

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

December 2022

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





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## Summary

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

This statement on principal adverse impacts of investment decisions on sustainability factors is an updated version of the previous statement of 10 March 2021. Reporting about the principal adverse impacts on sustainability factors which are considered by APG AM will cover the reference period of 1 January 2022 – 31 December 2022 and will be published by 30 June 2023.

The consideration of principal adverse impacts is part of APG AM's due diligence and investment processes. Principal adverse impacts relate to environmental, social and employee matters, human rights, corruption and bribery matters. Various factors are taken into account in assessing the degree and the way principal adverse impacts are considered in the investment process, boiling down to the investment type and data availability. A number of 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. For the principal adverse impacts for which reliable data is not (yet) available we are making a best effort to obtain those for all our investments. The way principal adverse impacts are considered can differ between financial products and will be documented in the financial product disclosures in line with the requirements and timelines of the EU Sustainable Finance Disclosure Regulation (SFDR).

This statement covers all 18 SFDR mandatory principal adverse impact indicators, as well as 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
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### 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



To identify, prioritise and address the principal adverse impacts, APG AM utilises a number of instruments such as; the Exclusion Approach to identify companies and sovereign bonds which APG AM does not want to be invested in on behalf of clients; the Climate Action Plan which describes our approach to measuring our CO<sub>2</sub> footprint, steering the portfolio towards Net Zero emissions in 2050 or sooner, and investing in solutions to limit global warming; the Inclusion Approach that allows APG AM to meaningfully identify companies in the portfolio that are considered to be leading on ESG; the SDI approach whereby APG AM actively seeks investments which contribute to the Sustainable Development Goals (SDGs) and; the Voting Policy that reflects APG AM's sustainability expectations of companies in the vote decisions at shareholder meetings we submit on behalf of our clients.

Responsible investing is embedded in APG AM's governance structure and company culture. The APG AM Investment Committee (IC), chaired by the Chief Investment Officer, is the main oversight body which has overall responsibility for defining APG AM's policies and approach to responsible investment. The Managing Director Global Responsible Investing and Governance is also a member of the IC. For the development and approval of specific responsible investment policies and approaches there are additional oversight committees in place such as the Climate Steering Group, the Inclusion Board, and the Sustainable Development Investment Board.

In this statement we provide more information about our overall approach to identifying, prioritising and addressing principal adverse impacts of our investment decisions on sustainability factors. The statement includes the following five sections:

- I. Description of the principal adverse impacts on sustainability factors
- II. Description of the policies to identify and prioritise principal adverse impacts on sustainability factors
- III. Engagement policies
- IV. References to international standards
- V. Historical comparison



## I. Description of the principal adverse impacts on sustainability factors

The table below describes how APG AM considers the principal adverse impacts of our investment decisions on sustainability factors for the 18 mandatory, and 4 additional indicators. Furthermore, the table describes the actions taken, and actions planned and targets set for the reference period.<sup>1</sup> The impact is not addressed (NA) but will be published by 30 June 2023.

### 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
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
<b>Greenhouse gas emissions</b>	1.	GHG emissions	Scope 1 GHG emissions	NA <sup>2</sup>	NA	<p><b>Climate action plan:</b> APG AM measures the CO<sub>2</sub> footprint of its investments, steers the portfolio towards Net Zero emissions in 2050 or sooner, and invests in solutions that contribute to the transition towards a low-carbon economy.</p> <p><b>Climate risk policy:</b> 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.</p> <p><b>Carbon reduction target:</b> APG aims to reduce the absolute CO<sub>2</sub> footprint of the listed equity and credit portfolios by 50 percent in 2030 (compared to 2019). The target considers direct and indirect emissions of a company's own activities (scope 1 and 2).</p> <p><b>Inclusion policy:</b> APG AM assesses whether companies are involved in controversies around GHG emissions and identifies these companies as laggards.</p> <p>APG AM assesses whether high impact companies in the oil &amp; gas and utility sectors have</p>
		Scope 2 GHG emissions	NA	NA		
		Scope 3 GHG emissions	NA	NA		
		Total GHG emissions	NA	NA		

<sup>1</sup> Please note that not all the actions taken, and actions planned and targets set for the reference period apply (similarly) to all the asset classes APG AM invests in on behalf of its clients. The scope of the actions and targets to consider the principal adverse impact indicators is further described in the different RI policies and approaches which can be found on the APG AM website.

<sup>2</sup> Per the summary, the first reference period reported on will be 2022, published by 30 June 2023.



2.	Carbon footprint	Carbon footprint	NA	NA	NA	<p>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.</p> <p>APG AM assesses the quality of companies' air emissions programmes.</p> <p><b>SDI approach:</b> APG AM actively seeks investments which contribute to the Sustainable Development Goals (SDGs) including SDG 7 (Clean &amp; Affordable Energy) and SDG 13 (Climate Action).</p> <p><b>Engagement:</b> APG AM engages companies in high climate impact sectors on their climate strategies and disclosures.</p> <p><b>Voting policy:</b> APG AM assesses if companies in high climate impact sectors sufficiently address climate change in their strategies and disclosures and will address the lack of sufficiently ambitious and transparent climate strategies or disclosures in our voting decisions.</p> <p><b>Climate action plan:</b> APG AM measures the CO2 footprint of our investments, steers the portfolio towards Net Zero emissions in 2050 or sooner, and invests in solutions that contribute to the transition towards a low-carbon economy.</p> <p><b>Climate risk policy:</b> 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.</p> <p><b>Carbon reduction target:</b> APG aims to reduce the absolute CO2 footprint of the listed equity and credit portfolios by 50 percent in 2030 (compared to 2019). The target considers direct and indirect emissions of a company's own activities (scope 1 and 2).</p> <p><b>Inclusion policy:</b> APG AM uses an event indicator to assess incidents related to the harmful environmental impacts of carbon dioxide emissions associated with the use of a company's products. For financial institutions, this may include the financing of projects or companies whose products result in significant carbon dioxide emissions.</p> <p><b>Engagement:</b> APG AM engages with companies in high climate impact sectors on their climate strategies and disclosures.</p>
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3.	GHG intensity of investee companies	GHG intensity of investee companies	NA	NA	NA
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**Voting policy:** APG AM assesses if companies in high climate impact sectors sufficiently address climate change in their strategies and disclosures and will address the lack of sufficiently ambitious and transparent climate strategies or disclosures in our voting decisions.

**SDI<sup>3</sup> approach:** APG AM actively seeks investments which contribute to the Sustainable Development Goals (SDGs) including SDG 7 (Clean & Affordable Energy) and SDG 13 (Climate Action).

**Climate action plan:** APG AM measures the CO<sub>2</sub> footprint of our investments, steers our portfolio towards Net Zero emissions in 2050 or sooner, and invests in solutions that contribute to the transition towards a low-carbon economy.

**Climate risk policy:** 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.

**Carbon reduction target:** APG AM aims to reduce the absolute CO<sub>2</sub> footprint of the listed equity and credit portfolios by 50 percent in 2030 (compared to 2019). The target considers direct and indirect emissions of a company's own activities (scope 1 and 2).

**Inclusion policy:** APG AM assesses whether companies are involved in the controversies on GHG intensity and identifies these companies as laggards.

APG AM assesses whether high climate impact companies in the oil & gas and utility sectors have a long term quantitative CO<sub>2</sub> reduction target; we do not invest in companies that make insufficient commitments. APG AM requires all companies with a high impact on climate to disclose quantitative long-term emission reduction targets.

APG AM assesses the quality of companies' air emissions programmes.

**SDI approach:** APG AM actively seeks investments which contribute to the Sustainable Development Goals (SDGs) including SDG 7 (Clean & Affordable Energy) and SDG 13 (Climate Action).

<sup>3</sup> Sustainable Development Investments: Investments with the aim to contribute to the Sustainable Development Goals as described by the publicly available SDI AOP Taxonomy.



4.	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	NA	NA	NA	<p><b>Engagement:</b> APG AM engages with companies in high climate impact sectors on their climate strategies and disclosures.</p> <p><b>Voting policy:</b> APG AM assesses if companies in high climate impact sectors sufficiently address climate change in their strategies and disclosures and will address the lack of sufficiently ambitious and transparent climate strategies or disclosures in our voting decisions.</p> <p><b>Inclusion policy:</b> APG AM does not invest in companies that derive more than 30% of revenues from coal mines or more than 20% from tar sands.</p> <p>APG AM does not invest in energy utility companies that plan to invest in new coal-fired power generation.</p> <p><b>SDI approach:</b> APG AM actively seeks investments which contribute to the Sustainable Development Goals (SDGs) including SDG 7 (Clean &amp; Affordable Energy) and SDG 13 (Climate Action).</p> <p><b>Engagement:</b> APG AM engages with companies with a high impact on climate on their climate strategies and disclosures.</p> <p><b>Climate action plan:</b> APG AM measures the CO<sub>2</sub> footprint of our investments, steers our portfolio towards Net Zero emissions in 2050 or sooner, and invests in solutions that contribute to the transition towards a low-carbon economy.</p> <p><b>Climate risk policy:</b> 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.</p> <p><b>Carbon reduction target:</b> APG aims to reduce the absolute CO<sub>2</sub> footprint of the listed equity and credit portfolios by 50 percent in 2030 (compared to 2019). The target considers direct and indirect emissions of a company's own activities (scope 1 and 2).</p> <p><b>Inclusion policy:</b> APG AM expects all companies with a high impact on climate and biodiversity to establish a policy and sustainable pathway as a means to mitigate said risk.</p> <p><b>SDI approach:</b> APG AM actively seeks investments which contribute to the Sustainable Development Goals (SDGs) including SDG 7: Affordable and Clean Energy.</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	NA	NA	NA	<p><b>Engagement:</b> APG AM engages with companies with a high impact on climate on their climate strategies and disclosures.</p> <p><b>Climate action plan:</b> APG AM measures the CO<sub>2</sub> footprint of our investments, steers our portfolio towards Net Zero emissions in 2050 or sooner, and invests in solutions that contribute to the transition towards a low-carbon economy.</p> <p><b>Climate risk policy:</b> 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.</p> <p><b>Carbon reduction target:</b> APG aims to reduce the absolute CO<sub>2</sub> footprint of the listed equity and credit portfolios by 50 percent in 2030 (compared to 2019). The target considers direct and indirect emissions of a company's own activities (scope 1 and 2).</p> <p><b>Inclusion policy:</b> APG AM expects all companies with a high impact on climate and biodiversity to establish a policy and sustainable pathway as a means to mitigate said risk.</p> <p><b>SDI approach:</b> APG AM actively seeks investments which contribute to the Sustainable Development Goals (SDGs) including SDG 7: Affordable and Clean Energy.</p>



	6.	Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	NA	NA	NA	<p><b>Climate action plan:</b> APG AM measures the CO<sub>2</sub> footprint of our investments, steers our portfolio towards Net Zero emissions in 2050 or sooner, and invests in solutions that contribute to the transition towards a low-carbon economy.</p> <p><b>Climate risk policy:</b> 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.</p> <p><b>Carbon reduction target:</b> APG aims to reduce the absolute CO<sub>2</sub> footprint of the listed equity and credit portfolios by 50 percent in 2030 (compared to 2019). The target considers direct and indirect emissions of a company's own activities (scope 1 and 2).</p> <p><b>Inclusion policy:</b> APG AM expects all companies with a high impact on climate and biodiversity to establish a policy and sustainable pathway as a means to mitigate said risk.</p> <p><b>SDI approach:</b> APG AM actively seeks investments which contribute to the Sustainable Development Goals (SDGs) including SDG 7: Affordable and Clean Energy.</p>
<b>Biodiversity</b>	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	NA	NA	NA	<p><b>Inclusion policy:</b> APG AM assesses whether companies are involved in the controversies on biodiversity and identifies these companies as laggards.</p> <p>APG AM assesses companies active in palm oil on whether they have RSPO memberships, certifications and supplier requirements.</p> <p>APG AM identifies companies with large exposures to soy and cattle in Brazil as laggards.</p> <p>APG AM assesses the quality of companies' site closure and rehabilitation practices and water management programmes.</p> <p><b>SDI approach:</b> APG AM actively seeks investments which contribute to the Sustainable Development Goals (SDGs) including SDG 14: Life below Water, and SDG 15: Life on Land.</p>
<b>Water</b>	8.	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested,	NA	NA	NA	<p><b>Inclusion policy:</b> APG AM assesses incidents around excessive water use associated with a company's operations, or activities in water scarce areas.</p> <p><b>SDI approach:</b> APG AM actively seeks investments which contribute to the Sustainable Development Goals (SDGs) including SDG 6: Clean Water and Sanitation.</p>





<b>Waste</b>	9.	Hazardous waste and radioactive waste ratio	expressed as a weighted average Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	NA	NA	NA	<b>Inclusion policy:</b> APG AM assesses if companies are involved in controversies around hazardous waste and identifies these companies as laggards. APG AM assesses the quality of companies' Environmental Management System (EMS) and hazardous waste management system.
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**INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS**

<b>Social and employee matters</b>	10.	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) principles or OECD Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC Guidelines for Multinational Enterprises	NA	NA	NA	<b>Inclusion policy:</b> APG AM assesses whether companies are involved in violations of the UNGC Principles and identifies these companies as laggards. For "SC" rules we assess both in direct operations and in the supply chain.
	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	NA	NA	NA	<b>Inclusion policy:</b> APG AM assesses for relevant industries if companies have miscellaneous policies, programmes and systems.



		or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises				
12.	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	NA	NA	NA	<b>Inclusion policy:</b> APG AM assesses the quality of companies' diversity programmes. <b>SDI approach:</b> APG AM actively seeks investments which contribute to the Sustainable Development Goals (SDGs) including SDG 5: Gender Equality, and SDG 10: Reduced Inequalities.
13.	Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	NA	NA	NA	<b>Inclusion policy:</b> APG AM checks the quality of companies' diversity programmes. <b>Voting policy:</b> APG AM addresses the lack of board gender diversity by opposing certain director (re-)elections when we deem the board to be insufficiently diverse. <b>SDI approach:</b> APG AM actively seeks investments which contribute to the Sustainable Development Goals (SDGs) including SDG 5: Gender Equality.
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	NA	NA	NA	<b>Exclusion policy:</b> APG AM does 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**

<b>Environmental</b>	15.	GHG intensity	GHG intensity of investee countries	NA	NA	NA	<b>Climate action plan:</b> APG AM measures the CO2 footprint of our investments, steers our portfolio towards Net Zero emissions in 2050 or sooner, and invests in solutions that contribute to the transition towards a low-carbon economy. Physical and transition climate risk indicators are included in the fundamental analysis of sovereign issuers. Also, we monitor our sovereign bond portfolios on climate performance and evaluate the willingness and ability of sovereign issuers to
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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	NA	NA	NA	<p>meet the Paris climate goals, based on the sovereign issuer’s carbon policy and economic dependence on fossil fuel.</p> <p>APG measures and reports on the CO2 footprint of the sovereign bond portfolio.</p> <p><b>SDI approach:</b> APG AM actively seeks investments which contribute to the Sustainable Development Goals (SDGs) including SDG 7 (Clean &amp; Affordable Energy) and SDG 13 (Climate Action). Within the general investment strategies, we have a preference for investing in labeled bonds, including bonds that contribute to climate change mitigation and adaptation.</p> <p>The Partnership for Carbon Accounting Financials (PCAF) is an industry led initiative for GHG accounting and reporting. PCAF has issued a global standard (PCAF Global) for carbon footprint measurement and disclosure in 2020 for a number of asset classes. This standard is widely used in the industry and especially among Dutch financial institutions. Within the Dutch Climate Commitment, Dutch pension funds agreed to use PCAF Global as the standard for carbon footprint measurement to ensure comparability.</p> <p><b>Exclusion policy:</b> APG AM excludes sovereign bonds issued by countries that 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 &amp; 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 policy. 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.</p>
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INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS

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	NA	NA	NA	-
Energy efficiency	18.	Exposure to energy-inefficient real estate assets	Share of investments in energy inefficient real estate assets	NA	NA	NA	<p><b>Climate action plan:</b> APG AM measures and reports on the CO2 footprint of its real estate portfolio. To manage transition risk and steer the real estate portfolio towards Net Zero, we collaborate with the Carbon Risk Real Estate Monitor (CRREM)<sup>4</sup>. 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.</p> <p>We apply the CRREM methodology as a proxy for energy-inefficient real estate.<sup>5</sup></p> <p>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.</p> <p>In listed real estate, we encourage real estate funds to align with the CRREM pathways and disclose sufficient data for assessment.</p>

<sup>4</sup> [CRREM - Make decarbonisation measurable & Manage Carbon Risk](#)

<sup>5</sup> The CRREM methodology is a science-based methodology originally funded by the European Union. It is assumed that this methodology better reflects energy inefficiency in the real estate portfolio than the formula provided by the SFDR in the Regulatory Technical Standards. Finally, the definitions of e.g., Nearly Zero-Emission Building (NZEB) rules are not available in all European Member States to date. The products which APG AM manages on behalf of its clients include assets in regions outside Europe. Recognizing that an Energy performance certificate EPC rating is not available in all European Member States, we cannot calculate a reliable metric according to the SFDR formula because this would misrepresent the share of energy-inefficient real estate for the global product. Consequently, APG AM believes that the CRREM methodology is a more conservative approach.



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.

#### ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Emissions	4.	Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	NA	NA	NA	<p><b>Climate action plan:</b> APG AM measures the CO<sub>2</sub> footprint of our investments, steers the portfolio towards Net Zero emissions in 2050 or sooner, and invests in solutions that contribute to the transition towards a low-carbon economy.</p> <p><b>Climate Risk Policy:</b> 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.</p> <p><b>Carbon reduction target:</b> APG AM maps out how much carbon is emitted by the companies we invest in through listed equities, and how much of this is attributable to us (carbon footprint).</p> <p><b>Voting policy:</b> APG AM assesses if companies in high climate impact sectors sufficiently address climate change in their strategies and disclosures and will address the lack of sufficiently ambitious and transparent climate strategies or disclosures in our voting decisions.</p>
Water, waste and material emissions	14.	Natural species and protected areas	Share of investments in investee companies whose operations affect threatened species	NA	NA	NA	<p><b>Inclusion Policy:</b> APG AM assesses if investee companies are involved in controversies affecting threatened species.</p>

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

Human rights	9.	Lack of a human rights policy	Share of investments in entities without a human rights policy	NA	NA	NA	APG AM assesses if investee companies have a human rights policy.
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	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	NA	NA	NA	APG AM assesses if investee companies have a due diligence procedures in place to identify, prevent, mitigate and address adverse human rights impacts.
Anti-corruption and anti-bribery	16.	Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery	Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery	NA	NA	NA	APG AM assesses if investee companies take sufficient action to address breaches of standards of anti-corruption and anti-bribery.



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

The SFDR prescribes APG AM to describe the policies to assess, identify and prioritize principal adverse sustainability impacts on sustainability indicators.

The European Supervisory Authorities (ESAs) have identified a list of principal adverse impact indicators that Financial Market Participants will need to report on annually. The provided list consists of 64 principal adverse impact indicators, 18 mandatory and 46 additional ones. APG AM has selected 4 additional indicators. While various of the principal adverse impact indicators were already part of our Responsible Investment approach for a number of asset classes in the portfolio, others were not, or were only partially included in our current approach.

Currently, all existing ESG data from external data providers as well as proprietary data is integrated into the portfolio management systems and core data systems at APG AM. APG AM has a long history of ESG integration and the use of ESG data in its investment process. APG AM considers the adverse impacts on matters such as environmental, social, employee, human rights, anti-corruption and anti-bribery, all of which are addressed in the Responsible Investment Policies of our clients.

Sustainability-related data is still less mature than regular financial data. Generally, we recognize the limitations of the methodologies and data sources for sustainability-related data such as the lack of consistent and transparent measurement methodologies and data assessment processes, and the limited availability, comparability and quality of data. The investments for which we currently do not (yet) have all the required data about the principal adverse impacts on sustainability factors, APG AM will make a best effort to obtain such data.

How we assess, identify and prioritize adverse impacts in our investment processes is further described in the following policies and approaches<sup>6</sup>:

- In the Climate Action Plan, APG AM describes how we measure the CO<sub>2</sub> 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.
- In our Climate Risk Policy, carbon measurement and carbon reduction target we describe actions taken to avoid and reduce adverse impacts in the future by addressing 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, in steering the total assets under management to align with the goals of the Paris Agreement by 2030 and net zero portfolio by 2050.
- The Corporate Governance Framework and Voting Policy addresses matters such as environmental, social, employee, human rights, and anti-corruption and anti-bribery through the

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<sup>6</sup> Summaries of all these policies and approaches can be found on the APG AM website.

way we vote on the annual general meetings of the companies in which we invest on behalf of our clients.

- The Inclusion Approach is based on the UN Global Compact themes (human rights, labour, environment, and anti-corruption) and the expectations of investors and companies under the OECD Guidelines. The inclusion screening methodology allows us to map companies in our investment portfolio with the aforementioned adverse impacts as laid out in the “Description of the principal adverse impacts on sustainability factors” section<sup>7</sup>.
- Our approach for Sustainable Development Investments uses the UN Sustainable Development Goals (SDGs) as a guideline for investments with a positive influence on people and the environment or 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) in order to meet our clients’ SDI targets and ambitions.
- The Exclusion Approach addresses adverse impacts related to controversial weapons, tobacco production and sovereign bonds issued by countries that are subject to an arms embargo by the UN Security Council and/or European Union, or countries that have the 10% lowest scores on Voice & Accountability performance according to the World Bank.

### III. Engagement policies

We strongly believe that effective stewardship benefits companies, investors and the economy as a whole. Therefore, we actively engage with our investments on issues which in our view contribute to their ability to create and sustain long-term value. This allows us to better understand the business challenges they are facing and ensure that sustainability risks and opportunities are addressed. In our Responsible Investment & Stewardship Policy we explain our approach to responsible investing and stewardship for the asset classes APG AM invests in on behalf of clients. It sets out our responsible investment focus areas and related expectations of companies, includes an outline of how we meet our responsibilities as a steward of capital and explains how we vote, monitor and engage with the companies and other entities we invest in.

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

### IV. References to international standards

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

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

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<sup>7</sup> Please note that our methodologies are in constant change as we seek higher and more sustainable standards.



Organisation, standards or principles	Explanation
<b>Climate Commitment of the Dutch Financial Sector</b>	APG AM and its clients have signed the Climate Commitment of the Dutch Financial Sector. As part of this commitment, we will support our clients in setting updated portfolio targets to reflect alignment with the Paris Agreement.
<b>Dutch Stewardship Code</b>	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.
<b>ICGN Global Corporate Governance Principles</b>	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.
<b>ICGN Global Stewardship Principles</b>	APG AM is an active member of the ICGN and endorses the ICGN Global Stewardship Principles.
<b>OECD Guidelines for Multinational Enterprises</b>	APG AM's responsible investment approach is based on the OECD Guidelines for Multinational Enterprises.
<b>Platform Biodiversity Accounting Financials (PBAF)</b>	APG AM supports this initiative which aims to set a uniform standard for biodiversity footprinting.
<b>Principles for Responsible Investment (PRI)</b>	APG AM is a signatory and active member of the PRI and participates in the annual PRI survey.
<b>Taskforce on Climate-related Financial Disclosures (TCFD)</b>	APG AM follows the framework established by the TCFD and annually reports on what APG AM undertakes to address climate risks and opportunities.
<b>Taskforce on Nature-related Financial Disclosure (TNFD)</b>	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.
<b>UN Guiding Principles on Business and Human Rights</b>	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.

In addition to the above organisations, standards and principles, APG AM expects investee companies and funds to act in line with the United Nations principles for responsible business practice (UN Global Compact) concerning human rights, labour rights, corruption and the environment.

## V. Historical comparison

As these indicators are new and the first reference period covered will be 1 January 2022 – 31 December 2022, the first historical comparison of 2022 and 2023 will be provided in the PAI statement to be published by 30 June 2024.