;
- review of engagement progress against objectives set by the engagement service providers, EOS;
- a bottom-up review of prioritised issuers as part of a due diligence process, where various elements of issuers' climate disclosures and climate performance are considered; and
- assessment of the degree of alignment of issuers' economic activities with the EU Taxonomy criteria.

6. Historical comparisons

Historical comparisons (relative to the previous reporting period) are provided in table III.