

# Statement of Investment Principles

## (SIP)

Official version



**Date of approval by the BoD:** 15 December 2020

**Date of ratification by the GA:** 16 December 2020

**Date of entry into force:** 31 December 2020

### **Institution for Occupational Retirement Provision**

**EXXONMOBIL OFP**

Hermeslaan 2

1831 Machelen


Identification number Belgian Official Gazette 2240/87

Judicial district Brussels

Enterprise number: 0432.957.916


Identification number issued by the FSMA: 50.246

IORP authorized on 11 January 1996

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## EXXONMOBIL OFF STATEMENT OF INVESTMENT PRINCIPLES

THIS STATEMENT OF INVESTMENT PRINCIPLES IS CONCLUDED BETWEEN:

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

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

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

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

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

**AND**

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

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


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

Company according to Dutch law having its statutory office at Rotterdam, The Netherlands and its address at Botlekweg 121, HAVENNR 4060, 3197 KA Botlek Rotterdam, number in the register of commerce 24231768, duly represented by J.L. Michiels and C. De Catelle, directors,

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

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

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

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**AND**

**Esso S.A.F.**

Having its statutory office at 20 rue Paul Héroult, 92000 Nanterre, France,  
duly represented by M. Antoine du Guerny, President,

**Esso Raffinage**

Having its statutory office at 20 rue Paul Héroult, 92000 Nanterre, France,  
duly represented by M. Antoine du Guerny, President,

**ExxonMobil Chemical France**

Having its statutory office at 20 rue Paul Héroult, 92000 Nanterre, France,  
duly represented by M. Antoine du Guerny, President,

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

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


**AND**

**EXXONMOBIL OFF**

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


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

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

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**WHEREAS:**

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

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## OBJECTIVE

### GENERAL

This Statement of Investment Principles (hereafter 'Statement') describes the basic assumptions of the investment policy of the ExxonMobil OFF (hereafter 'IORP').

This Statement is

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


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

The purpose of this Statement is to:

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

### DESCRIPTION AND FINANCING OF THE PENSION SCHEMES

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

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

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


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

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

#### THE PRINCIPLE OF PRUDENCE AS STARTING POINT

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

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

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## INVESTMENT BELIEFS

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

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

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

## SUSTAINABLE INVESTMENT POLICY

Environmental, social and governance aspects (ESG)

The IORP mainly invests in marketable securities, i.e. holdings of Euro denominated government bonds, and in index funds that consist of large and medium-sized companies worldwide. The IORP assumes that by admission of a company to a specific country controlled index, the company operates within the legal framework of the specific country. Because index strategies do not rely on active security-selection, index portfolio managers do not have the discretion to add or remove a company's securities to or from their portfolio as long as that company remains in the relevant index.


The IORP believes that companies with sound corporate governance practices, including how they manage the environmental and social aspects of their operations, better mitigate risk over the long term, and offer better risk-adjusted returns. The IORP believes that the market has the same available information and the same positive attitude towards ESG, therefore all evolutions of companies being rewarded for their environmental, social and governance performance, will be captured by the index the IORP is passively tracking.

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

EU Shareholder rights directive

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



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

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

The IORP is a participant in the following funds, together with other investors.

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


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

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

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


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

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

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

The IORP has appointed the ExxonMobil Treasurers' group, Benefits Finance & Investments ("BF&I") as advisor to the IORP. BF&I manages the global relationship with BlackRock, EMIM and HBP. BF&I communicates with the asset managers regularly on a formal and informal basis on a wide variety of issues, including voting practices. BF&I performs the annual compliance checks on ESG and shareholders rights on behalf of the IORP. The IORP's Investment Committee periodically reviews the practices with BF&I. The IORP will report on the outcome of these reviews in the annual report.

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## INVESTMENT PROCESS

### STRUCTURED INVESTMENT PROCESS

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

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

### ROLES AND RESPONSIBILITIES

#### **Board of Directors**

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

#### **General Assembly**


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

#### **Investment Committee**

The Board of Directors has appointed an Investment Committee which advises the Board of Directors about the investments. The Investment Committee is, among others, responsible to advise on the optimal investment structure of the IORP, the asset classes and the selection of the asset managers. The Investment Committee reviews the input and results of the Asset and Liabilities Management (ALM) studies.

The secretary of the Investment Committee ensures the implementation and the monitoring of the investment policy, within the framework established by the Board of Directors, being the “Statement of Investment Principles”.

#### **Investment advisors**

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The Board of Directors has an agreement with the Benefit Finance & Investment (BF&I) group of Exxon Mobil Corporation. This expert group compares the investment results of the IORP and the asset managers with the benchmarks and reviews the performance of the asset managers in a qualitative and quantitative way (performance, type of mandate, role manager, ...). BF&I is represented in the Investment Committee.

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

## OUTSOURCING

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

### *Asset management*

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

The asset managers receive a copy of this Statement.

### *Custodian*

Independent custodians are appointed. The custodians are responsible for administering the investments, as well as for the reporting, monitoring and compliance of the investments.


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

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

## IDENTIFICATION OF THE RISKS


The Board of Directors recognises that every Separate Fund is subject to certain risks. The IORP has an extensive risk register and control procedures in place. The most important investment risks are described below:

- **Mismatching Risk:** the risk of a mismatch between the performance of the assets in which the IORP invests and the evolution of the values of the liabilities. The IORP takes the risk into account that the returns of the asset classes could be lower than the expected returns when defining its investment policy. The IORP invests in a sufficiently diversified asset portfolio to limit this risk.

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Investing is linked to risks. By matching the average duration of the bond portfolio to the average duration of the liabilities, the IORP limits the interest rate risk.

- **Risk related to the performance of the asset manager:** the risk of a relevant difference between the expected performance and the performance achieved by the manager.
- **Concentration risk:** risk related to a lack of diversity in investments over and within asset classes. The risks are mitigated by spreading the investments over different asset classes and spreading them within these asset classes over regions and sectors and per region/sector over several companies/debtors.
- **Credit risk:** default risk of a debtor in relation to his bonds (payment of interests or reimbursement of the bond in the long term). The bond portfolio is invested in bonds which are minimally rated as 'investment grade' to limit the credit risk.
- **Liquidity risk:** the risk of insufficient liquidity (including immediately available assets) to cover the immediate liabilities. The asset allocation takes into account that sufficient cash is available and sufficient investments are quickly convertible in cash, whereby the following conditions must be met:
  1. The IORP must at all times be able to immediately cover at least one year of benefit payments.
  2. The liquidity must be such that, in times of crisis, the investment mix can be modified within 3 months to 80% bonds / 20% equities. This mix is considered to be prudent for a crisis scenario.
- **Exchange rate risk:** the currency positions will be strategically limited to approximately 30% of the global portfolio. Since 70% will be allocated to Euro fixed interest instruments and approximately 10% of the worldwide investments in equities are issued in Euro, the currency position is within this limit.
- **Custodian risk:** risk is governed by monitoring the custody arrangements. The persons who can make cash transfers and the account on which transfers can be made will be subject to limitations.
- **Demographic risk:** risk related to the extension of the life expectancy. The IORP will do what is necessary to measure these risks in function of the future demographic evolutions and take them into account when determining the asset allocation strategy. The IORP also insists that these risks will be taken into consideration on a regular basis by actuarial evaluations.
- **Legislation and Taxation risk:** risk of changing local and international legislative and taxation rules and treaties which may have an impact on the return of the different investment instruments. The IORP manages this risk by closely monitoring the (draft) legislation and via its compliance officer and legal advisors.

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- **Climate risks:** risks that may result from climate change and that could potentially impact the safety and soundness of individual institutions and have broader financial stability implications. The IORP believes that these risks are included in the valuation of companies in the index or the credit rating valuation of companies.

## RISK MANAGEMENT

The Board of Directors recognises that risks are inherent to every investment strategy for the assets of the IORP. The entire risk management of the investment strategy is described below.

### **Phase 1: Strategic Asset Allocation through ALM study - long term market risks**

The Board of Directors took the necessary steps to measure the long term investments risks - in function of the future liabilities - and take them into account when determining the strategic asset allocation strategy. An ALM study will take place on a regular basis (every 3 years and more frequent if necessary) to support this analysis. This ALM study will contribute to a solid long term investment policy. In the ALM study the investment policy will be applied to each Separate Fund and a separate reporting per Separate Fund will take place.


### **Phase 2: Investment limitations - investment type related risks**

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

The IORP assesses every investment purely on the basis of risk and return considerations. Market risks will be reflected by using standard deviation and tracking error. Credit ratings will be used for the credit risks.

In general, four broad asset classes can be distinguished on the basis of their market risk characteristics:

- *Bonds:* this category has the lowest historical volatility and has as an investment instrument the same characteristics as the pension liabilities and will therefore serve as a basic investment category.
- *Equities:* since pension liabilities have a long term character, it is suitable to invest a part of the assets of the IORP in equities since they are expected to generate a return in excess of bonds (risk premium) on a long-term basis; this category is characterised by a high to very high historical volatility.
- *Real Estate and/or Infrastructure:* classes that (if held directly) can contribute to diversification but are higher cost and have lower liquidity than equities; may require specialized expertise and may have higher concentration risks
- *Alternative Investments:* these asset classes have an extra diversifying effect compared to equities and bonds and this on a short-term, as well as on a long-term basis, but are also characterised by a historical volatility equal to or even higher than the historical volatility of

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equities. Alternative Investments contain all investments which cannot be placed in the other categories.

The monitoring of the asset manager and/or investment advisor, as described below, is an additional guarantee to limit the risk.

### MONITORING PROCESS INVESTMENT POLICY

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

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

#### *Performance Analysis*

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

The performance analysis shall contain at least the following elements:


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

Moreover it will be examined whether the asset manager respects all the limitations imposed by this Statement.

#### *Custodian*

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

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

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

#### Daily Management Committee

The Daily Management Committee is responsible for:

- comparing the strategic benchmark, given the investment goals of the ExxonMobil OFF;
- proposing and checking the investment mandates and benchmarks for the different portfolios and/or investment funds;
- administering the investment activities such as initiating contribution and withdrawal instructions, fee payments and oversight of fund accounts;
- reviewing how the asset managers implement the investment policy, and reviewing the compliance with the investment mandates;
- adequate reporting to the Investment Committee and the Board of Directors on the developments of the investments.



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## IMPLEMENTATION OF THE INVESTMENT POLICY

### STRATEGIC ALLOCATION WITH ACCOMPANYING BAND WIDTHS AND BENCHMARKS

The strategic allocation, with a division between the different investment sectors, is selected in such a way that, on the basis of the given liability structure, the best possible balance is provided between risk and return.

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


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

The Board of Directors has agreed the following investment framework:

<u>Class</u>	<u>Sector</u>	<u>Minimum</u>	<u>Strategic allocation</u>	<u>Maximum</u>	<u>Gross Benchmarks</u>
Bonds	<i>Euro Corporate Bonds</i>				<i>FTSE non-EGBI</i>
	<i>Long Duration Gov't Bonds</i>				<i>Specific benchmark<sup>1</sup></i>
	<b>Total LDI Bonds</b>	<b>60%</b>	<b>70%</b>	<b>80%</b>	
Equities	World All Countries				<i>MSCI ACWI IMI</i>
	Private Equity	<i>0%</i>		<i>5%</i>	<i>Specific benchmark<sup>2</sup></i>
	<b>Total Equities</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>	
Cash		<b>0%</b>	<b>0%</b>	<b>10%</b>	<i>Cash Index Euribor</i> <i>1m EUR</i>
	<b>TOTAL</b>		<b>100%</b>		

<sup>1</sup> Specific benchmark is calculated every month by an external party on the basis of the strategic mix of bonds in the portfolio.

<sup>2</sup> External party collects return information of other similar equity funds and ranks them to quartiles.

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

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

In exceptional circumstances, the Board of Directors can decide to temporarily (maximum 4 months) deviate from this investment mix.

### REBALANCING POLICY

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

### STRUCTURE AND AMOUNT OF MANDATES


There are several mandates for equities and bonds.

The portfolios have to be managed in the following way:

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

### PERFORMANCE OBJECTIVES FOR THE MANDATES

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

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### **LDI portfolio (passive management)**

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

- **Euro Corporate bonds (enhanced passive management)**

The portfolio must perform, compared to the abovementioned benchmarks, 0.5% per year better over a continuous period of 4 years and this with a tracking error of no more than 0.6%.

- **Euro Long duration portfolio (passive management)**

The portfolio invests in long-term government bonds and supranational organisations such as the European Investment Bank (EIB). This market cap weighed portfolio of governments and supranational organisations is corrected with a factor to reflect the credit worthiness.

- **World Equities (passive management)**

The portfolio must perform, compared to the abovementioned benchmarks, 0% per year better over a continuous period of 4 years and this with a deviation (tracking error) of no more than 0.5%.

- **Total portfolio (mix active and passive management)**

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

The manager must prove that the expertise which he practices when managing the portfolio is in proportion to the objectives of this portfolio, taking into account the chosen risk level.

### **ALLOWED INVESTMENT CATEGORIES:**


#### *Equities*

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

#### *Euro Bonds*

- Government bonds (nominal and inflation linked) only investment grade by Moody's and S&P
- Corporate bonds: only bonds that are rated at least investment grade by Moody's (Baa3) or S&P (BBB-).

#### *Euro Cash equivalents*

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All investments are made on regulated markets, except investments in private equity, collective investments undertakings and investments in bonds on the OTC-market.


## SECURITIES LENDING

Asset managers are allowed to engage in securities lending for the IORP within an agreed framework. Agreements are entered between the asset managers and the counterparties determining the specifications for each loan. The asset managers determine the appropriate counterparties, define the collateral requirements and ensure the systematic daily follow-up on activities. Gains from securities lending will be shared between the asset managers and the IORP. Furthermore, the asset managers agreed upon an indemnity guarantee, i.e. any shortfall due to a defaulting borrower will be compensated by the asset managers. This results in minimal risks for the IORP. Moreover, the OFF has discussed if its securities lending program is compatible with its ESG principles, considered the EU Regulation on Short Selling, and concluded no objections to enter into / continue its securities lending contracts with BlackRock and Northern Trust.

## PROHIBITED INVESTMENT CATEGORIES, FINANCIAL INSTRUMENTS AND TRANSACTIONS:

- Investments in financial instruments which are traded on non-regulated markets, except for investments in collective investment undertakings, private equity and investments in bonds on the OTC-market.
- Investments in bonds with a rating lower than “investment grade”. Investments which have been downgraded during the investment in the portfolio are sold without undue delay and in the interest of the IORP.
- Investments in derivatives, such as options, futures, interest rate swaps, currency swaps or equity swaps, unless they are used to reduce the investment risk.
- Lending or executing transactions which will lead to a debit valuation on the balance.
- Entering into leveraged transactions.
- “Sales and repurchase” (“REPO”) agreements, unless explicitly approved by the Board of Directors, and within the scope of relevant legislation and/or regulations.
- Executing transactions which need a credit facility, “margin payment” or every other form of investment including “pledging” the assets of IORP to third parties.
- Structured products, Synthetic products, Asset backed securities, Infrastructures, Hedge Funds, Hedge Funds of Funds.

The IORP does not enter into any investment transaction which is prohibited by national and/or international law. The IORP refrains from investments which encourage criminal behavior and/or are in direct connection with a violation of human rights or fundamental freedoms.

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## MISCELLANEOUS

### Separation of interest


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

### Written agreements concerning asset management

The written agreements must contain the same guidelines concerning the strategic asset allocation and band widths, the allowed and prohibited asset classes, the financial instruments and transactions, as well as the counter party risk, transparency and liquidity, as described in this Statement. All written agreements concerning asset management must be reviewed at least on an annual basis and, if necessary, be modified.

### Costs

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

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## REVISIONS


The topics treated in this Statement are constantly subject of discussion, inside and outside the IORP.

As a result, this Statement will be reviewed periodically and, if necessary, be modified. This will happen at least every three years.

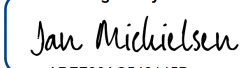
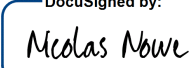



This Statement will also be promptly modified at every change in the nature of the liabilities, or if the financial market circumstances require so.


Following changes have been implemented:


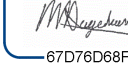
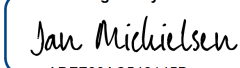
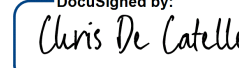
Date	Changes
Dec 2020	Include ESG, Shareholders Right paragraph, securities lending
July 2019	Include French Separate Fund – language changed to English
Dec 2017	Change of asset allocation (60/40 to 70/30)
Sep 2017	Full rewrite to include Dutch Separate Fund

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Drafted in Machelen, with entry into force on 31 December 2020.

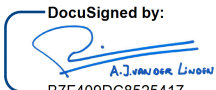
<p>For</p> <p><b><u>EXXONMOBIL PETROLEUM &amp; CHEMICAL BV</u></b></p> <p>DocuSigned by:    ADFDF80AC548145B...</p> <p><b>J.L. Michiels</b>  <b>Director</b></p>	<p>For</p> <p><b><u>EXXONMOBIL PETROLEUM &amp; CHEMICAL BV</u></b></p> <p>DocuSigned by:    C0085C82C2594BA...</p> <p><b>N. Nowé</b>  <b>Director</b></p>
<p>For</p> <p><b><u>EXXONMOBIL CHEMICAL EUROPE INC.</u></b></p> <p>DocuSigned by:    84CB6D0EE28C495...</p> <p><b>D. Michiels</b>  <b>Legal representative</b></p>	
<p>For</p> <p><b><u>ESSO NEDERLAND B.V.</u></b></p> <p>DocuSigned by:    ADFDF80AC548145B...</p> <p><b>J.L. Michiels</b>  <b>Director</b></p>	<p>For</p> <p><b><u>ESSO NEDERLAND B.V.</u></b></p> <p>DocuSigned by:    A661D18AA615435...</p> <p><b>R.M. de Jong</b>  <b>Director</b></p>


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<p>For <b><u>EXXONMOBIL FINANCIAL SERVICES B.V.</u></b></p> <p>DocuSigned by:  1484AF806FD14D1...</p> <p><b>M.M.H.W. Speklé</b> Director</p>	<p>For <b><u>EXXONMOBIL FINANCIAL SERVICES B.V.</u></b></p> <p>DocuSigned by:  67D76D68FA18493...</p> <p><b>M.J. Hagedoorn</b> Director</p>
<p>For <b><u>EXXONMOBIL CHEMICAL HOLLAND B.V.</u></b></p> <p>DocuSigned by:  ADFF80AC548145B...</p> <p><b>J.L. Michielsen</b> Director</p>	<p>For <b><u>EXXONMOBIL CHEMICAL HOLLAND B.V.</u></b></p> <p>DocuSigned by:  ABFE54F970CD4EB...</p> <p><b>C. De Catelle</b> Director</p>



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<p>For <b><u>ESSO S.A.F</u></b></p> <p>DocuSigned by: <b>ANTOINE DU GOERNY</b> 191C5328EC9D469...</p> <p><b>M.A. du Guerny</b> <b>President</b></p>	<p>For <b><u>ESSO RAFFINAGE S.A.S.</u></b></p> <p>DocuSigned by: <b>ANTOINE DU GOERNY</b> 191C5328EC9D469...</p> <p><b>M.A. du Guerny</b> <b>President</b></p>
<p>For <b><u>EXXONMOBIL CHEMICAL FRANCE S.A.S</u></b></p> <p>DocuSigned by: <b>ANTOINE DU GOERNY</b> 191C5328EC9D469...</p> <p><b>M.A. du Guerny</b> <b>President</b></p>	
<p>For <b><u>The IORP</u></b></p> <p>DocuSigned by:  A.J. van der Linden B7F409DC8525417...</p> <p><b>A.J. van der Linden</b> <b>Director</b></p>	<p>For <b><u>The IORP</u></b></p> <p>DocuSigned by: <b>Ann Cuypers</b> 5A9825D2DED34CB...</p> <p><b>A. Cuypers</b> <b>Director</b></p>

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## ANNEX 1: LEXICON

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


- **Plan Members:** Plans Members are the persons who are or have been affiliated to the Pension Schemes managed and implemented by the IORP. In the Dutch legislation they are called “participants, deferred participants and retirees” (“deelnemers, gewezen deelnemers en gepensioneerden”). The following distinction is made:
  - Active Plan Member: the employee bound by the Sponsoring Undertaking and meeting the affiliation conditions of one of the Pension Schemes managed by the IORP (“participant” / “deelnemer”);
  - Deferred Plan Member: the former Active Plan Member or former Disabled Plan Member who kept his Accrued Pension Rights in the IORP after Departure (“deferred participant” / “gewezen deelnemer”);
  - Disabled Plan Member: the Plan Member entitled to a disability or work incapacity indemnity according to one of the Pension Schemes managed by the IORP (“disabled participant” / “invalide deelnemer”);
  - Retired Plan Member: the former Active, Disabled or Deferred Plan Member who receives a pension annuity from the IORP following one of the Pension Schemes managed by the IORP (“retiree” / “gepensioneerde”).
- **ABO:** Accumulated Benefit Obligation, the obligation as accrued today and based on the current situation, without taking into account future events (such as salary increases).
- **Separate Fund:** a legally separate fund as defined in the Belgian Act of 27 October 2006 on the supervision on Institutions for Occupational Retirement Provision.
- **General Assembly :** as defined in the Bylaws of the ExxonMobil OFF.
- **Beneficiaries:** all persons, other than the Plan Members, who according to the terms and conditions of one of the Pension Schemes, receive an annuity from the IORP (e.g. the partner of a (former) plan member or retiree, the children of a (former) plan member).
- **Sponsoring Undertaking:** a company of the ExxonMobil Group that is a member of the General Assembly of the IORP
- **Collective value transfer:** a collective transfer of assets and liabilities from the IORP to another recognised pension provider, in line with the applicable social and labour legislation.
- **Database Occupational Pensions:** a database containing data on the pension accrual. In the Netherlands this is the website [www.mijnpensioenoverzicht.nl](http://www.mijnpensioenoverzicht.nl) made available to the public by the Stichting Pensioenregister for the public. In Belgium this is the Database Occupational Pensions (DB2P) managed by the vzw SiGedis.
- **Financing Plan:** the agreement between the IORP and the Sponsoring Undertakings describing the financing rules applicable to the Sponsoring Undertakings as follows:

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- The general part of the Financing Plan regulates the financing rules applicable to all Sponsoring Undertakings within both Separate Funds and the IORP as a whole;
  - This general part is completed by the Partial Plans, which are only applicable to the Sponsoring Undertakings linked to a specific Separate Fund.
- **Approval:** in The Netherlands this signifies “Instemming” / “consent”.
  - **Recovery Plan:** a recovery measure requested or imposed by the FSMA (the supervisor) on the IORP when problems occur on the asset or liability side of the pension fund or when the pension fund is in a general situation of insolvency.
  - **Revaluation:** Increase of accumulated pension reserves or annuity according to Pension Schemes.
  - **IORP:** the institution for occupational retirement provisions as defined in the Belgian Act of 27 October 2006 on the supervision of institutions for occupational retirement provision.
  - **Member State:** a Member State of the European Economic Area in which the Sponsoring Undertakings are located.
  - **Annuities in Payment:** all annuities in payment (“pensioenen” / “pensions”), which are paid according to the terms and conditions of one of the Pension Schemes to the Plan Members and / or the Beneficiaries.
  - **Obligation of Means:** the obligation of the IORP to manage the funds entrusted to it in the most efficient way possible in view of operating the Pension Schemes.
  - **Accrued Pension Rights:** the accrued pension benefits to which the Active, Disabled, Deferred and Retired Plan Members or possibly the Beneficiaries are entitled and which are determined, calculated and paid according to the applicable Pension Schemes and/or legal provisions.
  - **Pension Scheme:** an agreement between the Sponsoring Undertaking and its (former) employees determining which pension benefits are granted and under which conditions.
  - **Board of Directors:** as defined in the Bylaws of the ExxonMobil OFF.
  - **Probability of Reactivation:** probability to recover, to be available again to work after a disability pension has been granted.
  - **Consolidation Plan:** a preventive measure requested or imposed by the FSMA (the supervisor) on the IORP to prevent that the funding or the assets of the pension fund would be insufficient or to prevent that the rights of the plan members or beneficiaries are at risk on account of the deterioration of the pension fund’s financial situation.
  - **Solvency margin:** the margin to be maintained for the risks of death, disability and incapacity to work according to RD 12 January 2007 executing the IORP Act.
  - **Departure:** the termination of the employment contract with the Sponsoring Undertaking for another reason than retirement or death. According to Belgian law it refers to the departure as defined in article 3, §1, 11° of the Act on Occupational Pensions of 28 April 2003.

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- **Outsourcing Policy:** the policy determined by the Board of Directors of the IORP, to be followed when the IORP wishes to outsource specific tasks to specialized service providers or to a Sponsoring Undertaking, and defining the outsourcing conditions.
  
- **Statement of Investment Principles or Strategic Investment Policy (“SIP”):** the investment policy determined by the IORP for the assets of the Separate Funds, which are managed strictly separately.
  
- **Vested Reserves:** the Accrued Pension Rights which the Plan Member would receive at the calculation date as if he would depart at the calculation date and the payment of contributions would be stopped as a result thereof.
  
- **Legal Interests:** the legal interest rate applicable in case of payment arrears, as determined by the applicable legislation.

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## ANNEX 2: REPORTING

The Assets Managers and the ExxonMobil OFP and/or the BF&I group of Exxon Mobil Corporation, will meet on a regular basis and at least every six months. During these meetings they will discuss the implementation of this Statement by the Asset Managers. By doing so, the ExxonMobil OFP can ascertain that the Asset Managers implement this Statement in a competent way and that they have the required knowledge and experience to manage the Assets of the ExxonMobil OFP.

The Asset Manager undertakes to monthly provide a written report about the Portfolio. This report will be drafted in a sufficiently clear way.

This monthly report shall at least contain the following elements per Separate Fund:

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


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

The Asset Manager keeps a permanent inventory of the Assets under Management which the ExxonMobil OFP can request at any time.

The Asset Manager undertakes to immediately report the ExxonMobil OFP about emergencies and all important problems which might have a significant influence on the implementation of this Statement.

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

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

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## ANNEX 3: SEPARATE FUND VARIABLES AND ALM SUMMARIES

### **Belgian Separate Fund**

#### Variables 2020

Duration 12 years

ABO calculated discount rate 2.7%

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

<u>Class</u>	<u>Sector</u>	<u>Minimum</u>	<u>Strategic allocation</u>	<u>Maximum</u>
Bonds	Euro Corporate Bonds	55	67	75
	Long Duration Gov't Bond Portfolio	25	33	45

#### Continuity test and ALM summary (Sep 2019)


##### Dataset

The file of the Plan Members is based on the situation ultimo 2018. The file is developed conform the following principles:

- The expected retirement age is:
  - o Born before 1962 63
  - o 1962 – 1998 64
  - o As of 1999 65
- The possibility of withdrawal from service varies according to age from 5% for younger employees to 1% for older employees.
- The ratio man/woman: 25% of all entrants are woman.
- The annual promotion percentage depends on the age and is on top of the expected general increase of 2% and varies from 5% for younger employees to 1% for older employees.
- The benefit at retirement is a lump-sum.
- Mortality table: MR/FR with an age correction of 5 years

The Pension Scheme applicable on 1/1/2019 is used as the basis for the accrual of future benefits.

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

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	15 yrs. average	Standard deviation
Price inflation	2.0%	N.A.
Government bonds	1.2%	6.0%
Corporate bonds (Euro)	1.9%	6.9%
Equities (developed markets)	5.5%	17.8%


With this input, insight is given in the financial results for the coming 15 years such as pension premium, fund solvency and investment returns based on the risk profile with 30% equities and 70% bonds. Additionally, scenarios were drafted for 80/20 and 100/0 (fixed interest/equities) investment portfolio's.

Fund solvency (based on LTP)

	70/30	80/20
Funding ratio (LTP) before additional contributions	70/30	80/20
Average % (over a 15-year period)	79.2	77.3
2.5% percentile	56.2	58.8
97.5% percentile	104.2	97.9
Probability % funding ratio < LTP	44.2	48.3

Premium

	70/30	80/20
Pension premium (as % of total salary mass)	70/30	80/20
Premium paid upfront (%)	8.5	9.3
Year end additional contribution (if underfunded)	17.4	16.9
Paid premium – total	16.2	17.7
2.5% worst scenarios	25.2	25.2
2.5% best scenarios	8.2	10.8
Probability of an additional contribution	44.2	48.3

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### Investment returns

Investment return	70/30	80/20
Investment return (net) %	2.7	2.3
Standard deviation %	8.0	7.3

### Continuity test

The objective of the continuity test is twofold:


1. Determine the minimum required buffer above the STP to meet the risk budget parameters
2. Prove that the prudential assumptions used for the LTP technical reserve are 'robust' enough to meet the risk budget parameters

For the continuity test one calculates 1000 return scenarios per prognosis year to determine both the year 1 probability of STP underfunding and the annual probability that ruin occurs over a longer horizon. The following assumptions are used:

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

		After year 1 Max 5% probability FR < STP	20 year run-off Max 25% probability assets < 0	ABO Implicit discount rate
Asset mix	Buffer (%)	%	%	%
70/30	17.5	4.1	11.5	2.7
80/20	17.5	4.0	10.3	2.7



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### Dutch Separate Fund

#### Variables 2020

Duration 19 years

ABO calculated discount rate 2.5%

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

<u>Class</u>	<u>Sector</u>	<u>Minimum</u>	<u>Strategic allocation</u>	<u>Maximum</u>
Bonds	Euro Corporate Bonds	15	28	35
	Long Duration Gov't Bond Portfolio	65	72	85

#### Continuity test and ALM summary (Sep 2019)

##### Dataset


The file of the Plan Members is based on the situation ultimo 2018. The file is developed conform the following principles:

- The expected retirement age is 68
- The possibility of withdrawal from service varies according to age from 4% for younger employees to 1% for older employees.
- The ratio man/woman: 19% of all entrants are woman.
- The annual promotion percentage depends on the age and is on top of the expected general increase of 2% and varies from 6% for younger employees to 1% for older employees.
- The benefit at retirement is an annuity.
- Mortality table: AG2018, with correction factors 'Mercer high'

The Pension Scheme applicable on 1/1/2019 is used as the basis for the accrual of future benefits.

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

	15 yrs. average	Standard deviation
Price inflation	2.0%	N.A.
Government bonds	1.2%	6.0%
Corporate bonds (Euro)	1.9%	6.9%
Equities (developed markets)	5.5%	17.8%

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With this input, insight is given in the financial results for the coming 15 years such as pension premium, fund solvency and investment returns based on the risk profile with 30% equities and 70% bonds. Additionally, scenarios were drafted for 80/20 and 100/0 (fixed interest/equities) investment portfolio's.

#### Fund solvency (based on STP)


Funding ratio (STP) before additional contributions	70/30	80/20
Buffer %	20.0	15.0
Average % (over a 15-year period)	122.9	116.9
2.5% percentile	103.2	102.3
97.5% percentile	144.8	133.1
Probability % funding ratio < LTP	38.0	38.5

#### Premium

Pension premium (as % of total salary mass)	70/30	80/20
Premium paid upfront (%)	69.5	66.6
Year end reimbursement (-)/additional contribution (+)	-39.0	-25.3
Paid premium - total	30.5	41.3
2.5% worst scenarios	418	332
2.5% best scenarios	-324	-216
Probability of an additional contribution	38.0	38.5
Size of an additional contribution	135.2	100.5
Probability of a reimbursement	62.0	61.5
Size of a reimbursement	146.7	104.9

#### Investment returns

Investment return	70/30	80/20
Investment return (net) %	2.3	1.9
Standard deviation %	10.4	10.7

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### Continuity test


The objective of the continuity test is twofold:

1. Determine the minimum required buffer above the STP to meet the risk budget parameters
2. Prove that the prudential assumptions used for the LTP technical reserve are 'robust' enough to meet the risk budget parameters

For the continuity test one calculates 1000 return scenarios per prognosis year to determine both the year 1 probability of STP underfunding and the annual probability that ruin occurs over a longer horizon. The following assumptions are used:

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

		After year 1 Max 5% probability FR < STP	20 year run-off Max 25% probability assets < 0
Asset mix	Buffer (%)	%	%
70/30	20	3.1	0.4
80/20	15	4.0	0.0

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### **French Separate Fund**

#### Variables 2020

Duration 14 years

ABO calculated discount rate 2.7%

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

<u>Class</u>	<u>Sector</u>	<u>Minimum</u>	<u>Strategic allocation</u>	<u>Maximum</u>
Bonds	Euro Corporate Bonds	40	47	60
	Long Duration Gov't Bond Portfolio	45	52	65

#### Continuity test and ALM summary (Sep 2019)

##### Dataset


The file of the Plan Members is based on the situation ultimo 2018. The file is developed conform the following principles:

- The expected retirement age is 62
- The possibility of withdrawal from service varies according to age from 10% for younger employees to 0% for older employees.
- The ratio man/woman is the YE 2018 ratio man/woman for pensioners.
- The annual promotion percentage depends on the age and is on top of the expected general increase of 2% and varies from 5% for younger employees to 0.5% for older employees.
- The benefit at retirement is an annuity.
- Mortality table: TGH/TGF05

The Pension Scheme applicable on 1/1/2019 is used as the basis for the accrual of future benefits.

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

	15 yrs. average	Standard deviation
Price inflation	2.0%	N.A.
Government bonds	1.2%	6.0%
Corporate bonds (Euro)	1.9%	6.9%
Equities (developed markets)	5.5%	17.8%

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With this input, insight is given in the financial results for the coming 15 years such as pension premium, fund solvency and investment returns based on the risk profile with 30% equities and 70% bonds. Additionally, scenarios were drafted for 80/20 and 100/0 (fixed interest/equities) investment portfolio's.

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

#### Fund solvency (based on LTP)


Funding ratio (LTP) after additional contributions	70/30	80/20
Average % (over a 15-year period)	104.7	103.2
2.5% percentile	100.0	100.0
97.5% percentile	120.1	115.9
Probability % funding ratio < LTP	0.0	0.0

#### Premium

Pension premium (MEuro)	70/30	80/20
Premium paid upfront	30.6	31.5
Paid premium – total	37.3	38.2
2.5% worst scenarios	79.1	75.7
2.5% best scenarios	15.9	18.4
Probability of an additional contribution	38.2	42.3

#### Investment returns

Investment return	70/30	80/20
Investment return (net) %	2.7	2.3
Standard deviation %	8.0	7.3

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### Continuity test

The objective of the continuity test for France is to prove that the prudential assumptions used for the LTP technical reserve are 'robust' enough to meet the risk budget parameters. For the French case with only annuitants there is no STP defined in the financing plan. For the continuity test the analysis is made on an ABO calculated with a discount rate of 2.5% (calculated according to appendix A of the financing plan). An implicit buffer is then calculated versus the LTP calculated with discount rate of 1.3% as set in the financing plan. This results in a buffer of 18%.

For the continuity test one calculates 1000 return scenarios per prognosis year to determine both the year 1 probability of STP underfunding and the annual probability that ruin occurs over a longer horizon. The following assumptions are used:

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

		After year 1 Max 5% probability FR < STP	20 year run-off Max 25% probability assets < 0	ABO Implicit discount rate
Asset mix	Buffer (%) (vs. ABO @ 2.5%)	%	%	%
70/30	18	3.5	6.3	1.3