# Socially Responsible Investment policy

RESAVER PENSION FUND OFP

IORP registered by FSMA on 24 October 2016
under code 50.620

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# Introduction

Resaver Pension Fund has been set up to create a single European pension plan with the support of the European Commission to offer a tailored defined contribution pension plan for research organisations and their employees. The objective is to foster mobility, be more competitive to attract the best talent and create an attractive labor market for researchers with the idea to go beyond the local pension solutions and remain flexible for institutional customisation.

The Resaver defined contribution pension plan offers a number of investment choices to the plan members, based on a strategy defined by Resaver.

The terms 'Responsible Investment', 'Sustainable Investment' and 'ESG Investment' are often used interchangeably. They all refer to an investment approach in which Environmental, Social and Governance factors are integrated into the financial analysis carried out by an investor, and into the ongoing ownership considerations of the asset.

The Board has decided to elaborate this Socially Responsible Investment (SRI) policy to define how Resaver OFP takes social, environmental, ethical and corporate governance criteria into account in the investment choices. This policy is an integral part of the investment policy.

The following is described:

- The regulatory framework and the latest developments in the sustainability landscape.
- Conviction and objectives.
- Implementation in the DC investment options.
- The shareholder engagement policy and SFDR.

# Regulatory framework

There has been several initiatives and regulations developed around the sustainable topic. In this section, we briefly detail the main ones:

**General initiatives**

- **2000 – UN Global Compact**: Pact developed by the United Nations to encourage the business to adopt sustainable and responsible policies around 10 principles in the below domains:
    - Human rights
    - Labour
    - Anti-Corruption
    - Environment
- **2006 – Principles for Responsible Investment**: Set of 6 principles developed by investors, for investors to enhance the incorporation of ESG issues into investment practice.

- **2015 – UN Sustainable Development Goals**: 17 goals Developed by the United Nations to achieve a better and more sustainable future for all.
- **2016 - EU High Level Expert Group on Sustainable Finance**: Group to advice Commission with the aim to identify steps and deploy policies.
- **2018 - EU action plan on Sustainable Finance:** Roadmap on several topics (Taxonomy, label, duties investors, reporting)
- **2019 - EU Green Deal:** Strategy to transition the EU economy to a sustainable economic model achieving climate neutrality by 2050.

**European legislation**

- **IORP II (2016/2019):** EU Directive on the activities and supervision of IORPs with the integration of ESG in the SIP and in Risk Management.
- **Shareholder Rights Directive II (2017):** EU Directive which aims at encouraging long-term shareholder engagement to improve corporate governance and take long-term decisions.
- **Taxonomy (2020):** EU regulation which is the cornerstone of the EU's sustainable finance framework to enhance the market transparency. The helps to direct investments to the economic activities most needed for the transition, in line with the European Green Deal objectives.
- **Climate Related Benchmarks (2019):** to ensure coherence between member states and ensuring that investors are presented with unambiguous information concerning the environmental impact of any investment portfolio. 2 types of climate related benchmarks:
    - **EU climate Transition Benchmarks:** resulting benchmark portfolio is on a decarbonisation trajectory.
    - **EU Paris Aligned Benchmarks:** ensuring the benchmarks are aligned with the objectives of the "Paris Agreement" approved in 2016.
- **Sustainable Financial Disclosure Regulation (2019):** This transparency framework sets out how financial market participants have to disclose sustainability information. The objective is to help investors who seek to put their money into companies and projects supporting sustainability objectives to make informed choices. The outcome of the SFDR classification might be:
    - **Article 6:** Funds without a sustainability scope.
    - **Article 8:** Funds that promote environmental or social characteristics.
    - **Article 9:** Funds that have sustainable investment as their objective.
- **Corporate sustainability reporting (2022):** Directive that modernises and strengthens the rules concerning the social and environmental information that companies have to report.

# Conviction and objectives

Institutional investors play a pivotal role in sustainability, as their substantial financial influence can contribute towards environmentally and socially responsible practices. RESAVER OFP places significant emphasis on reducing its operational carbon footprint and continuously evaluates its investment choices, with ESG (Environmental, Social, and Governance) funds being an important component of its investment strategy. The Resaver Board is convinced that ESG is a crucial element that should always be taken into account in the company risk and opportunities to ensure its long-term success, in line with the UNs "who cares wins" report of 2004 showing that companies that perform better with regard to ESG can increase shareholder value.

The RESAVER Board of Directors is ultimately responsible for the investment policy of the fund and hence for the sustainability of its investment results in order to fulfil its ambitions in the future.

The following observations were already made by the Board:

- The Board of Directors discussed performance comparisons showing that investing in ESG funds could led to higher returns. However, this comes from an ESG bias and depends on the period observed. It doesn't guarantee higher returns in the future.
- Fees of pure passive ESG funds are similar to non-ESG passively managed funds. More advanced approaches such as Best-in-Class have increased fees and active ESG strategies are more expensive.

The initial objective is to select existing passive funds investing in a more sustainable universe, e.g. MSCI world ex tobacco ex controversial weapons, MSCI Global environmental index. In this ESG selection, the Board is taking the following into account:

- Level of fees
- Controlling operational risk
- Investment changes have to be driven by efficiency and simplicity.

The Resaver Board of Directors has the intention to add more ESG funds to the investment options within the above framework. As seen in the evolution of the different initiatives and regulations, the market has evolved strongly over the last years and offers now decent fund ranges covering various approaches to responsible investments. Those approaches might differ depending on the asset manager.

In addition to a strong attention to the ESG characteristics of the different funds, the Board will also consider the ESG impact of the asset managers as entity to ensure they comply with the initiative of the Board to increase the ESG impact of the Resaver OFP.

# Implementation

The Board of Directors aim to integrate sustainability into the complete investment cycle of the pension fund. The Board considered the following ESG approaches in the ESG fund universe. Generally, this is classified under the following categories (or a combination of these):

- ***Negative screening:*** Excluding poor Environmental, Social and Governance (ESG) performers and/or companies that are involved in controversial business lines, e.g. tobacco, gambling.
- ***Best-in-Class (positive screening):*** Investing in the top ESG performing companies across sectors.
- ***Thematic / Impact Investing:*** Investments focused on companies aiming to solve sustainable.
- ***ESG Integration:*** Incorporating ESG analysis into traditional investment process to the extent they are material to investment performance in order to enhance the risk return profile of an investment.

The Board will implement this policy over time.

In line with the objectives as stated in the above section, the Resaver Board decided in 2020 to add to the fund range a sustainable corporate bond fund which is classified 'Article 8' according to the SFDR regulation. As disclosed in the fund prospectus, this bond fund applies negative screening taking into account environment, social and governance criteria when selecting investments and is also committed to invest in accordance with the fund ESG policys.

In addition, 2 other funds 'the Euro Bond Fund' and the 'Dynamic Diversified Growth Fund' are also classified 'Article 8' applying negative screening.

A review of the ESG investment possibilities for the other asset classes is performed by the Board to allow Resaver OFP to further increase its scope of ESG funds and the operational implementation is considered.

The Resaver Board will continuously monitor the market to ensure the best investment choices are provided to members.

# Shareholder engagement policy

Within the framework of Directives EU 2017/828 of 17 May 2017 amending Directive 2007/36/EC on long-term shareholder engagement, RESAVER recognises the importance of its role as a shareholder and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which RESAVER invests as ultimately this in the best interest of RESAVER and its members.

Given the appointment of one asset manager and the investment in collective investment vehicles, RESAVER reviewed the shareholder engagement policy and activity of the investment manager. At this stage, RESAVER does not issue any other voting guidance to asset manager.

RESAVER will annually review the shareholder engagement activity of the asset manager and his reports on how the asset manager manages risk and executes its stewardship responsibilities. These reports may include detailed voting and engagement.

Through these reports the Board of Directors can monitor if the asset manager engagement process is sufficiently organised and implemented.

## SFDR statement

**Introduction**

On March 10, 2021, the European Regulation on disclosure of sustainability in the financial services sector (the Sustainable Finance Disclosure Regulation (SFDR)) entered into force. The SFDR is part of the EU Sustainable Financing Action Plan and contains new rules on the provision of information about the sustainability of investments.

The goal of the SFDR is transparency, to make products and financial market parties comparable and to combat greenwashing (pretending to be more sustainable than products are). The SFDR applies also to pension funds.

The pension fund complies with Regulation (EU) 2019/2088 of 27 November 2019 on disclosure of sustainability in the financial services sector (SFDR).

**Remuneration policy**

The pension fund's remuneration policy complies with Regulation (EU) 2019/2088 of 27 November 2019 on disclosures about sustainability in the financial services sector (SFDR). The pension fund pursues a remuneration policy that contributes to the prevention of (apparent) conflicts of interest, the prevention of taking unacceptable or undesirable risks, including sustainability risks, and the prevention of incurring costs that are not in the interest of stakeholders in the pension fund.

**Information about unfavorable factors**

RESAVER does not consider the main adverse impacts within the meaning of Article 4 of Regulation (EU) 2019/2088 of 27 November 2019 on disclosure of sustainability in the financial services sector (SFDR) and the upcoming secondary legislation. Several sustainability factors have been defined within the SFDR legislation, which relate to environmental and social issues, including human rights and labour relations. RESAVER does not explicitly take into account the most important adverse impacts within the meaning of the SFDR regulation when taking investment decisions, on the grounds of proportionality. This statement forms part of the transparency required under SFDR and serves as information to participants of RESAVER.

The pension fund classifies its pension scheme as a product without ecological or social characteristics (article 6). With the pension scheme, the fund does have the vision that as a long-term investor it can contribute to social value creation and to this end will include socially responsible investing where possible in the implementation of investments.

The EU Taxonomy is a classification system that provides insight into which financial products or economic activities are sustainable or "green" and which are not. The focus here is on the climate (ecological sustainability). The idea behind the EU Taxonomy is to prevent greenwashing of financial products and to use a clear definition of sustainable. For the time being, we indicate that 0% of our investments concern economic activities that can be regarded as environmentally sustainable under the Taxonomy Regulations.

The pension fund must disclose certain information under this Taxonomy Regulation. Although there may be investments in the RESAVER portfolio that contribute to an environmental objective according to the Taxonomy Regulation, the pension fund cannot yet indicate how and to what extent the investments in our portfolio are investments in economic activities that can be regarded as environmentally sustainable under the Taxonomy Regulation. This is because there is insufficient reliable, timely and verifiable data available on the underlying investments.

# Monitoring of the policy

For the sake of monitoring and improving the integration of sustainability into the investment cycle, this document is intended to be reviewed on an annual basis.