



Statement on principal adverse impacts of investment decisions on sustainability factors

June 2023

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1. Summary

Financial market participant APG Asset Management N.V., LEI 549300XWC21UGFTCR876

APG Asset Management N.V. ('APG AM', LEI: 549300XWC21UGFTCR876) considers principal adverse impacts of its investment decisions on sustainability factors. The underlying statement is the consolidated statement on sustainability factors of APG AM.

In this principal adverse impacts statement we describe our overall approach to identify, prioritize and address principal adverse impacts of our investment decisions on sustainability factors. It covers the reference period from 1 January 2022 to 31 December 2022. It is an updated version of the previous APG AM principal adverse impacts statement, published in December 2022.

The consideration of principal adverse impacts is part of APG AM's due diligence and investment processes. Principal adverse impacts relate to climate- and other environment-related indicators, and to social and employee matters, respect for human rights, and anti-corruption and anti-bribery matters. Several principal adverse impacts that we deem important are structurally and systematically considered, where possible and feasible, for financial products that promote environmental and social characteristics. The way and extent to which principal adverse impacts are considered differs between financial products and is documented in the specific financial product disclosures, in line with the requirements and timelines of the EU Sustainable Finance Disclosure Regulation (SFDR).¹

This statement covers all the 18 SFDR mandatory principal adverse impact indicators, and the following additional 4 principal adverse impact indicators on sustainability factors.

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| | |
|-----------|--|
| Emissions | 4. Investments in companies without carbon emissions reduction initiatives |
|-----------|--|

SOCIAL AND EMPLOYEE MATTERS, RESPECT FOR HUMAN RIGHTS, AND ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

| | |
|----------------------------------|---|
| Human Rights | 9. Lack of a human rights policy |
| | 14. Lack of due diligence |
| Anti-corruption and anti-bribery | 16. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery |

Table 1: Additional Principal Adverse Impact indicators

On a fund level, we use the [APG ESG Issue Guidebook](#) to identify and prioritize the most important principal adverse impacts on sustainability factors and long-term value creation, to highlight potential focus areas for portfolio investments across different sectors and to outline a framework that supports analysis and engagement around key themes. The contents are relevant for most investment strategies, although the ways in which engagement guidance is applied for investment decisions may differ.

¹ The sustainability-related disclosures of APG AM's financial products can be found at: [Sustainability-related disclosures | Homepage - Asset Management \(apg.nl\)](#)

To further identify, prioritize and address the principal adverse impacts on sustainability factors in the investment process, APG AM makes use of a number of policies and approaches, including the:

- **Climate Action Plan** which describes our approach to measuring the CO₂ footprint of our investments and to steering the portfolio towards Net Zero emissions in 2050 or sooner, and invest in solutions that contribute to the transition towards a low-carbon economy;
- **Climate Risk Policy** which describes the way APG AM defines, measures, manages and reports on climate-related risks and opportunities, both at the total client portfolio level as well as for specific investment strategies;
- **Corporate Governance Framework & Voting Policy** which sets out APG AM's corporate governance and sustainability expectations of listed companies and how these are integrated in the voting decisions at shareholder meetings of companies in which we invest on behalf of our clients;
- **Exclusion Approach** to identify companies and sovereign bonds which APG AM does not invest in on behalf of clients;
- **Inclusion Approach** through which we define and identify the issues we prioritize surrounding conduct and performance, both in the context of the UN Global Compact themes and the expectations of investors and companies under the OECD Guidelines, enabling APG AM to identify companies in the portfolio that are leading on ESG², and;
- **Sustainable Development Investment Approach** whereby APG AM actively seeks investments which contribute to the Sustainable Development Goals (SDGs).

The table below provides an overview of the extent to which the APG AM policies and approaches apply to the asset classes we invest in on behalf of our clients.

| Asset class | Climate Action Plan | Climate Risk Policy | CG Framework & Voting Policy | Exclusion Approach | Inclusion Approach | SDI Approach |
|----------------------|---------------------|---------------------|------------------------------|--------------------|--------------------|----------------|
| Listed equity | √ | √ | √ | √ | √ | √ |
| Credits | √ | √ | | √ | √ | √ |
| Real estate | √ | √ | √ (listed) | √ | √ | √ |
| Mortgages | √ | √ | | √ | | √ |
| Sovereign bonds | √ | √ | | √ | | √ ³ |
| Private equity | √ | √ | | √ | | √ |
| Infrastructure | √ | √ | | √ | | √ |
| Alternative credits | √ | √ | | √ | | √ |
| Illiquid commodities | √ | √ | | √ | | |
| Thematic investments | √ | √ | | √ | | √ |
| Hedge funds | | √ | | √ | | √ |
| Liquid commodities | | √ | | √ | | |

Table 2: Asset classes covered by APG AM Policies and Approaches

² The Inclusion Approach is currently under review and we expect to begin implementing the revised approach in 2023. This will involve stricter criteria in identifying leaders and laggards, and a closer integration of the PAI indicators.

³ Only for labelled bonds.



2. Description of the principal adverse impacts on sustainability factors

The table below shows how APG AM considered the principal adverse impacts of our investment decisions on sustainability factors for the 18 mandatory, and 4 additional indicators in reference year 2022. Furthermore, the table describes the actions taken, and actions planned and targets set for the reference period.⁴

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

| Adverse Sustainability Indicator | Metric | Impact (year n) | Impact (year n-1) | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|----------------------------------|------------------|-----------------------|-----------------------|---|---|
| Greenhouse gas emissions | 1. GHG emissions | Scope 1 GHG emissions | 9.430.481,05 | GHG emissions of investee companies, in proportion to the position we hold in those companies. Note that the value of this PAI depends not only on the investment choices we make, but also on our size. Data for this PAI is widely available. | <p>Climate action plan</p> <p>In December 2022 APG AM published its Climate Action Plan as required by the Commitment of the Financial Sector to the Dutch Climate Agreement, outlining our 2023 goals towards a Net Zero portfolio in 2050. In 2030, we aim to have reduced the absolute CO2 footprint of our listed equity and credit portfolios by 50% compared to 2019. In addition, we apply strict climate criteria for companies to be investable and outline clear climate expectations in our stewardship activities, including engagement and voting. APG AM already established CO2 footprint measurement and set climate targets for investments in listed equity, credits and real estate. We aim to progressively phase in measurement and target setting for all other types of investments as well.</p> <p>Climate risk policy</p> <p>Based on the Climate risk policy, APG AM further developed its approach to:</p> <ul style="list-style-type: none"> - identify, assess, manage and disclose climate-related risks and opportunities in the portfolio; and; - take meaningful action to contribute to mitigating climate change in line with the commitments made by APG AM and its clients and align |
| | | | Scope 2 GHG emissions | | |

⁴ The extent to which asset classes which are in scope for the actions taken, and actions planned and targets set for the next reference period is clarified in the table on page 4.

| | | | | | |
|---------------------|------------------|-----------------------|---------------|---|--|
| | | Scope 3 GHG emissions | 84.687.697,11 | GHG emissions of investee companies, in proportion to the position we hold in those companies. Note that the value of this PAI depends not only on the investment choices we make, but also on our size. | the portfolio with the goals established in the Paris Climate Agreement. The climate targets set, and instruments applied are described in detail in the APG AM Climate action plan. |
| | | Total GHG emissions | 84.687.697,93 | The sum of Scope 1 and Scope 2 GHG emissions. | |
| 2. Carbon footprint | Carbon footprint | Carbon footprint | 35,45 | GHG emissions from investee companies divided by the size of our portfolio. Based on our carbon footprint target, we measure how much carbon is emitted by companies in which this product and how much of this can be attributed to these companies. PAI 2, therefore, unlike PAI 1, does not depend on our size. In other disclosures where we mention our carbon footprint, it is often related to the size of our equity and credit portfolios, rather than our total portfolio. This may give a different outcome. | <p>Inclusion Approach</p> <p>APG AM assessed:</p> <ul style="list-style-type: none"> - whether companies are involved in controversies around GHG emissions; - the quality of companies' air emissions programmes relative to peers; - assess whether companies are involved in controversies around GHG emissions. <p>Indicators used for GHG emissions and the GHG intensity of companies are:</p> <ol style="list-style-type: none"> Carbon impact of Products Energy Use and GHG Emissions Long-term emissions reduction target Air Emissions Programmes <p>Furthermore, we apply strict climate criteria for companies to be investable. For instance, we:</p> <ul style="list-style-type: none"> - do not invest in companies that derive more than 30% of revenues from coal mines or more than 20% from tar sands; - do not invest in energy utility companies that plan to invest in new coal-fired power generation; - assess whether high impact companies in the oil & gas and utility sectors have a long-term quantitative CO₂ reduction target; we do not invest in companies that make insufficient commitments. <p>Indicators used for the identification of companies active in the fossil fuel sector are:</p> <ol style="list-style-type: none"> Exposure to coal mining or tar sands Coal expansion |

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|----|--|---|---------------|---|---|
| 3. | GHG intensity of investee companies | GHG intensity of investee companies | 101,87 | GHG emissions of investee companies divided by their revenue. | On behalf of our largest client we are in the process of selling all its investments in fossil fuel producers. We expect the majority to be sold in 2023. |
| 4. | Exposure to companies active in the fossil fuel sector | Share of investments in companies active in the fossil fuel sector | 5,08 | Share of investments in companies active in the fossil fuel sector in the total investment portfolio. The number shown is an average for the 2022 financial year. During the year, this number decreased sharply. | <p>Engagement</p> <p>APG AM engaged with companies in high climate impact sectors on their climate strategies and disclosures. We engaged with investee companies to reduce their CO₂ emissions and promote the transition to low-carbon business models. We do this individually and in collaboration with other major investors through Climate Action 100+. APG AM is also a member of the Dutch Climate Coalition (DCC), a collaborative initiative by Dutch financial institutions to engage with carbon intensive companies on their alignment with the Paris Climate Agreement. These engagements will be continued in the next reference year.</p> |
| 5. | Share of non-renewable energy consumption and production | Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as percentage | 10,79 1,54 | <p>The sum encompasses energy consumption of non-renewable energy sources: coal, nuclear and undefined energy sources, as well as biomass. This figure is the weighted average across the portfolio. The availability of data for this PAI is very limited. This affects the reliability of the number shown.</p> <p>Coal, nuclear, gas and oil are considered non-renewable. This figure is the weighted average across the portfolio. The availability of data for this PAI is ample.</p> | <p>Voting Policy</p> <p>Ahead of the 2022 AGM season, we tightened our voting policy regarding climate-related governance, disclosure and targets for companies in the energy sector and in sectors with a high climate impact, e.g. industry and transportation.</p> <ul style="list-style-type: none"> - In principle, we supported shareholder climate resolutions, unless there are weighty reasons (e.g. legal objections) not to do so. - If companies put their climate strategy to a shareholder vote, we only supported the strategy if it includes a Net Zero ambition and is demonstrably aligned with the goal to limit global warming to 1.5 °C. - We expect companies in high-impact sectors to have a governance structure that supports their climate strategy, to be transparent about their climate impact and to set clear, science-based targets for reducing scope 1,2 & 3 emissions; if a company failed to meet one or more of these expectations, we voted against reappointment of the Chair of the Board. |

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| | | | | <ul style="list-style-type: none"> - We voted against remuneration proposals at companies in high-impact sectors that do not contain clear and relevant sustainability-linked performance targets. <p>For the 2023 AGM season, we further tightened our voting policy regarding climate-related governance, disclosure and targets for companies in the energy sector and in sectors with a high climate impact. More specifically, this means that APG AM will vote against:</p> <ul style="list-style-type: none"> - the (re)-election of the board chair and (if up for shareholder approval) against the climate strategy at companies that do not disclose their carbon footprint; - the approval of the remuneration policy and/or remuneration report at companies with a high climate impact, and which have not included a sustainability or climate-related performance criterion in the remuneration policy; - the (re)-election of the board chair and (if up for shareholder approval) against the climate strategy at companies operating in sectors and activities with a high climate impact that have not set targets in line with a 1.5-degree pathway. |
| <p>6. Energy consumption intensity per high impact climate sector</p> | <p>Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector</p> <ul style="list-style-type: none"> - Agriculture, Forestry and Fishing: - Mining and Quarrying: - Manufacturing: - Electricity, Gas, Steam and Air Conditioning Supply: - Water Supply; - Sewage, Waste Management and | <p>0 0,03 0,01 0 0</p> | <p>Energy consumption in GWh per million euros of income of investee companies, by high climate impact sector. This value is weighted according to the share in the total portfolio. Data availability for this PAI is limited. This affects the reliability of the figure shown.</p> | <p>SDI Approach APG AM further increased its investments which contribute to SDG 7 (Clean & Affordable Energy) and SDG 13 (Climate Action) and will continue to pursue investments which contribute to these SDGs in 2023.</p> |



| | |
|-------------------------------|---|
| Remediation Activities: | 0 |
| - Construction: | 0 |
| - Wholesale and Retail Trade: | 0 |
| - Transportation and Storage: | 0 |
| - Real Estate Activities: | 0 |

| | | | | | |
|---------------------|---|--|------|---|--|
| Biodiversity | 7. Activities negatively affecting biodiversity-sensitive areas | Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas | 0,01 | Share in the portfolio of investee companies with activities in or near biodiversity-sensitive areas where those activities have a negative impact. This value is based on the identification of companies with controversies in this area. Data for this PAI is not available for all companies. | <p>Inclusion Approach</p> <p>APG AM identified companies involved in controversies on biodiversity. APG AM assessed companies active in palm oil on whether they have RSPO memberships, certifications and supplier requirements. APG AM identified companies with large exposures to soy and cattle in Brazil and assessed the quality of companies' site closure and rehabilitation practices and water management programs. For this assessment the following indicators are used:</p> <ol style="list-style-type: none"> Site Closure Rehabilitation Water Management Programmes <p>SDI Approach</p> <p>APG AM further increased its investments which contribute to the Sustainable Development Goals (SDGs) including SDG 14: Life below Water, and SDG 15: Life on Land, and will continue to pursue investments which contribute to these SDGs in 2023.</p> <p>Voting Policy</p> <p>As of the 2023 AGM season, APG AM will vote against the (re-)election of the chair at companies in high-risk sectors for biodiversity loss that do not have a relevant policy relating to biodiversity.</p> |
|---------------------|---|--|------|---|--|



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|--------------|--|---|-------|--|--|
| Water | 8. Emissions to water | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as weighted average | 0 | Emissions to water (in tonnes) per million of investments caused by investee companies, expressed as a weighted average. Data for this PAI is very limited. This affects the reliability of the value shown. | <p>Inclusion Approach APG AM assessed incidents around excessive water use associated with a company's operations, or activities in water scarce areas.</p> <p>SDI Approach APG AM actively seeks investments which contribute to the Sustainable Development Goals (SDGs) including SDG 6: Clean Water and Sanitation, and will continue to pursue investments which contribute to these SDGs in 2023.</p> |
| Waste | 9. Hazardous waste and radioactive waste ratio | Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average | 68,81 | Data for this value is very limited. This affects the reliability of the number shown. | <p>Inclusion Approach APG AM assessed if companies are involved in controversies around hazardous waste. APG AM assessed the quality of companies' Environmental Management System (EMS) and hazardous waste management system. Indicators used for the assessment of the hazardous waste and radioactive waste ratio are:</p> <ol style="list-style-type: none"> Emissions Effluents and Waste Environmental Management System Hazardous Waste Management |



INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

| Adverse Sustainability Indicator | Metric | Impact (year n) | Impact (year n-1) | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|----------------------------------|--------|-----------------|-------------------|-------------|--|
|----------------------------------|--------|-----------------|-------------------|-------------|--|



| | | | | | | |
|------------------------------------|-----|--|--|------|---|--|
| Social and employee matters | 10. | Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 1,25 | Share of investments in companies that have been involved in violations of the principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises. Based on the Inclusion Approach, in principle we do not invest in companies that are involved in violations of the UNGC Principles or OECD Guidelines for Multinational Enterprises, unless there is a dialogue ("engagement") with the company on this subject. | Inclusion Approach APG AM identified and engaged with companies involved in violations of the UNGC Principles and OECD Guidelines for Multinational Enterprises. Indicators used for the identification of companies involved in violations are: <ul style="list-style-type: none"> a. Access to Basic Services b. Bribery & Corruption c. Community Relations d. Employees Human Rights e. Labour Relations f. Occupational Health and Safety; and; g. Sanctions |
|------------------------------------|-----|--|--|------|---|--|

| | | | | | |
|-----|---|---|-------|---|---|
| 11. | Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 20,79 | It has been assessed whether a company has a policy on all elements of the UNGC principles and the OECD Guidelines which is not classified as "poor". Values for this PAI are not available to all companies. | <p>Inclusion Approach APG AM assessed if companies in relevant industries have miscellaneous policies, programs and systems in place. Indicators used to identify companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling- mechanisms to address such violations are:</p> <ul style="list-style-type: none"> a. Bribery & Corruption Policy b. Community Involvement Programmes c. Conflict Minerals Policy d. Environmental Management Systems e. Health & Safety Management Systems f. Human Rights Policy g. Whistleblower Programmes |
| 12. | Unadjusted gender pay gap | Average unadjusted gender pay gap of investee companies | 0,35 | Average unadjusted gender pay gap in investee companies, as a percentage. The availability of data for this PAI is very limited. The published figure has been determined on the basis of the available values. The quality of this value will increase as availability improves. | <p>Inclusion Approach APG AM assessed the quality of companies' diversity programmes which weighed into the classification of companies as a result of the relative assessment under the methodology of the Inclusion Approach.</p> |



13. Board gender diversity

Average ratio of female to male board members in investee companies, expressed as a percentage of all board members

0,17

Average ratio of female to male members on the boards of investee companies, calculated as the number of women divided by the number of men (i.e. if the value is less than 1, less than half of the directors are women). Data for this PAI is limited.

Inclusion Approach
 APG AM assessed the quality of companies' diversity programs, which weighed into the classification of companies as a result of the relative assessment under the methodology of the Inclusion Approach.

Voting Policy
 APG AM addressed the lack of board gender diversity by opposing certain director (re-)elections when we deemed the board to be insufficiently diverse.

14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

Share of investments in investee companies involved in the manufacture or selling of controversial weapons

0

Share of investments in companies involved in the production or sale of controversial weapons in our portfolio. This value is zero. In accordance with the Exclusion Approach APG AM does not invest in controversial weapons.

Exclusion Approach
 APG AM did not invest in companies that are involved in the production, sale or distribution of cluster munitions, anti-personnel mines, nuclear, chemical or biological weapons.



INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS

| Adverse Sustainability Indicator | Metric | Impact (year n) | Impact (year n-1) | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|----------------------------------|--|-----------------|-------------------|---|--|
| Environmental | 15. GHG Intensity GHG intensity of investee countries | 59,93 | | GHG emissions per country are measured as emissions per million EUR of GDP. This concerns the investments in debt securities of governments and supranational institutions. | <p>Climate action plan During 2022, APG AM measured the CO₂ footprint of our investments, further steered our portfolio towards Net Zero emissions in 2050 or sooner, and invested in solutions that contribute to the transition towards a low-carbon economy. Physical and transition climate risk indicators were included in the fundamental analysis of sovereign issuers. Also, we monitored our sovereign bond portfolios on climate performance and evaluated the willingness and ability of sovereign issuers to meet the Paris climate goals, based on the sovereign issuer's carbon policy and economic dependence on fossil fuel. We measured and reported on the CO₂ footprint of the sovereign bond portfolio.</p> <p>SDI Approach APG AM further increased investments which contribute to the Sustainable Development Goals (SDGs) including SDG 7 (Clean & Affordable Energy) and SDG 13 (Climate Action). Within the general investment strategies, we gave preference to investing in labelled bonds, including bonds that contribute to climate change mitigation and adaptation. APG AM will continue to pursue investments which contribute to SDG 7 and 13 in 2023.</p> |



Social

16. Investee countries subject to social violations

Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles, and where applicable, national law.

64

55,17

This concerns the investments in debt securities of governments and supranational institutions. The countries concerned contribute a total of about 36% to global GDP. We have our own Exclusion Approach with regard to debt securities of national governments.

This concerns the investments in debt securities of governments and supranational institutions. The countries concerned contribute a total of about 36% to global GDP. We have our own Exclusion Approach with regard to debt securities of national governments.

Exclusion Approach

During 2022, APG AM excluded sovereign bonds issued by countries which are subject to an arms embargo by the UN Security Council and/or European Union, and countries that have the 10% lowest scores on Voice & Accountability performance according to the World Bank. Regarding EU arms embargoes we refer to binding arms embargoes that are based on an EU Council Decision. All bonds from sovereign and sub-sovereign issuers are within scope of the Exclusion Approach. This includes bonds issued by provinces or municipalities. Bonds issued by quasi-sovereigns, agencies, multilateral and unilateral banks, state-owned enterprises, etc. are not within the scope.

INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS

| Adverse Sustainability Indicator | Metric | Impact (year n) | Impact (year n-1) | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|----------------------------------|---|--|---------------------|---|---|
| Fossil fuels | 17. Exposure to fossil fuels through real estate assets | Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels | Negligible exposure | Real estate exposure to fossil fuels is considered negligible as the products are not allowed to invest in such assets. However, some indirect exposure is possible eg. a gas station on the same land used under a retail center etc. | Although we consider the exposure in the APG AM portfolio negligible, in 2022 we have explored whether there are data sources available in the market to measure exposure to fossil fuels through real estate assets and participated in an INREV working group regarding the SDDS sheet (Standard Data Delivery Sheet). In the absence of data, no targets can be set to reduce the exposure. We will continue to participate in the INREV working stream in order to arrive at a sector wide template to collect the necessary data. Once we have data available we will define targets setting. |
| Energy efficiency | 18. Exposure to energy-inefficient real estate assets | Share of investments in energy inefficient real estate assets | 31,6 | Exposure to inefficient real estate assets is being monitored through CRREM compliance but not in accordance with the prescribed formula. The CRREM pathways are science based and it is assumed that these pathways are more stringent than the formula provided by the SFDR. Further, the formula as prescribed by the SFDR can only be applied to investments in Europe, whilst the product includes investments globally. Finally, the definitions of e.g. NZEB rules are not available in all MS to date. Consequently, APG is at the position that the CRREM methodology is a more conservative approach. https://www.crrem.org/ https://www.crrem.eu/ | <p>Climate action plan</p> <p>APG AM measures and reports on the CO₂ footprint of its real estate portfolio. Our 2030 goal is that on average the real estate portfolio is Paris-aligned based on the CRREM pathways. For new private investments in real estate, alignment with the CRREM pathways is required and included in legal documentation. We also require private investments in real estate to participate in the Global Real Estate Sustainability Benchmark (GRESB) and to work towards a four or five star rating. In listed real estate, we encourage real estate funds to align with the CRREM pathways and disclose sufficient data for assessment.</p> <p>Engagement</p> <p>In 2022, we joined the Global Real Estate Engagement Network (GREEN). The goal is to collectively engage with the real estate sector to reduce its carbon footprint and manage progress against science-based Paris-aligned targets, e.g. the CRREM pathways.</p> |



The data used for this analysis comes from GRESB which reports data for the previous year in Q4 of the following year. The submitted data points are therefore 2021 numbers. However, these are considered valid estimates for 2022 data since portfolio composition remains relatively stable over time and historically the variance of the energy inputs has not exceeded 10%.

ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| Adverse Sustainability Indicator | Metric | Impact (year n) | Impact (year n-1) | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|----------------------------------|--|--|-------------------|---|---|
| Emissions | 4. Investments in companies without carbon emissions reduction initiatives | Share of investments in companies without carbon emissions reduction initiatives | 39,21 | Share in the portfolio of investee companies without carbon emission reduction initiatives aiming to align with the Paris Agreement, as a percentage of the portfolio. These are objectives that are explicitly in line with the Science Based Target Initiative, which does not yet cover all sectors. Data for this data is widely available. | Climate action plan In December 2022 APG AM published its Climate Action Plan as required by the Commitment of the Financial Sector to the Dutch Climate Agreement, outlining our 2023 goals towards a Net Zero portfolio in 2050. In 2030, we aim to have reduced the absolute CO2 footprint of our listed equity and credit portfolios by 50% compared to 2019. In addition, we apply strict climate criteria for companies to be investable and outline clear climate expectations in our stewardship activities, including engagement and voting. APG AM already established CO2 footprint measurement and set climate targets for investments in listed equity, credits and real estate. We aim to progressively phase in measurement and target setting for all other types of investments as well. |

Climate risk policy

Based on the Climate risk policy, in 2022 APG AM further developed its approach to: 1) identify, assess, manage and disclose climate-related risks and opportunities in the portfolio; and 2) take meaningful action to contribute to mitigating climate change in line with the commitments made by APG AM and its clients, and align the portfolio with the goals established in the Paris Climate Agreement – the climate targets set, and instruments applied are described in detail in the APG AM Climate Action Plan. APG AM assesses whether high impact companies in the oil & gas and utility sectors have a long-term quantitative CO₂ reduction target; we do not invest in companies that make insufficient commitments. APG AM expects all companies in high climate impact sectors to disclose quantitative long-term emission reduction targets.

Inclusion Approach

We apply strict climate criteria for companies to be investable. For instance, we:

- do not invest in companies that derive more than 30% of revenues from coal mines or more than 20% from tar sands;
- do not invest in energy utility companies that plan to invest in new coal-fired power generation;
- assess whether high impact companies in the oil & gas and utility sectors have a long-term quantitative CO₂ reduction target; we do not invest in companies that make insufficient commitments.

On behalf of our largest client we are in the process of selling all its investments in fossil fuel producers. We expect the majority to be sold in 2023.

Engagement

APG AM engaged with companies in high climate impact sectors on their climate strategies and disclosures. We engage with companies we invest in to reduce their CO₂ emissions and promote the transition to low-carbon business models. We do this individually and in

collaboration with other major investors through Climate Action 100+. APG is also a member of the Dutch Climate Coalition (DCC), a collaborative initiative by Dutch financial institutions to engage with carbon intensive companies on their alignment with the Paris Climate Agreement.

Voting Policy

Ahead of the 2022 AGM season, we tightened our voting policy with regard to climate-related governance, disclosure and targets for companies in the energy sector and in sectors with a high climate impact, e.g. industry and transportation.

- In principle, we supported shareholder climate resolutions, unless there are weighty reasons (e.g. legal objections) not to do so.
- If companies put their climate strategy to a shareholder vote, we only supported the strategy if it includes a Net Zero ambition and is demonstrably aligned with the goal to limit global warming to 1.5 °C.
- We expect companies in high-impact sectors to have a governance structure that supports their climate strategy, to be transparent about their climate impact and to set clear, science-based targets for reducing scope 1,2 & 3 emissions; if a company failed to meet one or more of these expectations, we voted against reappointment of the Chair of the Board.
- We voted against remuneration proposals at companies in high-impact sectors that do not contain clear and relevant sustainability-linked performance targets.

SDI Approach

APG AM further increased its investments which contribute to SDG 7 (Clean & Affordable Energy) and SDG 13 (Climate Action), and will continue to pursue investments which contribute to these SDGs in 2023.

ADDITIONAL SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

| Adverse Sustainability Indicator | Metric | | Impact (year n) | Impact (year n-1) | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|---|---------------|-------------------------------|--|--------------------------|--|---|
| Human rights | 9. | Lack of a human rights policy | Share of investments in entities without a human rights policy | 24,08 | Share in the portfolio of investee companies without human rights policy. This is a policy on human rights adopted at board level with regard to the economic activities of the investee company, in accordance with the UN principles on business and human rights. Data for this purpose is not available for all companies, nor is it confirmed that the policy has received formal board approval. | <p>Inclusion Approach</p> <p>During 2022, APG AM engaged with investee companies which lacked a human rights policy to encourage the publication of such policy.</p> |
| | 10. | Lack of due diligence | Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts | 44,25 | This data is approximated on the basis of the scoring method of the data provider. | <p>Inclusion Approach</p> <p>APG AM engaged with investee companies which lack sufficient due diligence procedures in place to identify, prevent, mitigate and address adverse human rights impacts.</p> <p>Engagement</p> <p>Based on the Corporate Human Rights Benchmark (CHRB) assessment, APG AM engaged with companies which lack sufficient due diligence procedures in place to identify, prevent, mitigate and address adverse human rights impacts.</p> <p>Voting Policy</p> <p>In 2022, APG AM voted against the chair at companies with the lowest scores (zero) based on the CHRB assessment on 'Embedding respect and human rights due diligence'.</p> |



As of the 2023 AGM season, APG AM will vote against the chair at companies with the lowest (zero) as well as the second lowest (one) scores based on the CHRB assessment on ‘Embedding respect and human rights due diligence’.

| | | | | | | |
|----------------------------------|-----|--|--|------|--|--|
| Anti-corruption and anti-bribery | 16. | Cases of insufficient action taken to address breaches of standards of anti-corruption and antibribery | Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anticorruption and anti-bribery | 0,04 | This value is determined on the basis of data from the data provider. This value is not available for all companies. | <p>Inclusion Approach</p> <p>APG AM assesses if investee companies take sufficient action to address breaches of standards of anti-corruption and anti-bribery.</p> |
|----------------------------------|-----|--|--|------|--|--|

3. Description of policies to identify and prioritize principal adverse impacts of investment decisions on sustainability factors

SFDR requires financial market participants to describe the policies to identify and prioritize principal adverse sustainability impacts on sustainability factors.

The European Supervisory Authorities (ESAs) have identified a list of principal adverse impact indicators that financial market participants have to annually report on. The list includes 64 principal adverse impact indicators, of which 18 are mandatory and 46 are optional. APG AM has selected 4 additional indicators.

APG AM makes use of a variety of policies and approaches to identify and prioritize principal adverse impacts. These are tailored to the different investment strategies and financial products we manage on behalf of our clients. APG AM recognizes that different types of investments require specifically designed policies and approaches to identify principal adverse impacts to be effective.

Governance of responsible investment policies

Responsible investing is embedded in APG AM's governance structure and investment decision-making processes. The APG AM Investment Committee (IC), chaired by the Chief Executive Officer, is responsible for investment-related policymaking, decision-making and monitoring, and is the main oversight body which has overall responsibility for defining APG AM's policies and approaches to responsible investment. It is the responsibility of the IC to ascertain that the implementation of the responsible investment policies meets clients' needs and are aligned with APG AM's overall approach to investing. The Managing Director Global Responsible Investing and Governance (MD GRIG) is a member of the IC. For the development, approval, monitoring and updating of specific responsible investment policies and approaches there are additional oversight committees, such as the Climate & Nature Steering Group, the Inclusion Board, and the Sustainable Development Investment (SDI) Board.

Policies and approaches to address principal adverse impacts

How we identify and prioritize adverse impacts on sustainability factors in our investment processes is further described in the following policies and approaches that may apply to different types of investment strategies in the portfolio. Summary descriptions of these policies and approaches are available on the Sustainability-related disclosures section on the APG AM website⁵, and include further information about the governance, methodologies and instruments used, and principal adverse impacts they consider.

- In the [Climate Action Plan](#), APG AM describes how we measure the CO₂ footprint of our investments, steer the portfolio towards Net Zero emissions in 2050 or sooner, and invest in solutions that contribute to the transition towards a low-carbon economy.

⁵ See: [Sustainability-related disclosures | Homepage - Asset Management \(apg.nl\)](#)

- In the [Climate Risk Policy](#) we describe how APG AM defines, measures, manages and reports on climate-related risks and opportunities, both at the overall client portfolio level as well as for specific investment strategies. In addition to the existing climate-related goals and policies, we are working on defining an approach, and supporting our clients, to steer the total assets under management to align with the goals of the Paris Agreement by 2030 and to a Net Zero portfolio by 2050.
- The [Corporate Governance & Voting Policy](#) addresses ESG-related issues, including environmental, social, labor rights, human rights, and anti-corruption and anti-bribery through the way we vote on the annual general meetings of the companies in which we invest on behalf of our clients.
- Based on the [Exclusion Approach](#), APG AM does not invest in companies involved in controversial weapons, and companies involved in the production of tobacco. In addition to the exclusions applicable to corporates, on behalf of our clients invested in the APG Pools we exclude sovereign bonds issued by countries that are subject to an arms embargo by the UN Security Council⁶ and/or European Union, and countries that have the 10% lowest scores on Voice & Accountability performance according to the World Bank.⁷
- The [Inclusion Approach](#) is based on the UN Global Compact themes (human rights, labor rights, environment, and anti-corruption) and the OECD Guidelines for investors and companies. The inclusion screening methodology allows us to map companies in our investment universe with the adverse impacts as laid out in the “Description of the principal adverse impacts on sustainability factors” section.⁸
- Our [Sustainable Development Investments Approach](#) uses the UN Sustainable Development Goals (SDGs) as a guideline for investments with a positive influence on people and the environment or which contribute to a more sustainable economy. We actively seek investments for our clients that contribute to the SDGs and implement the agreed definition, taxonomy and rules to identify current and potential Sustainable Development Investments (SDIs) to meet our clients’ SDI targets and ambitions.

Adaptation of the policies

The APG AM policies and approaches for the identification and prioritization of principal adverse impacts on sustainability factors are regularly reviewed and updated if deemed necessary.

⁶ <https://www.un.org/securitycouncil/sanctions>

⁷ Voice and Accountability captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

⁸ Please note that our methodologies are in constant change as we seek higher and more sustainable standards.

| Policy/ approach | Year of first/latest approval | Data sources used | Link to mandatory PAIs | Link to additional PAIs |
|---|-------------------------------|--|--|--|
| Climate Action Plan | 2022 | CRREM, ISS ESG | <ul style="list-style-type: none"> 1. GHG emissions 2. Carbon footprint 3. GHG intensity of investee companies 5. Share of non-renewable energy consumption and production 6. Energy consumption intensity per high impact climate sector 15. GHG intensity 18. Exposure to energy-inefficient real estate assets | <ul style="list-style-type: none"> 4. Investments in companies without carbon emission reduction initiatives |
| Climate Risk Policy | 2019 | IEA, Notre Dame GAIN, HSBC, 427, Verisk Maplecroft | <ul style="list-style-type: none"> 1. GHG emissions 2. Carbon footprint 3. GHG intensity of investee companies 6. Energy consumption per high impact climate sector 15. GHG intensity of investee countries 18. Exposure to energy-inefficient real estate assets | <ul style="list-style-type: none"> 4. Investments in companies without carbon emission reduction initiatives |
| Corporate Governance Framework & Voting Policy | 2011/ 2022 | ISS, Transition Pathway Initiative | <ul style="list-style-type: none"> 1. GHG emissions 2. Carbon footprint 3. GHG intensity of investee companies 13. Board gender diversity | <ul style="list-style-type: none"> 4. Investments in companies without carbon emission reduction initiatives |
| Exclusion Approach | 2007/ 2022 | Sustainalytics, ISS, World Bank | <ul style="list-style-type: none"> 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) 16. Investee countries subject to social violations | |
| Inclusion Approach | 2015/ 2022 | Sustainalytics, MSCI, ISS, Global Coal Exit List (GCEL), Climate Action 100+, Corporate Net Zero Benchmarks, Transition Pathway Initiative | <ul style="list-style-type: none"> 1. GHG emissions 2. Carbon footprint 3. GHG intensity of investee companies 4. Exposure to companies active in the fossil fuel sector 5. Share of non-renewable energy consumption and production 6. Energy consumption intensity per high impact climate sector 7. Activities negatively affecting biodiversity-sensitive areas 8. Emissions to water 9. Hazardous waste and radioactive waste ratio 10. Violations of UN Global Compact principles and Organisation for | <ul style="list-style-type: none"> 9. Lack of a human rights policy 10. Lack of due diligence 16. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery |

| | | | |
|--|------------|----------------------------|--|
| | | | Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprise 12. Unadjusted gender pay gap 13. Board gender diversity |
| Sustainable Development Investments (formerly known as High Sustainability Investments) | 2009/ 2022 | SDI AOP, internal APG data | 1. GHG emissions 2. Carbon footprint 3. GHG intensity of investee companies 4. Exposure to companies active in the fossil fuel sector 5. Share of non-renewable energy consumption and production 6. Energy consumption intensity per high impact climate sector 7. Activities negatively affecting biodiversity-sensitive areas 8. Emissions to water 15. GHG intensity |

PAI data collection

Sustainability-related data and methodologies are still less mature than those for conventional financial indicators. Generally, we recognize the limitations of existing methodologies and data sources for sustainability-related data, e.g. the lack of consistent and transparent measurement methodologies and data assessment processes, as well as the limited availability, comparability and quality of sustainability data. At a best effort basis APG AM obtained principal adverse impact data. The numbers presented in this statement are averages and summations based on the part of the portfolio universe that is covered by our data provider. For most aspects of our responsible investment policies, the extreme observations are more informative. The best efforts are further described below for the Capital Markets Investments and Private Market Investments.

Capital Markets Investments

To obtain the PAI data for the capital markets investments, the main approach has been to select an external data provider. To this end, APG AM has selected ISS ESG to provide data on the most important principal adverse impacts indicators. This was done after an in-depth and extensive assessment of, for example, the coverage of the portfolio, the scope and the quality of the data. Appointing multiple data suppliers would not result in a material expansion of data coverage of the invested universe and would risk introducing internal inconsistencies. Subsequently, PAI calculations were only performed for the universe for which input data on the PAI indicators are available. This includes PAI data for listed real estate. Table 1 in Chapter 1 does not use estimates to fill in missing values (imputation). APG AM expects that changes to the methodology will be made in following PAI reporting cycles because of further industry standardization, conventions and new insights.

Private Markets Investments

For investments in private markets the approach to gathering PAI data for most part consisted of: (i) a direct outreach to external managers with a PAI data request tailored to APG AM's and its clients' requirements and requesting to obtain data from the portfolio, (ii) cooperating with third party data providers (GRESB/ISS), and/or (iii) making reasonable assumptions, where it was not possible to obtain PAI data for the 2022 reference period in any other way (direct real estate assets). We note that for private markets investments, due to the lower levels of transparency at portfolio company level compared to public market equivalents, options for sourcing standardized and accurate data from third party data providers are at present quite limited.

In our outreach to external managers, we observed that partial PAI data was shared for a sizeable portion of the investments. However, we also noted that for a significant proportion of externally managed portfolios PAI data for the 2022 reference period was not obtainable via external managers. Reasonable assumptions on PAI data were therefore made where estimation was feasible. Furthermore, once partial data was received, the complexity of different data sets (including use of different proxies in capital markets data providers' methodologies) and challenge of blending data from different private investments as well as blending private markets data with capital markets data became a hurdle to reliably aggregating available PAI indicators or making reasonable assumptions.

We therefore took the decision not to include PMI PAI data in the 2022 PAI statement. Our data outreach in 2022, however, offered valuable insight as to how to approach PAI data collection in the future. We highlight that access to data and reliable estimation models for investors in private market assets (where e.g. APG is not directly managing portfolio companies, but instead relies on external managers for access to portfolio company information) remains challenging and we plan to address this in following PAI reporting cycles, including through leveraging industry initiatives, testing emerging data solutions using PAI indicator assumptions where data gaps exist and peer group consultations.

| PMI Strategies | Comments |
|---|--|
| Real estate | Listed real estate – PAI indicators obtained via a third-party data provider (ISS), in line with how this data was collected for other listed companies in the capital markets portfolios. Direct real estate – PAI indicator 18 data obtained from GRESB which reports data for the previous year in Q4 of the following year. The submitted data points are therefore 2021 numbers. However, these are considered valid estimates for 2022 data since the direct real estate portfolio composition remains relatively stable over time and historically the variance of the energy inputs has not exceeded 10%. |
| Infrastructure | Outreach to external managers undertaken via the GRESB Infrastructure SFDR Assessment requesting PAI indicator data from underlying assets. ⁹ |
| Private equity, Alternative credits, Natural resources | Outreach to external managers undertaken with a PAI data request tailored to APG AM's and its clients' requirements and requesting to obtain data from the underlying portfolio. |
| Thematic investment fund | Outreach to external managers undertaken with a PAI data request tailored to APG AM's and its clients' requirements and requesting to obtain data from the underlying portfolio. Outreach to directly held portfolio companies undertaken with a PAI data request tailored to APG AM's and its clients' requirements and requesting to obtain data from the investee companies. |

⁹ <https://www.gresb.com/nl-en/products/sfdr-reporting/>

| | |
|--------------------|--|
| Mortgages | Outreach to directly held assets undertaken with a PAI data request tailored to APG AM's and its clients' requirements |
| Hedge funds | Outreach to external managers undertaken with a PAI data request tailored to APG AM's and its clients' requirements and requesting to obtain data from the underlying portfolio. |

Mandatory PAI indicators relating to the Strategic Real Estate portfolio and the Tactical Real Estate portfolio are included in this PAI statement.

For PAI 18, to manage transition risk and steer the real estate portfolio towards Net Zero, we collaborate with the Carbon Risk Real Estate Monitor (CRREM). CRREM publishes science-based decarbonization pathways for various property types per country consistent with a 1.5-degree scenario. Our 2030 goal is that on average the real estate portfolio is Paris-aligned based on the CRREM pathways. We apply the CRREM methodology as a proxy for energy-inefficient real estate. For new private investments in real estate, alignment with the CRREM pathways is required and included in legal documentation. We also require private investments in real estate to participate in the Global Real Estate Sustainability Benchmark (GRESB) and to work towards a four or five star rating. In listed real estate, we encourage real estate funds to align with the CRREM pathways and disclose sufficient data for assessment. In 2022, we joined the Global Real Estate Engagement Network (GREEN). The goal is to collectively engage with the real estate sector to reduce its carbon footprint and manage progress against science-based Paris-aligned targets, e.g. the CRREM pathways.

Data sources

| Scope | Topic | Adverse sustainability indicator | Data source | |
|--------------------|---|--|--|--------------------------------|
| Investee companies | Climate and other environment-related indicators | Greenhouse gas emissions | GHG emissions | APG AM (ISS ESG, CRREM, GRESB) |
| | | | Carbon footprint | APG AM (ISS ESG, CRREM, GRESB) |
| | | | GHG intensity of investee companies | APG AM (ISS ESG) |
| | | | Exposure to companies active in the fossil fuel sector | ISS ESG |
| | | | Share of non-renewable energy consumption and production | ISS |
| | | Energy consumption intensity per high impact climate sector | ISS | |
| | Biodiversity | Activities negatively affecting biodiversity sensitive areas | ISS, Sustainalytics | |
| | Water | Emissions to water | Sustainalytics | |
| | Waste | Hazardous waste ratio | Sustainalytics | |
| | | Investing in companies without carbon emission reduction initiatives | | |
| | Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters | | | |
| | Social and employee matters | Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | ISS, Sustainalytics | |

| | | | |
|--------------------------------------|---------------|---|--|
| | | Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | ISS, Sustainalytics |
| | | Unadjusted gender pay gap | ISS |
| | | Board gender diversity | ISS |
| | | Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons) | ISS, Sustainalytics |
| Sovereigns and supranationals | Environmental | GHG intensity | APG data source (IEA, Notre Dame GAIN, HSBC, 427, Verisk Maplecroft) |
| | Social | Investee countries subject to social violations | |
| Real estate assets | | Exposure to fossil fuels through real estate assets | APG data source |
| | | Exposure to energy-inefficient real estate assets | GRESB/ CRREM |

4. Engagement policies

APG AM strongly believes that effective stewardship benefits companies, investors and the economy, and reduces principal adverse impact on sustainability factors. Therefore, we actively engage with our investments on issues which we consider important for an investment's ability to create and sustain long-term value and reduce principal adverse impacts of sustainability factors. Engaging with investee companies and managers allows us to better understand their business challenges and ensures that sustainability risks and opportunities are being addressed. In our [Responsible Investment & Stewardship Policy](#) we explain our approach to responsible investing and stewardship for all asset classes APG AM invests in on behalf of its clients. It sets out our responsible investment focus areas and related expectations to investments, outlines how we meet our responsibilities as a steward of capital and explains how we engage with companies and other entities that we invest in, how we monitor progress and how we vote at annual general shareholder meetings.

Monitoring and engagement

Monitoring of portfolio investments is part of our role as a steward of capital and contributes to gaining a well-rounded view of how investments are run. In the most basic terms, monitoring comprises all aspects which, in our view, may impact an investment's ability to create long-term value, including (but not limited to); strategy, (financial) performance, capital structure, corporate governance, and sustainability risks and opportunities. In the first instance, we will use company filings and publicly available information to gain an understanding of the company. If we have insufficient information or if we have questions or concerns, we will initiate a dialogue with the company and seek clarification, additional information and/or exchange views. This dialogue can help build trust and mutual understanding, which supports the objective of long-term value creation by investees.

Engaging with our portfolio companies and investments is a central element of APG AM's as well as its clients' responsible investment approach. Engagement contributes to our understanding of portfolio investments and allows us to make better investment decisions and improve the financial and investment performance of our investees. The essence of our engagement activities is to encourage portfolio investments to uphold certain standards of governance and sustainability. We believe this reduces the risk of sub-optimal capital allocation and contributes to creating long-term value, within the investments and across markets. APG AM expects its portfolio investments to demonstrate responsible business practices and to respond in a timely and appropriate manner when they fail to meet these standards.

There are multiple triggers for us to initiate engagement. Primarily, we are guided by investment, market and social responsibility rationales. Our engagement activities are a joint effort of the investment teams and the Global Responsible Investment & Governance (GRIG) team. During an engagement, we make use of in-house expertise, investment disclosures, company-specific data provided by our research providers and other external sources, which may include e.g. brokers, NGOs or investor networks. We communicate with other stakeholders whenever relevant. In certain markets we are actively involved in the nomination of directors, e.g. by supporting slates of independent board – and statutory auditor board – members at Italian listed companies, and by our membership of nomination committees at Swedish listed companies. If we consider using our investor rights to e.g.



convene an extraordinary general meeting or to submit a shareholder resolution at a general meeting, we convey our considerations to the company and explain our intentions at the general meeting.

Knowledge management system

We have developed an in-house centralized knowledge management system (KMS) in which we track engagements with listed companies as well as other relevant research, financial and ESG information. To ensure effective sharing of information, all teams managing capital market investments and the GRIG team have access to this system. Per engagement we document the company's name, the engagement issue(s), a clear set of objectives, and whether these have been met and/or if progress has been made. We also document if we collaborate with other investors, as well as any dialogues, meetings, written exchanges and follow-up actions with the company or its stakeholders. The KMS is an engagement monitoring tool that is used daily by the GRIG team and the investment teams.

For the monitoring and recording of engagements with private market investments we use an in-house engagement tracker.

Proxy Voting

Recognizing our rights and responsibilities as stewards and providers of capital to companies, we exercise our voting rights as a shareholder whenever possible. We engage with public companies from the perspective of an equity or debt provider and through entities investing on our behalf in the private market. APG AM is actively involved in a number of investor and multi-stakeholder organizations. We regularly provide input on European and international consultations on corporate governance and sustainability matters and pro-actively provide input to regulatory bodies regarding important matters pertaining to the functioning of the financial system as well as responsible corporate conduct. In the [APG AM Voting Dashboard](#) we disclose all the voting decisions on behalf of our clients.

Market engagement

APG AM regularly engages with regulators, policy makers and other stakeholders in various markets on corporate governance standards, corporate disclosures and other topics relevant to our role as a global long-term responsible investor.

Reporting on engagement

We report on our stewardship and engagement activities over the previous year on the APG AM website.

5. References to international standards

APG AM is actively involved in multiple investor organizations, networks and initiatives to support good corporate governance standards, long-term investing, and a more sustainable world. Within the context of these organizations and in collaboration with other investors, we advocate standards and principles that support long-term investing, and engage with investments to protect and enhance long-term value. To exchange views on responsible investing and contribute to good corporate governance and sustainability we aim to take on a more active role in working groups and steering committees of platforms and investor groups, e.g. ICGN, Eumedion, and the Hong Kong Securities Exchange Committee.

APG AM adheres to the following responsible investment related codes, principles and internationally recognized standards for sustainability due diligence and reporting.

| Organisation, standards or principles | Explanation | PAI indicators used to measure adherence or alignment with the respective standard |
|---|---|--|
| Climate Commitment of the Dutch Financial Sector | <p>APG AM and its clients have signed the Climate Commitment of the Dutch Financial Sector. As part of this commitment, we support our clients in setting updated portfolio targets to reflect alignment with the Paris Agreement. In the APG AM Climate Action Plan we explain our approach to:</p> <ul style="list-style-type: none"> - measuring and reporting on the CO₂ impact of our relevant financing and investment activities; - contributing to the goals set out in the Dutch Climate Agreement and the Paris Climate Agreement, including 2030 targets. | <ol style="list-style-type: none"> 1. GHG emissions 2. Carbon footprint 3. GHG intensity of investee companies 5. Share of non-renewable energy consumption and production 6. Energy consumption intensity per high impact climate sector 15. GHG intensity of investee countries 18. Exposure to energy-inefficient real estate assets |
| Dutch Stewardship Code | <p>APG AM adheres to the principles of the Dutch Stewardship Code which sets out expectations for asset managers to meet their stewardship responsibilities, and which is closely aligned with the revised EU Shareholder Rights Directive.</p> | <p>The Dutch Stewardship Code includes overarching principles and guidance on stewardship activities by institutional investors. There are no PAI indicators used to measure adherence or alignment with these principles.</p> |
| ICGN Global Corporate Governance Principles | <p>APG AM is an active member of the ICGN, and APG AM's responsible investment approach is based on the ICGN Global Corporate Governance Principles.</p> | <p>The ICGN Global Corporate Governance Principles provide overarching principles on corporate governance. There are no PAI indicators used to measure adherence or alignment with these principles.</p> |
| ICGN Global Stewardship Principles | <p>APG AM is an active member of the ICGN and endorses the ICGN Global Stewardship Principles.</p> | <p>The ICGN Global Stewardship Principles provide an international framework for investors to implement their fiduciary obligations on behalf of clients and beneficiaries. There are no PAI indicators used to measure adherence or alignment with these principles.</p> |
| Net Zero Investment Framework (NZIF) | <p>APG AM uses the NZIF as a blueprint for our target setting. It is developed by IIGCC, with APG AM being co-lead of the working group.</p> | <p>The NZIF offers practical guidance for APG AM to align portfolios with the Paris climate goals and informs APG AM's approach to steering towards Net Zero. The following PAIs are linked to APG AM's efforts to adhere to the NZIF:</p> |

| | | |
|---|---|--|
| | | <ol style="list-style-type: none"> 1. GHG emissions 2. Carbon footprint 3. GHG intensity of investee companies 5. Share of non-renewable energy consumption and production 6. Energy consumption intensity per high impact climate sector 15. GHG intensity of investee countries 18. Exposure to energy-inefficient real estate assets |
| <p>OECD Guidelines for Multinational Enterprises</p> | <p>APG AM's responsible investment approach is based on the OECD Guidelines for Multinational Enterprises.</p> | <p>In the APG AM ESG Issue Guidebook we define the issues APG AM prioritizes in the context of the UN Global Compact themes and the expectations of investors and companies under the OECD Guidelines. The following PAIs are addressed in the APG AM ESG Issue Guidebook:</p> <ol style="list-style-type: none"> 1. GHG emissions 2. Carbon footprint 3. GHG intensity of investee companies 4. Exposure to companies active in the fossil fuel sector 5. Share of non-renewable energy consumption and production 6. Energy consumption intensity per high impact climate sector 7. Negatively affecting biodiversity-sensitive areas 8. Emissions to water 9. Hazardous waste and radioactive waste ratio 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises 12. Unadjusted gender pay gap 13. Board gender diversity 14. Exposure to controversial weapons |
| <p>Partnership for Carbon Accounting Financials (PCAF)</p> | <p>APG AM uses PCAF as a standard for the assessment and disclosure of greenhouse gas emissions associated with financial activities.</p> | <p>In our CO₂ footprint disclosure on listed equity and credits, we currently also take scope 3 emissions of the oil & gas and mining sectors into account, in line with the requirements set out by PCAF Global. The following PAIs are linked to APG AM's efforts to adhere to PCAF:</p> <ol style="list-style-type: none"> 2. Carbon footprint |
| <p>Platform Biodiversity Accounting Financials (PBAF)</p> | <p>APG AM supports this initiative which aims to set a uniform standard for biodiversity foot-printing.</p> | <ol style="list-style-type: none"> 7. Activities negatively affecting biodiversity-sensitive areas |
| <p>Principles for Responsible Investment (PRI)</p> | <p>APG AM is a signatory and active member of the PRI and participates in the annual PRI survey.</p> | <p>For the most recent public APG AM PRI report, please see: Transparency report_2013-14_v02.indd (windows.net)</p> |
| <p>Taskforce on Climate-related Financial Disclosures (TCFD)</p> | <p>APG AM follows the framework established by the TCFD and annually</p> | <p>APG AM identifies and reports on climate risks and opportunities according to the framework of the TCFD. APG AM's most recent TCFD report</p> |

reports on what APG AM undertakes to address climate risks and opportunities.

can be found on the APG AM website. The following PAIs are linked to APG AM's efforts to adhere to the TCFD framework:

1. GHG emissions
2. Carbon footprint
3. GHG intensity of investee companies
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
15. GHG intensity of investee countries
18. Exposure to energy-inefficient real estate assets

| | | |
|--|---|---|
| Taskforce on Nature-related Financial Disclosure (TNFD) | APG AM is a member of the TNFD forum which aims to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks. | 7. Activities negatively affecting biodiversity-sensitive areas |
| UN Guiding Principles on Business and Human Rights | APG AM supports the UN Guiding Principles on Business and Human Rights (Principles) and is a founding member of the Corporate Human Rights Benchmark (CHRB) which is based on the Principles. | Additional PAI 10. Lack of due diligence |

Climate scenarios

In the [APG AM Climate Action Plan](#) and the [APG AM Climate Risk Policy](#) we describe the forward-looking climate scenarios we use. Deterministic climate scenarios are used in the periodic ALM studies performed for our clients with the aim of evaluating the sensitivity of client portfolios for these deterministic scenarios.

Steering towards Net Zero

APG AM aims to steer the portfolio towards Net Zero emissions by 2050 or sooner. APG AM and our clients have set 2030 reduction targets in line with the IPCC 1.5 -degree scenario with limited or no overshoot. APG AM co-chairs the Paris Aligned Investment Initiative (PAII), which has developed the Net Zero Investment Framework (NZIF). The framework offers practical guidance for investors to align portfolios with the Paris climate goals and informs APG AM's approach to steering towards Net Zero.

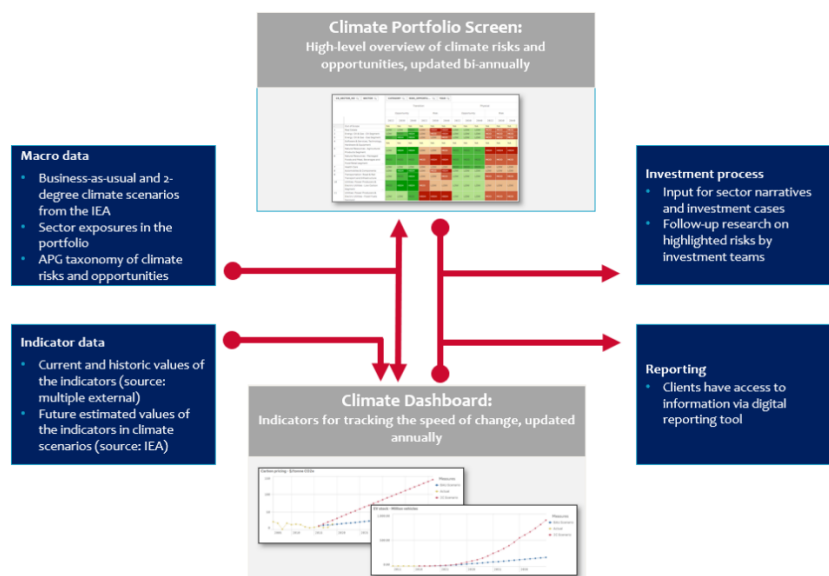
In line with our commitment to contribute to limiting global warming to 1.5 °C, we have used the 1.5 °C scenarios (with limited or no overshoot) developed by the International Panel on Climate Change (IPCC) and the International Energy Agency (IEA) to determine the reduction target for the listed equity and credits portfolios.

Climate stress tests are performed to evaluate the potential effects and implications for the Strategic Asset Allocation. Due to the multi-faceted and non-linear characteristics of climate risks, we do not apply a quantitative modelling approach. Instead, we use analogies based on situations in the past featuring physical destruction and heavy government intervention (e.g. natural disasters and wars). These analogous situations give us a rough sense of the range of possible impacts of climate change on asset classes.

Measurement at portfolio level

- Climate-related risks and opportunities are measured in the portfolio using the Climate Portfolio Screen (CPS). The CPS identifies sector-level climate risks and opportunities against external expert scenarios.
- We used a business-as-usual scenario (IEA Stated Policies Scenario, 3°C) and two climate scenarios with different levels of ambition (IEA Sustainable Development Scenario, 1.65°C, and IEA Net Zero Scenario, 1.5°C).
- Two external consultants have assessed climate risk of sectors evaluating the climate scenarios against the business-as-usual scenario using their proprietary methodology. The final APG AM sector ratings have been constructed by combining the ratings of both consultants, and calibrating them based on feedback of the APG investment teams.
- The results of the climate scenario analysis have been captured in the CPS, which creates insights into the most prominent climate-related risks and opportunities in 2025, 2030 and 2040. For each of the economic sectors, in each of the time horizons, the traffic light model depicts the assessed transition risk and opportunity as ‘high’, ‘moderate’ or ‘low’.
- A similar analysis has been done for sovereign bonds at country level. For each country we looked at physical risk (based on the Notre Dame GAIN database) and at transition risks (based on HSBC indicators). This resulted in a low-medium-high risk profiling of the sovereign bonds portfolios.
- Investments in areas with ‘high’ transition risk within the investment horizon, as indicated by the CPS, require further investigation into the nature of the risk/opportunity and the potential financial impacts by the investment teams.

The CPS is updated every two years in order to incorporate the latest developments in climate scenarios. On a more frequent basis, key signpost indicators and the overall speed of the low-carbon transition are tracked through the Climate Dashboard. As such, the Climate Dashboard provides an indication whether the world is leaning more towards a Business-as-Usual or a 2-degree scenario, and it flags the areas in the portfolio where this may signal more immediate risks or opportunities.





6. Historical comparison

As Principal Adverse Impact indicators are relatively new and the first reference period related to 1 January 2022 – 31 December 2022, the earliest historical comparison of 2022 and 2023 will be provided in the PAI statement of June 2024.