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APG Responsible Investment and Stewardship Approach

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Introduction

APG Asset Management (APG) is a fiduciary manager for Dutch pension funds. We invest globally on behalf of our clients, with the aim of supporting their long-term investment objectives and achieving the necessary risk-adjusted net returns for their beneficiaries. This would enable the pension funds to remain strong and future-proof. Part of our mission is to make a positive contribution to the world by integrating sustainability risks and opportunities into our investment and stewardship activities. APG manages approximately 600 billion euros¹ assets under management across public and private asset classes. In line with our clients' investment beliefs APG considers that good governance and responsible investment are key. Responsible investing is enshrined in our clients' strategic investment plans.

Graph 1: Risk, return, cost, sustainable & responsible

The integration of relevant governance and sustainability factors in all asset classes, using approaches tailored to the characteristics and data availability of each asset class, is therefore an important feature of our investment approach, which is designed to:

- contribute to risk-adjusted financial returns;
- demonstrate social responsibility and;
- contribute to the integrity of financial markets.



As a long-term investor with an established responsible investment and stewardship approach, we want to enable our pension fund clients to offer their beneficiaries a good income upon retirement and enable them to enjoy that income in a livable world.² We strongly believe that integrating sustainable factors into the investment approach is a logical and responsible way to mitigate long-term risks. We aim to achieve this by understanding and influencing the entities we invest in and by engaging with policy makers and other stakeholders to help build a sustainable financial system and future. Monitoring, dialogue, voting and engagement with our investments are key features of our stewardship activities, which allow us to make informed investment decisions.

¹ End of 2025

² For us, a livable world means that the economy operates within the limits of what the Earth can sustain. This is based on the Stockholm University model of planetary boundaries. To assess this we focus on four themes: climate, nature & biodiversity, human rights, and good governance.

This document explains APG's approach to responsible investing (RI) and stewardship for all the asset classes APG invests in on behalf of its clients.³ It sets out our clients' responsible investment focus areas and related expectations of companies. This outlines how we meet our responsibilities as a steward of capital and explains how we vote, monitor, and engage with the companies and other entities in which we invest on behalf of our clients.

Implementation of our approach depends on the applicable client mandate, asset class, investment structure, APG's ownership position and influence, legal and regulatory requirements and the availability and quality of information. Responsible investment and stewardship activities do not guarantee particular investment, environmental, social or governance outcomes.

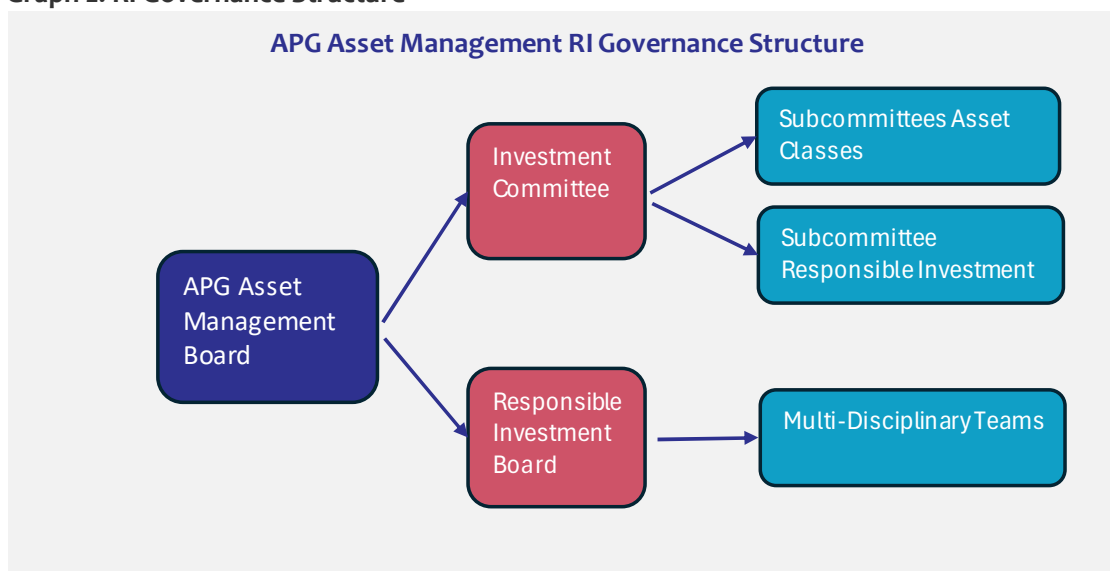
³ This approach will be regularly reviewed and updated as necessary, based on market trends and public policy developments

1 Responsible investment (RI) approach

As a fiduciary investor, we protect our clients' assets for the long term. We do this by investing responsibly and taking good care of the capital entrusted to us.

Responsible Investment (RI) and Stewardship are part of APG's governance and company culture. This has helped us apply our clients' responsible investment policies for many years across all asset classes in which we invest. The Management Board of APG Asset Management is ultimately responsible for the RI and Stewardship governance. It has delegated some RI related responsibilities to the Investment Committee and the Responsible Investment Board which oversees the execution of the RI activities.

Graph 2: RI Governance Structure



Our responsible investment approach is based on the following eight principles:

1. *Responsible investment is an integral part of the investment process at APG. We take governance, environmental and social factors into consideration in our investment decisions across all asset classes, using an approach tailored to each asset class.*
2. *APG enters into dialogue with selected investee companies to communicate client expectations and encourage improvements in sustainability-related practices and good corporate governance. In these engagements with companies, we amplify our clients' standards on sustainability and governance and recommend improvements where necessary.*
3. *APG expects companies to respect the principles of the UN Global Compact. Moreover, APG does not invest in products which are banned under Dutch law or international law, as well as, in line with client policies, certain other products.*

This means that we do not invest in companies that are directly involved in the manufacturing, sale or distribution of landmines, cluster ammunition and their firing systems, nuclear or chemical and biological weapons. We also do not invest in companies that produce or manufacture tobacco products.

4. *In line with our clients' exclusion policies, APG does not invest in sovereign bonds issued by countries that are subject to an arms embargo by the European Union and/or the UN Security Council. Such embargoes indicate that there are serious concerns about a country's respect for human rights.*

5. *APG actively exercises its rights as shareholder.*
We vote at the shareholders' meetings of the companies in which we invest on behalf of our clients. We publish our voting behavior and provide explanations of how we voted.

6. *APG advocates for robust Dutch, and international laws and regulations aimed at promoting sustainability and good corporate governance.*
We regularly discuss sustainability and shareholder rights with standard setters, policymakers and regulators. We contribute to the development of standards aimed at improving industry practice and the integrity of financial markets over the long term.

7. *APG actively looks for attractive investments that meet our return and risk requirements and are intended to deliver measurable positive environmental or social outcomes.*
On behalf of our clients, APG invests in, for example, climate transition, nature-based solutions and affordable housing.

8. *APG believes in the value of collaboration to advance sustainability and good corporate governance standards and address systemic risks.*
We seek to collaborate with a broad range of peers, networks, knowledge partners, and industry bodies to amplify our influence and achieve greater impact within the constraints of our available resources. We are active in various Dutch and international collaborations.

2 Stewardship

APG recognizes that the use of investor rights and our role as a steward of capital entrusted to us involves monitoring and engaging with investments in our portfolio as well as exercising our voting rights at shareholder meetings. APG endorses the ICGN Global Stewardship Principles and complies with the Dutch Stewardship Code.

We engage with companies because we believe that they have an impact on society, and society has an impact on our investments. We communicate our clients' documented sustainability expectations to selected companies and focus engagement on defined transition topics. By doing this, we gain a better understanding of the challenges these companies face and can help promote the proper consideration of sustainability risks and opportunities.

APG's stewardship and responsible investment function is an integral part of our asset management arm. To help us prioritize our clients' RI focus areas and monitor progress and outcomes in our stewardship activities, we use various external sources and systems and have developed our own methodology.

3 Voting, monitoring and engagement

3.1 Voting

Exercising voting rights on behalf of our clients is a key element of our stewardship activities and an important link in the chain of accountability between a company and its shareholders. The right to vote at company shareholder meetings is a fundamental part of a well-functioning corporate governance system and APG therefore exercises this right, wherever possible, at all companies in which it invests. Share blocking can prevent us from voting in certain markets. APG oversees and coordinates the exercise of all equity voting rights for our clients' investments.

APG's voting decisions are based on expectations of our clients. In making voting decisions APG considers the specific context and market in which the company operates, such as the provisions set out in national corporate governance codes as well as local laws and regulations, while encouraging the implementation of global best practice corporate governance standards. APG uses an electronic proxy voting platform, which enables us to monitor upcoming annual and extraordinary shareholder meetings, assess the agendas and make timely and well-considered voting decisions. Voting instructions are submitted in line with our client's Corporate Governance Frameworks and their detailed voting policies. Combined with research from a proxy voting service provider, custom APG voting instructions are generated on the platform. We vote all holdings in a company the same way across portfolios, including those held by external managers on our behalf. For companies in which APG holds large stakes, that require special attention, or for cases that involve significant allocation of capital, APG consults with the company, investors and other stakeholders as appropriate. APG may seek input from external managers when voting in markets where those managers have specialist expertise. All votes are [disclosed in detail on our website](#) shortly after the shareholder meetings.

3.2 Monitoring and engagement

Monitoring our investments is part of being a responsible investor. It helps us understand how companies are managed. We look at factors that can affect a company's ability to create value in the long term. These include corporate governance, and sustainability risks and opportunities. Engaging with companies we invest in is an important part of APG's and its clients' responsible investment approach. We do this to better understand our investments and to understand their environmental, social and governance (ESG) risks and opportunities. Where needed, we use these discussions to encourage improvements in company policies and practices.

Engagement is intended to encourage changes relevant to improving the financial and sustainability performance of our investments. The main goal of engagement is to encourage companies to meet clear standards for good governance and sustainability. APG uses engagement as one of several tools to identify and, where possible, address factors that may be relevant to reducing investment risks and supports long-term value creation.

APG expects companies in which it invests to act responsibly. If a company does not meet these standards, we expect it to respond quickly and take appropriate action.

We may start an engagement for different reasons. These are mainly related to investment risks, market developments, or social responsibility. Our engagement work is done together by the investment teams and the stewardship team. This helps APG speak with one clear and consistent voice and use our shared knowledge effectively.

During an engagement, we use information from several sources. These include our own expertise, company reports, data from research providers, and information from external sources such as brokers, NGOs, and investor networks. Where relevant, we also speak with other stakeholders connected to the companies we invest in.

In certain markets, we are actively involved in board nominations. If we consider using our shareholder rights, such as calling an extraordinary general meeting or submitting a shareholder resolution to escalate a stagnant engagement in addition to exercising our voting rights, we first inform the company. We also attend the meeting to clearly explain our intentions.

3.3 Market engagement

APG regularly talks with regulators and policymakers in different countries on topics such as corporate governance rules, company reporting, and other issues linked to our role as a long-term responsible investor.

3.4 Collaboration

APG takes part in many investor organizations, networks and initiatives. These focus on good corporate governance, environmental and social sustainability and long-term investing. Working together with other investors is often the most effective way to encourage better governance and sustainability at companies in our portfolio and for policy engagement.

Through these organizations and partnerships, we support standards and principles that promote long-term value creation. We also engage with companies to protect and strengthen long-term value. To share knowledge and exchange views on responsible investing, we take an active role in several collaborative efforts.

In addition, we regularly engage in dialogue with other stakeholders, such as non-governmental organizations (NGOs).

4 Investing responsibly: implementation

Our approach to responsible investing follows national and international regulations. These are, in the first instance, Dutch law and international treaties and conventions the Netherlands has signed. Our responsible investment approach is based on the [OECD Guidelines for Multinational Enterprises](#) and the [ICGN Global Corporate Governance Principles](#).

We also expect companies and funds we invest in to follow the United Nations principles for responsible business practice (UN Global Compact). This covers areas such as human rights, labor rights, corruption, and the environment. We use different methods to check whether companies act in line with these principles.

For each investment strategy, APG has developed a tailored approach to implementing the responsible investing policy. These approaches are described in separate guidelines.

4.1 Responsible investing in alternative asset classes

4.1.1 Real estate

For all new investments in (non-listed) real estate we have implemented standard conditions that include, among others:

- The manager must adhere to the OECD Guidelines, the UN Global Compact (UNGC) principles, and the UN Guiding Principles on Business and Human Rights (UNGP) and must report on incidents in these areas.
- The manager must conduct a physical climate risk analysis for each new investment.

Furthermore, the following steps are taken for the monitoring of existing investments:

- a. Monitoring the performance of assets against [CRREM](#) pathways and/or SBTi-approved targets.
- b. Increasing the coverage of energy consumption data.
- c. Certification of operational real estate assets.

These elements are also considered in the engagement with the companies invested in.

4.1.2 Infrastructure

[GRESB Infra](#) is an independent sustainability measurement tool for infrastructure investments. It analyzes critical aspects of management, policy, implementation, and performance. All new investments in infrastructure are expected to take part in the GRESB Infra Asset assessment, and if applicable, the GRESB Infra Fund assessment for the entire period for which an investment is held. When necessary, we engage on health and safety performance with our infrastructure investments.

4.1.3 Private equity

The goal is that private equity managers integrate environmental, social, and governance into their investment process. It is also important that they are transparent about their performance in this area. General partners are required to fill in APG's ESG Due Diligence Questionnaire. They also must follow APG's exclusion policy and have appropriate RI policies in place. Furthermore, they need to meaningfully and regularly communicate to us about firm and portfolio level RI performance. Since December 2016 we use the PE Manager ESG Assessment Tool that we have developed ourselves for all new PE fund commitments. The expectation is to see general partners improving their ESG scores over time. We also issue recommendations to managers to support their improvement. APG has actively contributed to ESG industry standards and tools, including the founding of the ESG Data Convergence Initiative, the Institutional Limited Partners Association PRI (Principles for Responsible Investment) ESG due diligence questionnaire, and the Institutional Investors Group on Climate Change climate guidance.

4.1.4 Real assets – Private Natural Capital

One of Private Natural Capital (PNC) investments' core objective is generating measurable positive impact on climate and society. These investments are screened and monitored on both nature & climate related factors and human rights considerations. The PNC team combines manager engagement with on-the-ground assessments where relevant. Environmental considerations include such topics as GHG footprint, biodiversity, deforestation and water-related impacts. Human rights aspects include working and labor conditions, occupational health and safety, and interactions with local and Indigenous communities. APG gathers ESG information from managers through sector-specific questionnaires developed in-house and periodic reporting. Furthermore, managers or investees are expected to report incidents in a timely manner, and to escalate material incidents promptly.

4.2 Inclusion approach

APG has developed an inclusion policy whereby the investment universe for capital market investments is assessed based on a proprietary method to categorize companies based on environmental, social and governance (ESG) criteria. The ESG criteria are based on client expectations. We use this method to evaluate all companies that we can invest in through publicly traded securities (the investment universe). We aim to invest predominantly in ESG leaders and ESG average performers that are also attractive from a return, risk and cost perspective, on behalf of our pension fund clients. In exceptional cases and under strict guidelines, we may also invest in other companies, generally accompanied by targeted engagement. We implement the inclusion approach for all our clients, apart from ABP. ABP has its own approach, which is described on its [website](#) in Dutch.

4.3 Exclusion approach

In line with our clients' policies, APG does not invest in companies involved in the following:

- **Controversial weapons:** This means we do not invest in companies that are involved in the production, sale or distribution of cluster munitions, anti-personnel mines, chemical or biological weapons. This exclusion is also extended to the ownership of companies that are involved in production, sale or distribution of these weapons above certain maximum percentage thresholds. We define involvement as production, sale and/or distribution of the core weapon system, or components/services of the core weapon system that are considered tailor-made (or dedicated) for the weapons or weapons system and essential (key) for the lethal use of the weapons. Regarding nuclear weapons, we exclude companies involved in production, development, sale and/or distribution of the core weapon system. We also exclude companies a) involved in the production, development, sale and/or distribution of, or b) deriving revenues from components or services that are considered tailor-made (or dedicated) for the weapon or weapon system and components or services that are considered essential (key) for the lethal use of the weapon or weapon system.
- **Tobacco production:** We define involvement as companies that derive any revenue from the production of tobacco products. This relates to companies engaged in manufacturing and producing tobacco products such as cigars, cigarettes, e-cigarettes, beedi, kretek, smokeless tobacco, reconstituted tobacco leaf, snuff, snus, and chewing tobacco. It also includes companies that grow or process raw tobacco leaves. This exclusion is also extended to the ownership of companies that are involved in the production of tobacco above certain maximum percentage thresholds.

4.3.1 Sovereign bond exclusions

In addition to the exclusions applicable to corporates, we exclude bonds issued by countries that are subject to an arms embargo by the UN Security Council and/or European Union. Regarding EU arms embargoes we refer to binding arms embargoes that are based on an EU Council Decision. All bonds from sovereign, sub-sovereign and 100% state-owned issuers are in scope of these exclusions. For some of our clients, we apply additional sovereign governance indicators.

Graph 3: Corporate and sovereign exclusions

Companies	States
Cluster weapons	UN Security Council arms embargo
Landmines	EU arms embargo
Biological weapons	Lowest ranked on selected sovereign governance indicators (for some clients)
Chemical weapons	
Nuclear weapons	
Tobacco producers	

4.4 Climate Change

Climate change is not only an environmental challenge but also a material financial risk that can affect risk-adjusted returns across asset classes. As a long-term investor and fiduciary manager, we integrate climate-related risks and opportunities into our governance, stewardship, research, and portfolio implementation on behalf of our clients. These risks and opportunities arise from both physical impacts—such as extreme weather—and transition dynamics, including changes in policy, technology, and markets.

It is therefore essential that companies understand and manage climate-related risks and opportunities as part of their strategy and risk management. We expect companies to develop credible transition plans aligned with the goals of the Paris Agreement, set clear targets for reducing greenhouse gas emissions, and demonstrate progress toward decarbonization and resilience. In addition, we expect robust and transparent disclosure on climate-related risks, opportunities, and performance. We engage with companies to communicate these expectations and support improvements where needed.

We measure and monitor the carbon footprint of our portfolios and track progress against our clients' net zero ambitions, while increasingly focusing on real world impact. As a signatory to the Net Zero Asset Managers Initiative, we use the Net Zero Investment Framework (NZIF) as the foundation for assessing alignment.

More information about APG's view and activities on climate change can be found on our [website](#).

4.5 Nature and biodiversity

Biodiversity, or species diversity, is what makes up our natural world. It encompasses all types of plants, animals, and microorganisms. All species work together in an ecosystem to maintain balance in nature. However, our natural world is in decline. This is a serious environmental problem. And that environmental problem has a major impact on our well-being because the degradation of

ecosystems also poses a severe threat to the ecosystem services on which our personal lives and economy depend.

Almost all companies depend to varying degrees on natural resources such as water, plants, energy and materials for their products or services. The loss of biodiversity will lead to further economic disruptions and job insecurity in crucial global sectors like agriculture, aquaculture or pharmaceuticals.

We can never fully diversify away from systemic risks such as biodiversity loss. However, we aim to identify and, where possible, reduce financial risks resulting from biodiversity loss. We want to exercise our influence to mitigate potential harm of our investments to nature and biodiversity. As a long-term investor and fiduciary manager, we are increasingly integrating nature and biodiversity-related risks and opportunities into our governance, stewardship, research, and portfolio implementation on behalf of our clients.

In our investment portfolios we apply criteria to companies prone to nature-related risks. We assess and engage on the following aspects:

- *Management:* We expect environmental and biodiversity responsibilities to be clearly embedded within management structures.
- *Goals:* We expect companies in certain sectors to set targets for responsible water use and the use of certified raw materials.
- *Performance:* We expect companies in certain sectors to reduce emissions and use water responsibly.
- *Risk management:* We impose additional requirements on specific sub-industries like producers of soy, beef and palm oil to prevent deforestation.
- *Incident involvement:* we monitor all companies for their involvement in nature and biodiversity-related incidents.

APG assesses all new investments in illiquid markets, such as real estate, infrastructure and natural resources for relevant ESG risks. We establish agreements to take appropriate measures if there is (the potential for) a negative impact on nature and biodiversity. We increasingly use location-specific data to identify protected natural areas or endangered species around our investment locations. For companies issuing listed equity and/or bonds, we apply minimum requirements in sectors with a high impact on biodiversity.

4.6 Social

APG expects companies to support and respect the protection of internationally proclaimed human rights and make sure that they are not complicit in [human rights](#) abuses. Respect for human rights, the rule of law and strong institutions of governance underpin just and stable societies. From the perspective of a long-term investor, promoting those is conducive to our ability to invest sustainably and be aligned with our social responsibility for pensioners today and in the future. Labor standards are a subset of human rights. Most of the core labor standards are based on human rights provisions that are listed in the international human rights treaties. The International Labour Organization (ILO)

has defined core principles as covered in its Declaration on Fundamental Principles and Rights at Work and laid down in eight core conventions.

4.6.1 Human rights

The UN Guiding Principles for Business and Human Rights (2011) lay down the framework for the corporate duty to respect human rights. This is considered the authoritative framework for companies and is endorsed by the UN Global Compact as a means through which companies can ensure that they uphold the UN Global Compact Principles 1 and 2 on human rights.

We expect companies to publish a human rights policy which sets out how the company has considered the potential negative impacts of its activity and its business relationships and commits it to assessing and mitigating these. Oversight and management systems should be effective in monitoring human rights performance and providing the right behavioral incentives for staff. Human rights considerations need to be integrated with procurement and production processes to build sustainable relationships with business partners. Effective due diligence identifies risks posed by suppliers, business partners and clients at an early stage. Hence risks can be mitigated and risk exposure reduced. Consultation with potentially affected parties enables the company to establish its social license to operate and address concerns at an early stage. Good stakeholder relationships can mitigate certain risks in accessing new markets, at times even enable access to markets that would otherwise have been avoided on grounds of high risks. Formal channels allowing stakeholders to voice concerns serve as early warning systems to tackle problems before they generate legal penalties, protests or reputational, financial or operational costs.

4.6.2 Labour rights

APG expects companies to [uphold international labour rights](#), including the freedom of association and the right to collective bargaining, the elimination of forced and child labor and discrimination in respect of employment and occupation. We want employees of companies we invest in to be free to join trade unions and bargain collectively on working conditions. A good personnel policy can enhance the value of an investment.

Beyond these core labor standards, human capital practices are key from a company and investor perspective, as is health and safety. Safe and healthy working conditions for employees are essential from an operational perspective but the right to safe and healthy working conditions is also one of the basic rights in the international human rights treaties.

Acting in compliance with national legislation and/or ILO standards should help prevent harm to employees, but also provide support for legal proceedings and penalties, and a safe work environment. A clear assessment of the labor risks, including health & safety related risks, allows for managing and mitigating them. This should cover a company's own operations and the value chain. A Code of Conduct that is visibly endorsed by the Board is crucial to set the tone and build a company culture that does not tolerate breaches of labor standards. Effective due diligence to identify risks posed by suppliers and business partners at an early stage is important to reduce the potential exposure to labor rights related controversies. Establishing a procedure where employees can

express concerns provides an important early warning system. Employee engagement is important to achieve operational traction.

4.7 UN Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) were adopted in 2015 to end poverty, protect the planet and ensure prosperity for all. As a long-term responsible investor, APG uses the Sustainable Development Goals, in line with our clients' policies, as a guideline for investments with a positive influence on people and the environment or a more sustainable economy. For each of the investable SDGs we have developed [taxonomies](#) that we use to assess and identify investments that contribute to the SDGs.

4.7.1 Impact investing

APG considers impact investments as a core part of its sustainable and responsible investment approach. These investments are intended to generate a positive, measurable social and environmental impact alongside financial returns, following the definition of the Global Impact Investing Network (GIIN). Impact investments must satisfy four key characteristics, namely:

1. **Intentionality:** the investments are made with the deliberate intent to contribute to positive social or environmental outcomes.
2. **Financial return:** impact investments are expected to generate market-based financial returns. We make a clear distinction between philanthropy and impact investing.
3. **Asset classes:** impact investments can be made within different asset classes.
4. **Measurable impact:** social and environmental impact must be measured and reported. The positive outcomes should be demonstrable and attributable to the investment.