

Pre Contractual Disclosure for the APG Developed Markets Equity Minimum Volatility Pool¹

September 2023

1) The disclosures in this document solely relate to APG AM's alternative investment funds ('Pools') and is prepared in accordance with art. 10 of the Sustainable Finance Disclosure Regulation (EU/2019/2088).



APG Developed Markets Equity Minimum Volatility Pool

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: APG Developed Markets Equity Minimum Volatility Pool

Legal entity identifier: 549300X8YX6JMUFBUB48

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics	
Does this financial product have a sustainable investment objective?	
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___% <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective <input checked="" type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments



What environmental and/or social characteristics are promoted by this financial product?

This product promotes the following environmental and/or social characteristics²:

Corporate Exclusion Policy

The Corporate Exclusion Policy applies to this product.

Corporate Inclusion Policy

The Corporate Inclusion Policy applies to this product.

Sustainable Development Investments³

This product monitors and reports on investments in the investable UN Sustainable Development Goals (SDGs).

Sustainability and social indicators	
Indicator	Metric
PAI # 1	GHG emissions scope 1+2
PAI # 2	Carbon footprint
PAI # 4	Exposure to companies active in the fossil fuel sector

Social	
Indicator	Metric
PAI # 10	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
PAI # 13	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members.
PAI # 14	Share of investments in investee companies involved in the manufacture or selling of controversial weapons.

Benchmark

The customized benchmark that has been designated for the purpose of attaining the E/S characteristics promoted by this product is aligned with the Corporate Inclusion Policy and the Corporate Exclusion Policy. This means that the benchmark for this product excludes the following investments:

- Product based exclusions:
 - Controversial weapons
 - Tobacco production
- Energy and utility companies that we believe to be lagging on climate change. We refer to the Net Zero Investor Framework and identify laggards as companies that have not yet “committed to align” to a net zero pathway. In practice, these are companies that have been found not to have quantitative long-term emissions reduction target.

2) For more information about the Corporate Exclusion Policy, Corporate Inclusion Policy and the Sustainable Development Investments approach, please see: [Responsible investment, good pension in a sustainable world | APG](#).

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

● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

Corporate Exclusion Policy

The sustainability indicator to measure adherence to the Exclusion Policy is the absence of excluded products/ companies in this financial product.

Corporate Inclusion Policy

The sustainability indicator to measure adherence to the Corporate Inclusion Policy is the share of leaders in the product, based on the Corporate Inclusion Policy methodology.

Sustainable Development Investments

The sustainability indicator to measure the SDIs is the % of investments classified as SDIs versus the overall NAV of this product.

In addition to the above sustainability indicators, this product considers the following principal adverse impact indicators:

Sustainability indicators			
Indicator	Metric		Explanation
PAI # 1	GHG emissions	Scope 1 GHG emissions	Scope 1 and 2 emissions of the investments in this product are measured and monitored.
		Scope 2 GHG emissions	Scope 3 emissions of the investments in this product are not measured.
PAI # 2	Carbon footprint	Carbon footprint	Based on our carbon footprint target ⁴ , we measure how much carbon is emitted by companies this product invests in and how much of this is attributable to these companies.
PAI # 4	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector.	A number of companies active in the fossil fuel sector will be sold based on the Corporate Inclusion Policy. These concern energy and utility companies that we believe to be lagging on climate change. These companies will be divested and subsequently excluded from the benchmark.

4) For more information about the carbon reduction target, please see: [Responsible investment, good pension in a sustainable world | APG](#)

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Social			
Indicator	Metric		Explanation
PAI # 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.	Based on the Corporate Inclusion Policy this product does not invest in companies involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.
PAI # 13	Board Gender Diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members.	Board gender diversity is considered through the APG Corporate Governance Framework and Voting Policy ⁵ . The average ratio of female to male board members in investee companies of this product is addressed in our voting behavior which is based on our expectations around board composition and diversity.
PAI # 14	Exposure to controversial weapons	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	Based on the Corporate Exclusion Policy, this product does not invest in controversial weapons.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes, this product considers PAIs # 1 (partially), 2, 4, 10, 13 and 14. We do not actively promote PAI # 1 but PAI # 2 and 4 have an indirect impact on PAI # 1.

No

5) For more information about the APG Corporate Governance Framework and Voting Policy, please see: [Responsible investment, good pension in a sustainable world | APG.](#)



What investment strategy does this financial product follow?

The **investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The E/S characteristics this product promotes are binding for the entire investment strategy as they are imbedded in the benchmark. In addition to that a reduction of the carbon footprint versus the benchmark is implemented.

- **What is the policy to assess good governance practices of the investee companies?**

The following good governance practices test is applied for setting the APG GGP Flag.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR GGP	Metric	Explanation	Thresholds for failing the GGP Test
Sound management structures	Controversies related to Business Ethics practices in direct operations and supply chains	This indicator assesses whether a company has been involved in business ethics-related controversies.	Sustainalytics: Controversy of category 4&5, confirmed by APG research.
Employee Relations	Controversies related to Employees' Human Rights practices in direct operations and supply chains	This indicator assesses whether a company has been involved in human rights-related controversies with its employees (e.g. forced labor).	Sustainalytics: Controversy of category 4&5, confirmed by APG research.
Employee Relations	Controversies related to Labor Relations in direct operations and supply chains	This indicator assesses whether a company has been involved in labor relations controversies (e.g. labor standards).	Sustainalytics: Controversy of category 4&5, confirmed by APG research.
Tax Compliance	Controversies related to Accounting & Taxation practices	This indicator assesses whether a company has been involved in accounting and taxation-related controversies.	Sustainalytics: Controversy of category 4&5, confirmed by APG research.

Remuneration of Staff	Controversies related to Staff Remuneration	This indicator assesses if whether a company has been involved in significant controversies related to staff remuneration.	MSCI: Controversy observed (binary data), confirmed by APG research.
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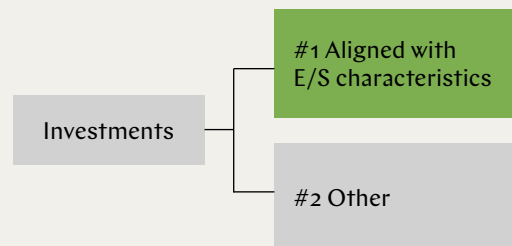
What is the asset allocation planned for this financial product?

The E/S characteristics apply to all investments in this product, with the exception of derivatives.

Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of the revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



#1 Aligned with E/S characteristics includes the investment of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

● ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

Derivatives are only used for efficient portfolio management and risk management purposes in accordance with the Dutch Pension Act (Pensioenwet). Derivatives use shall comply with the anager's counterparty policy, collateral policy, liquidity policy and market risk policy.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Investments included under “#2 Other”, are derivatives.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Yes.

● ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

The benchmark is adjusted based on the Corporate Inclusion Policy and the Corporate Exclusion Policy and energy and utilities companies which we believe to be lagging on climate change. These policies are monitored via ongoing processes. The benchmark adjustments are effectuated on a bi-annual basis as per June 1st and December 1st.

● ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

First and second line risk keep oversight on portfolio investments. The companies which cannot be invested in are distributed with the Pool managers via an exclusion list and via information in the internally used information systems. The information is based on external vendors and/or proprietary analysis by a designated team: Global Responsible Investments & Governance (GRIG).

● ***How does the designated index differ from a relevant broad market index?***

The index excludes all constituents that are on the APG Exclusion List on the basis of product related exclusions, and energy and utility companies which we believe are lagging on climate change.

● ***Where can the methodology used for the calculation of the designated index be found?***

The benchmark is originally based on MSCI methodology, enhanced with the exclusion of specific companies based on the Corporate Inclusion Policy and the Corporate Exclusion Policy, and energy and utility companies which we believe are lagging on climate change.



Where can I find more product specific information online?

More product-specific information can be found on the website: apg.nl.