

# **UNILEVER PENSION PLAN OFF**

**Institution for Occupational Retirement Provision**

**Authorised on 06/09/1993**

**FSMA identification number: 50.125**

**Registered office:**

**Industrielaan 9**

**1070 Brussels**

**Company number : 0409.606.947**

## **DEFINED BENEFIT BELGIUM COMPARTMENT**

### **STATEMENT OF INVESTMENT POLICY**

**1 October 2024**

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## Section 1 – Purpose

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- 1.1 The Unilever Pension Plan (the “**UPP**”) is registered in Belgium as an “OFP” (Organisation for Financing of Pensions) under the Belgian law of 27 October 2006 on the supervision of institutions for occupational retirement provision (IORP Act) and related regulations. The OFP is authorised by Royal Decree of 6 September 1993 and registered with the FSMA with number 50.125. The OFP is extended with multiple separate funds within the meaning of article 80 of the IORP Act (Compartments) as from 1 October 2023.

Unilever Belgium NV (the “Company”) provides pension benefits through the Defined Benefits Belgium compartment of the Unilever Pension Plan (the “Plan”).

The Unilever Pension Plan OFP – DB Belgium compartment manages three defined benefit plans: the Union plan, the Seric plan and the Sociale Kas plan (the “Plan”). For a description of the plans, please refer to the appendix of the financing plan and the plan rules. For the avoidance of doubt, any reference to the Plan in this statement of investment policy (the “Statement”) shall be construed as a reference to the Plan for and on behalf of the DB Belgium Compartment. The Plan is a defined benefits arrangement. The objective is to provide members additional pension benefits at retirement. The prudent and effective management of the Plan’s assets will have a direct impact on the achievement of the objective.

The Statement sets out the guidelines for the management and supervision of the Plan’s investments and has been drawn up in accordance with the principles laid down in the Law on the supervision of institutions for occupational retirement provision of 27 October 2006.

- 1.2 The investment policy is intended to ensure the performance targets of the Plan will be financed at the best possible performance/investment ratios. The Plan’s risk capacity has to be taken into account adequately.
- 1.3 This statement of investment policy (the “Statement”) addresses the manner in which the Plan shall be invested. Investments shall be selected in accordance with the criteria and limitations set forth herein and in accordance with all relevant legislation. The Statement has been prepared by the Board together with the Committee to ensure continued prudent and effective management of the Plan. The Statement also defines the management structure and other procedures adopted for the ongoing operation of the Plan.
- 1.4 In addition to adhering to local regulations and legislation, the Plan also adheres to the Unilever Corporate Investment Policy except with areas where approval has been given to deviate. This Policy addresses all major areas of pension scheme investment and forms the basis of this Statement.

## Section 2 – Plan Governance

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- 2.1 The Board is responsible for the overall management of the Plan but has delegated via a Board resolution certain functions to the Committee as further described in this Statement including *inter alia* to monitor and review all aspects of the Plan's investments on its behalf. The Committee will update the Board at least annually on the Plan's investments and seek Board approval for any changes to the Statement, the services providers or investment strategy/philosophy before implementation. The responsibilities set out below are subject to the delegation described in this paragraph being noted that the Board is ultimately responsible for the delegated functions. The Committee shall thus act at all times under the responsibility of the Board.
- 2.2 The Committee shall in relation to the investments of the compartment:
- establish and adopt the Statement;
  - review the investment structure and ensure the Plan complies with the Belgium legislative framework;
  - review the Statement every three years unless certain events or developments make an earlier review necessary, and confirm or amend it as needed;
  - make recommendations to the Board in the selection and appointment of the custodian (the "Custodian") to hold the assets of the Plan;
  - make recommendations to the Board in the selection of the investment managers (the "Investment Managers");
  - evaluate quantitatively and qualitatively each Investment Manager performance at least annually. The review shall include a comparison of the rates of return achieved relative to the objectives established, an analysis of the reasons for such returns, and an assessment of the risk taken in the pursuit of such returns; and
  - delegate tasks relating to the overall management of the Plan to selected employees of the Company and/or to selected agents retained by the Board.

The summary of duties shown below for each agent of the Plan are not shown as being fully inclusive; this can be found in the contract with each agent.

### **The Investment Managers**

- 2.3 The Investment Managers shall:
- perform the duties required of the Investment Manager pursuant to agreements entered into from time to time with the Pension Fund for the DB Belgium Compartment;
  - meet with the advisor at least annually to present their analysis of the investment performance and to describe their current and future investment strategies regarding their specific investment mandates, and on request also be available to meet with the Committee; and

- provide the DB Belgium Compartment, on a quarterly basis, with summaries of the performance of each fund during the past quarter.

### **The Custodian**

2.4 The Custodian shall:

- perform the regular duties required of the Custodian by Law; and
- perform the duties required of the Custodian pursuant to agreements entered into from time to time with the Company.

### **Univest Company BV**

2.5 Univest Company is a global unit in which investment expertise of Unilever pension funds is centralized worldwide. Univest Company operates independently and provides services to Unilever's large and medium-sized pension funds. The role of Univest Company includes:

- providing input to and assist the Board and Committee on the investment policy;
- support to the Board and Committee in the implementation of the Statement within the specified ranges;
- support to the Board and Committee in the selection of investment funds;
- supporting the Board and Committee in the selection and appointment of investment managers;
- monitoring and following up with the investment managers for the purpose of evaluation by the Board and Committee;
- monitoring and following up on the identified risks;
- taking care of the investment reports to the Board and Committee.

## Section 3 – Plan Characteristics

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### Plan Characteristics

3.1 The Plans are defined benefit pension plans. Under this form of pension scheme, the Company assumes the investment risk in full.

- The “Union” plan has been closed since 1 January 2010 and replaced by a defined contribution plan. There will be no more new Participants. In the coming years, the Plan will slowly fade out. There are more inactive Participants than Active Participants.
- The “Seric” plan has been closed since 1 March 2004 and has been replaced by a defined contribution plan. There will be no more new Participants. There are only inactive participants.
- The “Sociale Kas” plan has been closed since 1 April 2017 and has been replaced by a defined contribution plan. There will be no more new participants. There are only inactive participants.

For a description of the plans, please refer to the appendix to the financing plan and to the plan rules.

In principle, the Participants pay a certain percentage of their All-in Salary as an Employee Contribution to the Plan. The Company pays an Employer's Contribution determined on the basis of the Financing Plan, taking into account the DB Belgium compartments assets and the expected Employee Contributions. The Company may pay special contributions to cover unfunded or insufficiently funded liabilities. In practice, the employer does not pay any contributions because of the existing surplus.

If the asset value of the pension fund is greater than the current value of vested rights calculated by the actuary, the surplus assets may, subject to compliance with applicable legislation at the sole discretion of the Company, be used to:

- outweigh obligations arising from changes to the Plans;
- avoid the outflow of cash from the Company.

3.2 All benefits are in Euros. Changes are not permitted unless there are extenuating circumstances and agreed by the Board.

3.3 The duration of the liabilities equals approximately 11 years.

## **Section 4 – Investment Objectives and Principles**

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### **Investment Objectives**

- 4.1 The Committee shall manage the Plan on a going concern basis, with the objectives of:
- ensure reasonable expected returns, in line with the opportunities available in the market, using high-quality investments, and a level of risk based on sound analysis that is appropriate to the Plan;
  - in the long-term (10 years) to maintain the current financial position, where there is a surplus, while all obligations can be expected to be met;
  - in the shorter-term (1 to 3 years) to limit downside risks in such a way that the probability of a funding ratio < 140% is small.

### **Investment Principles**

- 4.2 The Committee has based this investment policy on the following investment principles:
- it is prudent to spread the Plan's investments across the main asset classes (diversification);
  - in the long run, riskier investments are expected to generate a higher return than less-riskier investments, although they are expected to be more volatile in the shorter-term;
  - the investment in foreign equities contributes to a better diversification of the portfolio, thereby reducing the risk in the portfolio, despite the short-term currency risk which is expected to be negligible over the long term;
  - asset managers with active mandates have the potential to create value through the application of selective investment strategies (alpha) or avoid the disadvantages of pursuing a passive investment strategy (such as concentration risk), provided that the expected added value outweighs the higher costs;
  - given the size of the Plan, it is appropriate to use more than one asset manager per asset class, provided that the size of the asset class allows it and that such diversification results in a difference in style.

Derivatives and other derivative products can only be used to reduce the volatility of the portfolio, to hedge certain positions or to take certain positions efficiently. The use of these products is not permitted as leverage of the assets.

In the fixed income portfolio, the Committee aims for a percentage of 70% investment grade (rating of BBB- or higher).

The Plan allows the investment managers to apply Security Lending, provided that collateral of sufficient amount and quality is deposited.

### **Investment Management Structure**

- 4.3 Based on the investment principles, investments can be made in active and/or passive mandates.

The primary performance objective for an investment manager with a passive mandate is to mimic the chosen benchmark index and thus minimize the tracking error. In addition, they are expected to limit transaction costs.

The primary performance objective for an investment manager with an active mandate is to exceed the performance of the representative benchmark index over a period of 3 to 5 years, managing the mandate within the identified tracking error.

Insofar as the Committee decides to invest in an investment fund (a so-called pooled fund), the mandate of the investment manager will be determined by the investment policy applicable to the investment fund, which is laid down in the official prospectuses of the various investment funds.

When an asset class is available as a pooled investment from the Uninvest Pools, the Committee may consider investing in it. On the one hand, this allows to benefit from the lower costs achieved by the scale of pooled Unilever pension fund investments, and on the other hand, it makes it easier to use different asset managers for an asset class, resulting in a diversification by style differences.

The selection of the investment managers is done by Uninvest Company. A list of potential candidates is compiled. Through a structured scorecard process, the final candidate is presented to the Plan. Aspects that are assessed are: People, Process, Portfolio, Performance, Philosophy, Price and Planet (the 7Ps). There is a different weight per aspect used by Uninvest Company. This process is also used for investment managers in the Uninvest pooled funds.

Particulars of the mandates and performance objectives of the investment managers are contained in Section 7. The Committee keeps these mandates under review and if there is a need, then the mandates may be adjusted.



## **Section 5 – Legal / Corporate Requirements and Regulations**

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### **Legal Requirements**

- 5.1 The Plan shall comply with all relevant government legislation and financial services regulations of Belgium, as they apply to an OFP.

### **Corporate Requirements**

- 5.2 The Plan shall comply with all Corporate Investment Policy requirements, unless by so doing the Plan would not comply with 5.1.

## Section 6 – Asset Allocation

### Asset Allocation

6.1.1 The strategic allocation of the assets is viewed by the Committee as the most important means of controlling the balance between risk and expected return of the Plan. The assets are invested in a way appropriate to the nature and duration of the liabilities. The following strategic asset allocation has been chosen:

Strategic Asset Allocation	Active/Passive	Weight	Bandwidth	TE Max
<b>Fixed Income</b>		<b>80%</b>	<b>70%-90%</b>	
Global Developed Sovereigns	Active	20%	15% - 25%	1.5%
Global Credits	Active	20%	15% - 25%	2%
Dutch Mortgages	Passive	10%	5% - 15%	8%
Global Emerging Markets Debt	Active	10%	5% - 15%	3.5%
Global High Yield	Active	9%	4% - 14%	3.5%
Diversified Income	Active	10%	5% - 15%	-
Cash	Active	1%	-2% - 4%	-
<b>Equities</b>		<b>14%</b>	<b>4%-24%</b>	
Global Sustainable World Fund	Semi-Passive	9%	4% - 14%	2%
Global Sustainable Edge	Active	3%	0% - 6%	6%
Global Emerging Markets	Active	2%	0% - 4%	6%
<b>Alternatives</b>		<b>6%</b>	<b>2%-10%</b>	
ESG Impact Investment	Active	2%	0% - 4%	-
Real Estate Listed	Active	4%	1% - 7%	4%

The strategic allocation cannot be allowed to drift too far (as a result of market movements) because this would jeopardise the balance between risk and expected return on the Plan. Ranges have therefore been set around the strategic allocation and the fund allocation is rebalanced when these ranges are breached.

The total fund allocation will be controlled by managing the amounts allocated to each Investment Manager; whenever possible this will be done using cashflows into and out of the fund, in order to minimise transaction costs.

### Permitted Investments and constraints

6.2.1 The Plan's assets are invested in pooled funds and these shall be governed by the own investment policies of these funds.

The Committee as delegated by the Board are engaged in an ongoing process of monitoring the funds in order to ensure these remain aligned with the Plan's objectives.

6.2.2 Any changes to the Investment Managers need to be approved by the Board.

6.2.3 The FSMA should be informed of any changes to the Statement. A change in Underlying Fund or Benchmark is not considered as a change to the Statement.

**Valuation of assets**

- (a) Units or shares of open-ended undertakings for collective investment ("UCITs") will be valued at their last determined and available net asset value or, if such price is not representative of the fair market value of such assets, then the price shall be determined by the Board on a fair and equitable basis. Units or shares of a closed-ended UCIT will be valued at their last available stock market value;
- (b) All other securities and assets will be valued at fair market value as determined in good faith pursuant to procedures established by the Committee.

## Section 7 – Investment Manager Structure

7.1 The Committee with Board approval has appointed the following Investment Managers and assigned them the investment mandates shown below:

Asset class	Investment manager	Benchmark
<b>Fixed Income</b>		
Global Sovereigns Nominal	Univest FCP	50% ICE BofAML Q771 Custom Index + 50% ICE BofAML Euro Inflation-Linked Government Index
Global Credits	Univest FCP	BofA Merrill Lynch Q772 Global Non-Sovereign Index 100% hedged to EUR
Dutch Mortgages	AeAM / DMFCO	Bloomberg/EFFAS Bond Indices Netherlands Govt All >1 Year Total Return index + 100 bps annualised
Global Emerging Markets Debt	Univest III	50% JP Morgan EMBI Diversified (100% hedged to Euro) + 50% JP Morgan GBI-EM Global Diversified
Global High Yield	Univest FCP	BofA Merrill Lynch Global High Yield Investment Grade Country Constrained Index 100% hedged to EUR (HWIC)
Diversified Income	Barings / AeAM	MV weighted combination of Barclays indices / Credit Suisse Western Europe Leveraged Loan Total Return (100% hedged to Euro)
Cash	KBC / NT	Portfolio return
<b>Equities</b>		
Global Developed Markets	Univest FCP	STOXX Developed World Total Net (USD) Return
Global Emerging Markets	Univest FCP	STOXX Emerging Markets Total Net (USD) Return
<b>Alternatives</b>		
ESG Impact Investment	Amundi / Univest IV	Portfolio return
Real Estate Listed	DPAM	GPR Europe 25% capped index (GPTMDPEU BB)

7.2 Reasons for Termination of the Investment Managers

The Committee shall from time-to-time determine whether any or all of the Investment Managers should be replaced. Although not limited to the reasons set out below, the Committee may replace an Investment Manager with Board approval due to:

- change in business management;

- breach of contract: whereby the breach is of such severity that the scheme does not retain confidence in the Investment Manager;
- loss of key staff: key staff largely responsible for the investment fund leave the firm;
- a lack of confidence in the Investment Manager's processes/controls; and
- investment performance is lower than expected.

## Section 8 – Monitoring & Reporting

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- 8.1 The Board has, under its overall responsibility, delegated to the Committee the ongoing monitoring of all arrangements in relation to the Plan. The Board and the Committee will carry out this function in compliance with local regulation and legislation as well as the Unilever Corporate Investment Policy.
- 8.2 The Committee, with the assistance of relevant advisors, will ensure that reviews are carried out as follows:
- Investment Managers – as part of the Plan's Investment Managers there will be reporting requirements to facilitate the continuous monitoring of the Investment Managers. The Board and Committee will review the Plan's Investment Managers at least every three years; and
  - Custodian – the Committee will review the Custodian at least every three years. Performance will be evaluated against stated objectives and Service Level Agreement.
- 8.3 Uninvest Company, in collaboration with the Custodians and the administrative manager of the investments, will regularly draw up an analysis of the returns on the investments:
- On a monthly basis, an overview of the strategic and actual asset allocation;
  - A performance overview is created on a monthly basis and the return and relative return relative to the benchmark are shown for each mandate over different periods. These periods are: the last month, over the last 3 months and since the beginning of the year;
  - An overview is made on a quarterly basis and on each mandate the return, the relative return compared to the benchmark and the tracking error in relation to the benchmark are shown.
  - The reporting must be done in a way that allows the balance sheet of the DB Belgium Compartment to be drawn up.
  - Uninvest Company is responsible for ESG reporting to the Committee, which accounts for its sustainable investment policy.

Upon request, additional information will be collected and/or analyses will be made for the Board and/or the Committee.

## **Section 9 – Custody Arrangements**

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### **9.1 Custody**

The Committee with Board approval have employed Northern Trust Global Services SE to fulfil the role of Custodian. Northern Trust Global Services SE will be responsible for carrying out those relevant functions listed in Section 2.

### **9.2** The details of this arrangement between the Plan and Northern Trust Global Services SE acting in its capacity as Custodian are set out in the Custody Agreement dated 7th August 2023 and the Service Level Agreement.

## Section 10 – ESG

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- 10.1 ESG considerations are taken into account in the selection, retention and realisation of investments to the extent that they are relevant in assessing the future prospects of specific investments. The Committee and Board do not take any non-financial matters (i.e., matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) into account in the selection, retention and realisation of investments. The UPP's ESG statement is included in Annex 1.
- 10.2 Corporate governance activities have been delegated to the Plan's investment managers with the understanding that they will exercise voting rights in the best long-term financial interests of the assets that they manage. The Committee and Board may consider appointing a specialist ESG engagement organisation depending on the underlying funds/investment managers it appoints in the future. The Committee and Board may, from time to time, ask the Plan's investment managers or (specialist ESG engagement organisation if appointed) to explain their corporate governance policy and practices, and review voting activities.

Annex 2 provides a more detailed ESG policy for the DB Belgium Compartment.



## Section 11 – Sustainability related disclosures

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- 11.1 Pursuant to EU Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the “SFDR”), the Plan is required to disclose the manner in which Sustainability Risks (as defined below) are integrated into the investment decision and the results of the assessment of the likely impacts of Sustainability Risks on the returns of the Plan.

Sustainability Risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments made by the Plan.

Such risk is principally linked to climate-related events resulting from climate change (also known as Physical Risks) or to the society’s response to climate change (also known as Transition Risks), which may result in unanticipated losses that could affect the Plan investments and financial condition. Social events (e.g. inequality, inclusiveness, labour relations, investment in human capital, accident prevention, changing customer behaviour, etc.) or governance shortcomings (e.g. recurrent significant breach of international agreements, bribery issues, products quality and safety, selling practices, etc.) may also translate into Sustainability Risks.

The Plan does not actively promote ESG characteristics/sustainability factors and does not maximize portfolio alignment with sustainability factors, however it remains exposed to Sustainability Risks. Such Sustainability Risks are integrated into the investment decision making and risk monitoring to the extent that they represent a potential or actual material risks and/or opportunities to maximizing the long-term risk-adjusted returns.

The impacts following the occurrence of a Sustainability Risk may be numerous and vary depending on the specific risk, region and asset class. In general, where a sustainability risk occurs in respect of an asset, there will be a negative impact on, or entire loss of, its value.

The Plan has a diversified portfolio. Therefore, the Plan will be exposed to a broad range of Sustainability risks, which will differ from company to company. Some markets and sectors will have greater exposure to Sustainability Risks than others. For instance, the energy sector is known as a major Greenhouse Gas (GHG) producer and may be subject to greater regulatory or public pressure than other sectors and thus, greater risk. However, it is not anticipated that any single Sustainability Risk will drive a material negative financial impact on the value of the Plan considering its diversification.

The Committee does not consider the adverse impacts of its investment decisions on sustainability factors as there insufficient data available of satisfactory quality to allow the

Committee to adequately assess the potential adverse impact of its investment decision on sustainability factors.

- 11.2 Notwithstanding the above, the investments underlying the Plan do not take into account the EU criteria for environmentally sustainable economic activities which are determined by the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, as amended from time to time.

## Section 12 – Risk Management

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12.1 The Committee and Board have identified a number of risks in relation to the investments:

- Market risk
- Interest rate risk
- Inflation risk
- Currency risk
- Credit risk
- Concentration risk
- Active Risk
- Custodian risk
- Liquidity risk
- ESG Risks

Annex 3 provides a summary of the risks and how they are managed. This summary should be read in conjunction with the risk policy and the risk register. The risks will be monitored and followed up by Univest Company and reported regularly to the Committee and the Board.

### **Section 13 – Statement Review**

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The Committee as delegated by the Board shall review the Statement every three years unless certain events or developments make an earlier review necessary, taking into account whether any developments such as the following have occurred:

- governance changes;
- changing investment beliefs;
- new investment products;
- changes to legislation;
- any practical issues that arise from the application of the Statement; and
- changes to resources used to implement the strategy.

This Statement shall be revised without delay after any significant change in the investment policy.

This Statement shall also be sent to the members and beneficiaries at their request, and to their representatives where applicable.

Any changes to the Statement need to be approved by the Board and ratified by the General Assembly.

#### **Approved and Adopted by**

**The Board of the Unilever Pension Plan on 12 September 2024 and ratified at the General Meeting of 19 Sept 2024.**

### THE UNILEVER PENSION PLAN (UPP) ESG Statement

We, the Directors of the Unilever Pension Plan, believe that investing responsibly, looking at both explicit financial factors and environmental, social and governance (ESG) factors, allows us to better assess the value and performance of an investment over the medium to long-term. Responsible investing is about generating a long-term risk adjusted return aligned with the Fund’s objectives, whilst at the same time promoting a stable, well-functioning and well governed social, environmental and economic system on which long-term sustainable returns are dependent. The Directors are signatories to the United Nations Principles for Responsible Investment (UNPRI) through the Unilever Pension Funds umbrella agreement.

It is our view that ESG factors can offer portfolio managers added insight into the quality of a company's management, culture, risk profile and other characteristics, which in turn allows them to find companies who;

- Are leaders in their industries
- Are better managed and are more forward-thinking
- Are better at anticipating and mitigating risk
- Meet positive standards of corporate responsibility
- Are focused on the long term

This statement is owned by the UPP Board. Day to day management and oversight of the implementation is delegated to the Uninvest Company and overseen by the UPP Board.

#### **Implementation of Guidelines: DB Compartments**

##### Investment strategy and decisions

We allocate the Fund’s assets in a manner that is aligned with the long-term interests of our beneficiaries considering future financial returns and the resilience of those returns. Amongst other things, the investment service providers are requested to take account of ESG risks in our risk management policies and, where appropriate, identify ESG opportunities when making investment decisions.

Where appropriate our investment service providers integrate ESG factors into investment decision-making across asset classes. Some asset classes, allow for more thorough integration than others.

##### Investment manager selection and monitoring

On our behalf, the Uninvest Company incorporate ESG factors into the process for selecting and monitoring investment managers. They seek to promote the inclusion of ESG factors into the investment decision-making of external asset managers and therefore include sustainability factors in contracts, where appropriate. Within our manager selection process, for monitoring purposes, where appropriate the Uninvest Company, on our behalf, uses third party research which allows them to engage with

external managers on ESG integration as well as make informed decisions. On public equity portfolios they work with a third party ESG research provider who applies a screen to external asset managers' investment portfolios to assess the extent to which those portfolios have more or less favourable ESG characteristics than the benchmark. This analysis allows us to gain insight into the sustainability of the underlying investments. They use this analysis as a basis for dialogue with the asset managers.

#### Active Ownership

Often in collaboration with like-minded investors, Uninvest on occasion may use our position to seek positive changes in corporate behaviour with respect to ESG issues, voting on and engaging with companies as well as participating in public policy matters. These active ownership efforts, sometimes called stewardship, we believe can promote a stable, well-functioning and well governed social, environmental and economic system. In helping us to fulfil our duties as an active owner, the Uninvest Company will sometimes work with a third party. Through that third party, we seek to ensure that when appropriate our holdings are voted on consistently, across our portfolios and that engagement activities are executed by professionals with experience in this area. On our behalf, the third party can also work to help establish and maintain effective regulatory regimes in the various markets in which we invest to encourage governance structures that facilitate accountability of companies to their owners, give companies the certainty they need to plan for the future and to level the playing field to ensure companies are not disadvantaged for prioritising long-term profitability.

This document is not a static document and will be updated from time to time.

#### **Implementation of Guidelines: DC Compartment**

The assets are invested in pooled funds, but the Directors do require all underlying equity managers to have an ESG policy in place and to be signatories to the UN PRI as a minimum, for their fund to be made available to members. ESG factors are an important consideration within the manager selection process, and so the Directors do ask the investment managers to take all matters into account in the selection, retention, and realisation of investments to the extent that they are materially relevant in assessing the future prospects of specific investments, including ESG considerations.

The underlying investment managers have full discretion in evaluating Sustainability factors, including climate change considerations. The selected Fixed income managers must also take ESG risk factors into account when appropriate. Voting and engagement activities are carried out by the investment managers, who have full discretion. The Directors invest in a Sustainable Multi factor Equity fund with one of the underlying managers. Due to the importance of ESG, it was decided that this fund should be included within the default investment option, it now provides all the DC Compartment's Global Developed Equity holdings.

## Annex 2 – ESG for the DB Belgium Compartment

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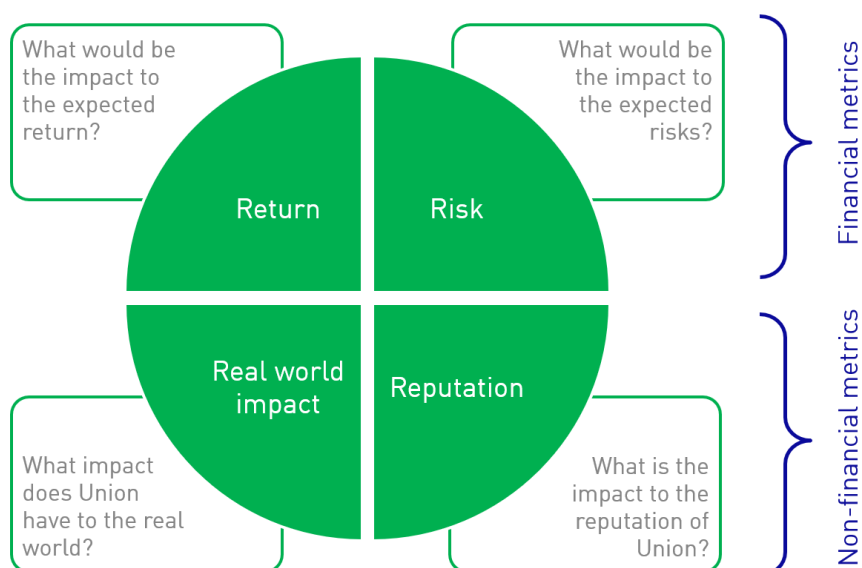
A2.1 The Committee believes that a responsible way of investing, which takes into account explicit financial factors as well as social, environmental, and governance (ESG) factors, allows them to better assess the value and performance of an investment in the medium to long term. Responsible investment is about generating long-term risk-adjusted returns in line with the fund's objectives, while at the same time promoting a stable, well-functioning and well-governed social, environmental and economic system on which long-term sustainable returns depend.

A2.2 This policy is owned by the Committee. Implementation of the policy is part of the implementation of the Strategic Investment Policy and is partly delegated to Uninvest Company.

### A2.3 Objectives

The Committee identifies four objectives for which it wants to include ESG aspects in its investments (the four R's):

- Risk: when the Committee, Uninvest Company, the asset managers or the management of individual companies do not take ESG factors into account in their decision-making, it implies that they do not have a complete picture of all risks. For example, one of the important risks is climate risk, which can pose a significant risk to the value of an investment. Another example concerns governance. On average, companies that have good governance in place have a lower risk profile or are less sensitive to tail risks.
- Returns: The Committee believes that investors or companies that have a better understanding of long-term ESG trends have a potential return advantage.
- Real world impact: as a long-term investor, a Plan can influence the real world around it in various ways. This can be done, for example, by making impact investments or voting at shareholders' meetings.
- Reputation: The pension scheme faces reputational risk towards its stakeholders (participants, Unilever, regulator) when it invests in an unsustainable way.



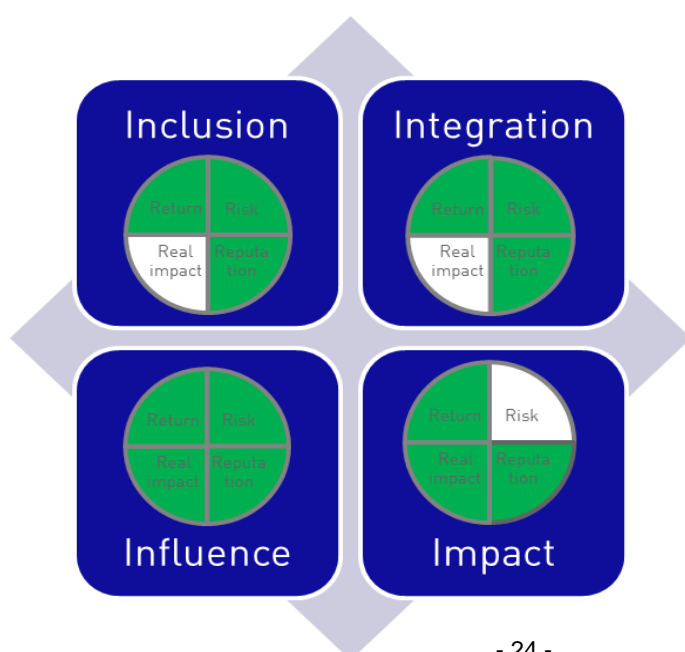
These objectives are still qualitative at this stage. This is partly due to the lack of complete and reliable data. Over time, the Plan will gain experience with ESG-related data (e.g. CO2 footprint, impact measures, etc.) in order to think about more quantitative targets in the long term. At the moment, the objective of the ESG policy is to run less risk, achieve at least the same return, achieve a positive real world impact and improve the reputation of the Plan.

#### A2.4 Instruments

In order to achieve the objectives set out above, there are four instruments available that can be applied in the plan's investments (the four I's):

- **Integration:** ESG elements are explicitly included in the investment decisions made by the Plan. This applies, for example, to the addition of new asset classes, the selection of asset managers by Univest Company, the monitoring of existing asset managers, the expectation that asset managers themselves take ESG factors into account when selecting individual investments.
- **Inclusion:** This is about defining the universe. This comprises exclusions (of companies that violate international treaties, for example) or inclusions (focus on investments that perform best in terms of ESG).
- **Influence:** as a long-term investor, the Plan can exert influence. This will often be done through active ownership (voting and engagement with companies).
- **Impact:** by making impact investments, the Plan can, in addition to achieving returns, directly contribute to improvements in the real world.

The instruments have a different effect on the objectives, which is shown in the underlying figure. To mitigate ESG risks, 'Inclusion', 'Integration' and 'Influence' are mainly used. To achieve real world impact, this will mainly be done through impact investing (and to a lesser extent 'Influence').





#### A2.5 Implementation of ESG policy

The Committee allocates the Plan's assets in line with the long-term interests of the beneficiaries, taking into account future financial returns and the resilience of these returns. Within its risk management policy, the Plan shall take into account, among other things, ESG risks and, where appropriate, identify ESG opportunities when making investment decisions. The Committee integrates ESG factors into investment decision-making across asset classes. However, some asset classes allow for more in-depth integration than others. In the selection of asset managers, ESG is considered as one of the selection criteria by Univest Company.

As indicated in the instruments available to the Committee for the implementation of the ESG Policy, attention is paid to the influence that the Plan can exert in its capacity as a long-term investor. This will often be done through active ownership (voting and engagement with companies).

External asset managers, including Univest investment funds, invest worldwide. For these investment funds, voting at shareholders' meetings is outsourced ('proxy voting') to specialized parties such as Hermes Equity Ownership Services. Hermes EOS makes recommendations to vote for or against a company's proposal, or to refrain from voting. Voting is carried out by another specialized party, namely ISS.

A similar process applies to the other asset managers.

In addition to voting, Hermes often also enters into dialogue with companies (the so-called 'engagement'). Hermes reports extensively on its voting and engagement behaviour.

### Annex 3 – Risk Management of Investments

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Below is a summary of the Investment Risks and how they are managed.

Investment Risk	Risk management comment
Market risk / Balance sheet risk	<p>Fluctuations in the financial markets influence the value of investments and can lead to negative effect on the balance sheet of the Plan. The risk of market value movements is assessed at an aggregate level.</p> <p><i>Controls</i></p> <p>The market risk is managed by conducting regular ALM studies and by diversifying across asset categories (portfolio construction). In the ALM study, risks are analysed based on risk/return expectations of asset categories and of relevant economic indicators. An estimate is made of the extent of this risk and its possible impact on the funding ratio. Given the risk attitude, it is determined which risks the Plan is willing to run. By determining bandwidths, the risk that the actual investments are not in line with the strategic desired direction is managed. If any bandwidth is exceeded, the Plan will receive input from Univest Company on the possible actions to be taken.</p>
Interest rate risk	<p>The Plan is exposed to interest rate risk because the value of some of its investments is sensitive to developments in interest rates. The degree of interest rate risk that the Plan runs is part of the ALM study and can be a welcome risk reduction compared to more risky investments.</p> <p><i>Controls</i></p>

	<p>The duration of fixed income investments is controlled by including restrictions in the various investment mandates in which the flexibility with respect to the desired duration is limited.</p> <p>In addition, by setting allocation ranges for the fixed income asset classes, it is ensured that the total interest rate risk is manageable.</p>
Inflation risk	<p>The Plan may decide – on a discretionary basis – to index the pensions in response to price inflation developments. Inflation risk includes the risk that the change in value of the investments will not move in line with inflation developments.</p> <p><i>Controls</i></p> <p>In the ALM study, scenarios of investment returns in a high inflation environment are analysed.</p> <p>The Plan has asset classes in its portfolio that respond positively in a high inflation scenario, such as inflation-linked government bonds and indirectly by investing in fixed-income investments that are linked to short-term interest rates.</p>
Currency risk	<p>The value of investments may change due to fluctuations in exchange rates against the euro. The Plan invests part of its portfolio outside the euro area. As a result, the Plan runs currency risk.</p> <p><i>Controls</i></p> <p>The currency risk is managed by means of the portfolio construction; by choosing a combination of investments in Euro and foreign currency, the currency risk is limited. In addition, for some of the investments, an investment fund is chosen in which the currency exposures in the investment fund itself are hedged.</p>

Credit risk	<p>The risk that a borrower will not meet their agreed payments or that a borrower's creditworthiness will decrease, causing financial damage to the lender. In addition, this also refers to the decrease in value of the bonds/loans as a result of a higher risk estimated by market participants.</p> <p><i>Controls</i></p> <p>In the ALM study and portfolio construction, an allocation to fixed income securities is determined on the basis of risk measures and a distribution within this category.</p> <p>Within the investment portfolios, limits are included on creditworthiness ratings of investments in instruments, countries and/or sectors. With regard to ratings, the aim is to achieve a 70% weight in investment grade (higher than BBB-) for fixed income investments.</p>
Concentration risk	<p>Insufficient diversification can lead to concentration risk, resulting in losses due to excessive sensitivity to one region, sector or individual issuer.</p> <p><i>Controls</i></p> <p>Concentration risk is managed in the ALM and portfolio construction by diversifying the portfolio over sufficient asset classes, risk categories and managers.</p>
Active risk	<p>Active risk refers to the extent to which the actual performance deviates from the performance of the portfolio's strategic benchmark.</p> <p><i>Controls</i></p> <p>Active risk is mitigated by restrictions in investment guidelines and mandate guidelines. The active risk is controlled by means of limiting the tracking error for active mandates. This limits the potential deviations from the benchmark.</p>

Custodian risk	<p>This includes the risk of loss of assets placed in custody due to insolvency, negligence, or fraudulent actions from the custodian.</p> <p><i>Controls</i></p> <p>Perform a good selection process with regard to the custodian and regularly monitor and reassess the custodian.</p>
Liquidity risk	<p>The risk that the Plan will not be able to meet its payment obligations in the short term.</p> <p><i>Controls</i></p> <p>Due to the closed nature of the Plan and the relatively large cash flow payments during the first few years, liquidity risk is important. To this end, a strategic weight of 1% of cash investments is maintained, which is supplemented on a regular basis by selling parts of the investments.</p> <p>The Plan currently invests only to a limited extent in relatively illiquid investments (10% mortgages, 10% diversified income and 2% impact investments). Although these investments cannot be liquidated in the short term, there is a regular cash flow from these investments (coupon, dividends, refinancing of mortgages, etc.).</p>
ESG Risks	<p>Investments with poor Governance or lack of a feasible strategy to cope with Social or Environmental risks could be negatively impacted. Environmental, Social and Governance aspects are considered as part of the investment strategy discussions.</p>