

# Mandatory Website Disclosure for the APG Strategic Real Estate Pool

September 2023

## APG Strategic Real Estate Pool

### Mandatory website sections

#### a) 'Summary'

The purpose of the Pool is to provide access to a diversified portfolio of equity investments in real estate. The aim of the Pool is to achieve a superior risk-adjusted real return and to outperform the benchmark through active management over the medium to long term (>5 years).

#### **SFDR classification and environmental and/or social (E/S) characteristics**

The Strategic Real Estate (SRE) Pool is identified as an SFDR Art. 8 product (light green). The Pool promotes environmental and social characteristics but does not have sustainable investments as its objective (SFDR Art. 9).

The Pool promotes the following environmental and/or social (E/S) characteristics:

- Corporate Exclusion Policy
- Corporate Inclusion Policy
- GRESB
- CRREM<sup>1</sup>
- Green building certification
- Sustainable Development Investments<sup>2</sup>
- Controversy screening
- Climate risk
- Anti-bribery & anti-corruption and whistle-blower program

#### **Benchmark**

The reference index is a weighted composite of various regional property indices:

- **Europe:** MSCI Europe ex UK & Switzerland Property Index, MSCI UK Property Index, MSCI Switzerland Property index.
- **Asia Pacific:** MSCI Asia ex Japan Property Index, MSCI Japan Property Index, MSCI Australia Property Index.
- **Americas:** MSCI US Property Index.

#### b) 'No sustainable investment objective'

This Pool promotes environmental and/or social characteristics, but does not have sustainable investments as its objective.

1) [CRREM - Make decarbonisation measurable & Manage Carbon Risk](#) and [Home - CRREM Global](#).

2) Please note that Sustainable Development Investments do not constitute sustainable investments as defined by SFDR.

### c) 'Environmental or social characteristics of the financial product'

This Pool promotes the following environmental and/or social characteristics:

- Corporate Exclusion Policy - Investments in this Pool adhere to the Corporate Exclusion Policy.
- Corporate Inclusion Policy - The Corporate Inclusion Policy applies to the listed investments in this Pool.
- GRESB - GRESB scores of the investments in this Pool.
- CRREM - Performance of the investments in this Pool against CREEM pathways.
- Green building certifications - The green building certifications of the investments in this Pool.
- Sustainable Development Investments - An ambition to actively seek investments on a best-efforts basis that contribute to the Sustainable Development Goals.
- Controversy screening - Investments in this Pool are structurally monitored for involvement in (severe) controversies.
- Climate risk management - Exposure to individual physical climate-risk hazards for investments within this Pool.
- Anti-bribery & anti-corruption and whistleblower program - Presence of anti-bribery & anti-corruption policy and whistleblower program.

### d) 'Investment strategy'

The purpose of the Pool is to provide access to a diversified portfolio of equity investments in real estate. The aim of the Pool is to achieve a superior risk-adjusted real return and to outperform the benchmark through active management over the medium to long term (>5 years).

The following good governance practices around sound management structures, employee relations, remuneration of staff and tax compliance are considered before making a new unlisted investment in this Pool. Additional good governance practices are assessed as part of the due diligence and assessment processes for investments in this Pool.

SFDR GGP	Metric	Explanation	Thresholds for failing the GGP Test
<b>Sound management structures</b>	Investments take into account the UN Global Compact Principles, including Principle 10 on Anti-Corruption.	We expect all new (private) investments to contractually commit to take into account the UN Global Compact Principles.	ESG incident reported/ RepRisk controversy threshold crossed + engagement with external manager/investee entity does not result in timely remediation of issue.
<b>Employee Relations</b>	Investments take into account the UN Global Compact Principles, including Principles 1-6 on Human Rights and Labour.	We expect all new (private) investments to contractually commit to take into account the UN Global Compact Principles.	ESG incident reported/ RepRisk controversy threshold crossed + engagement with external manager/investee entity does not result in timely remediation of issue.
<b>Tax Compliance</b>	Investments have no significant controversies related to tax compliance.	We screen for whether investee companies have been involved in significant controversies related to accounting and taxation.	ESG incident reported/ RepRisk controversy threshold crossed + engagement with external manager/investee entity does not result in timely remediation of issue.

<b>Remuneration of Staff</b>	Investments have no significant controversies related to staff remuneration.	We screen for whether investee companies have been involved in significant controversies related to staff remuneration.	ESG incident reported/ RepRisk controversy threshold crossed + engagement with external manager/investee entity does not result in timely remediation of issue.
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**e) ‘Proportion of investments’**

The minimum proportion of investments in this financial product that meet the environmental or social characteristics promoted by the financial product is 50%. The remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments constitute exposure to investments that do not meet our minimum requirements, debt-related real estate investments and/or exposures to real estate related businesses, and derivatives.

**f) ‘Monitoring of environmental or social characteristics’**

The Real Estate Responsible Investment Implementation Guidelines outline the different RI policies and approaches which apply to this specific Pool. The E/S characteristics and the sustainability indicators used to measure how these are achieved are described in the summary descriptions of the different responsible investment (RI) policies and approaches which apply to this Pool, such as the Exclusion Policy, the Inclusion Policy, and the Sustainable Development Investments, all of which can be found on the APG AM website.

These summary descriptions also describe the governance on how each of the RI policies and approaches that apply to this Pool are implemented.

Detailed processes for the implementation of the RI policies and approaches are described in the internal Business Process Manuals (BPMs) which set out in detail how the consistent and effective implementation of the RI policies and approaches is monitored and ensured.

The BPMs also include detailed descriptions of the processes, risks and control mechanisms for implementing the RI policies. These descriptions include the monitoring of the sustainability indicators which are measured under these policies and approaches.

Internal control mechanisms for the monitoring and attainment of the E/S characteristics require the Global Responsible Investment and Governance (GRIG) team to annually test the key controls and/or ISAE controls set for each RI policy implementation process; a procedure that is monitored and reviewed by Enterprise Risk Management. In addition, the external auditor annually tests and validates the key controls and/or ISAE controls.

### **g) ‘Methodologies for environmental or social characteristics’**

The methodologies used to measure the attainment of the E/S characteristics are described in the summary descriptions of the different responsible investment (RI) policies and approaches that apply to this Pool, and can be found on the APG AM website.

APG AM maintains descriptions of the methodologies for measuring E/S characteristics for each of the RI policies, including the data and methodology used.

### **h) ‘Data sources and processing’**

To attain the E/S characteristics promoted by this Pool we use data from external data providers such as Sustainalytics, MSCI, ISS, SDI Asset Owner Platform (AOP), GRESB, RepRisk, Verisk Maplecroft, 427, and green building certification schemes.

APG AM has internal BPMs in place for each of the RI policies which set out in detail how the consistent and effective implementation of these policies - and the methodologies used - is monitored and ensured.

This includes a description of how the data quality is ensured, how data is processed, and where relevant - what proportion of this data is estimated.

### **i) ‘Limitations to methodologies and data’**

Sustainability-related data is still less mature than regular financial data and qualitative performance assessments are often translated into numeric values. 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 limitations to the methodologies used to attain the E/S characteristics promoted by the Pool are described in the internal (BPMs for each of the RI policies which apply to this Pool, and which set out in detail how the consistent and effective implementation of these policies - and the methodologies used - is monitored and ensured.

### **j) ‘Due diligence’**

Sustainability risks are identified, assessed, mitigated (when possible) and managed throughout the investment process. They are initially identified at the investment stage and discussed at all stages (lead, screening, Committee on Investment Proposals (CIP) and asset management stage). The investment approval process requires extensive ESG due diligence & engagement for each investment, which is assessed and signed off (negative, conditional, unconditional) by the Global Responsible Investment and Governance (GRIG) team, Legal/Tax/Regulation and second line risk.

Initial identification of potential sustainability risks is carried out using a number of tools. These include an ESG Due Diligence Questionnaire, GRESB assessment (if available), Institutional Shareholder Services (ISS) and RepRisk screening. Furthermore, The Operational Due Diligence (ODD) team carries out the first line ODD check for private real estate investments. Transition risk is assessed through CRREM and translated into the investment underwriting. Physical climate risk is assessed using APC's RE Physical Climate Risk Model.

Further sustainability-related due diligence processes which apply to this Pool involve those described in the Real Estate RI Implementation Guidelines and the internal BPMs for the applicable RI policies and approaches.

If material sustainability risks are identified at the outset, APG may choose not to invest, or if assessed as addressable, APG will engage with the investee to address these concerns and define steps to achieve improvements.

### **k) 'Engagement policies'**

The engagement policies which apply to this Pool are described in the APG AM Responsible Investment & Stewardship Policy which sets out how APG AM carries out its stewardship responsibilities such as engagement, monitoring, voting, collaboration and market engagement. The APG AM Responsible Investment & Stewardship Policy, which can be found on our website, also describes the governance and management of responsible investing.

### **l) 'Designated reference benchmark'**

Not Applicable.