

Responsible Investment

Report

www.apg.nl/responsibleinvesting

2015

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Building on existing initiatives

Asset managers can play an important role in making the world more sustainable. This entails a great deal of responsibility and is something we are very keen to put into practice, working with our clients.

As an investor of pension assets, our first priority is to generate the best possible investment returns. This is at the heart of what enables our clients to provide their participants and pensioners with a good pension.

However, our responsibility extends further than that. Our clients are already widely regarded as frontrunners in responsible investing and they continuously dedicate a great deal of thought on how to further innovate in this area. Last year our largest client initiated an ambitious new policy of responsible investment with clear and measurable targets: increased sustainable investments, increased investments in renewable energy and an equity portfolio with a lower CO2 footprint. Implementing this innovative approach, will require us to develop new systems and processes whilst continuing to build on the ways of working that we have already adopted some time ago.

For a number of years now we have been looking internationally for investments that are not only attractive from a risk and return perspective, but that also contribute to solutions to social issues that require global answers, such as climate change, floods and water scarcity, poor access to healthcare and proper education.

Furthermore, we make conscious use of our influence as an active investor to encourage companies to act in line with international corporate social responsibility standards and give appropriate attention to human rights, labor rights, the environment and the fight against corruption.

We are aware of the importance of a properly functioning and sustainable financial system that can optimally support the real economy and therefore we contribute to the development of effective policy and broadly supported standards that promote this.

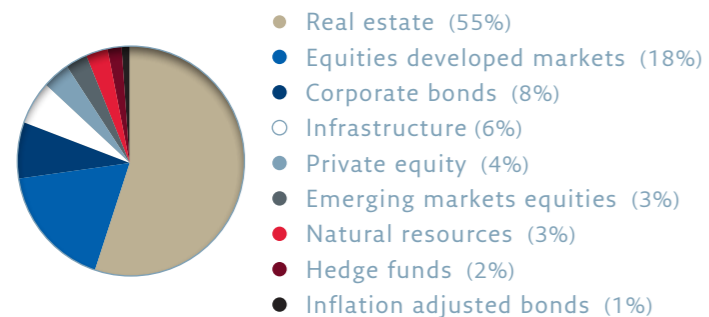
This report sets out how we did this during 2015 and the outcomes we obtained.

Eduard van Gelderen
CEO APG Asset Management

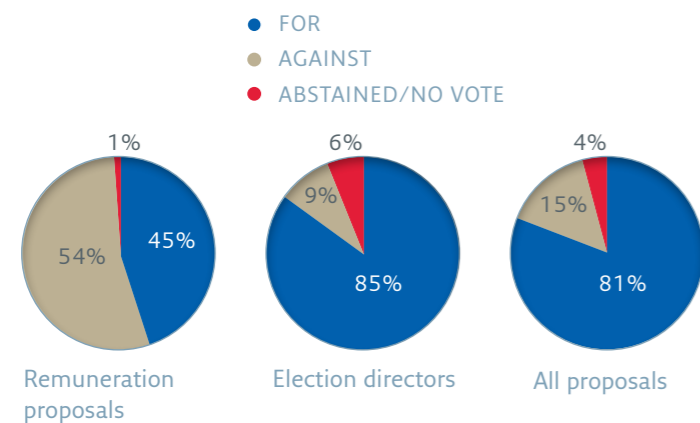


2015 in figures

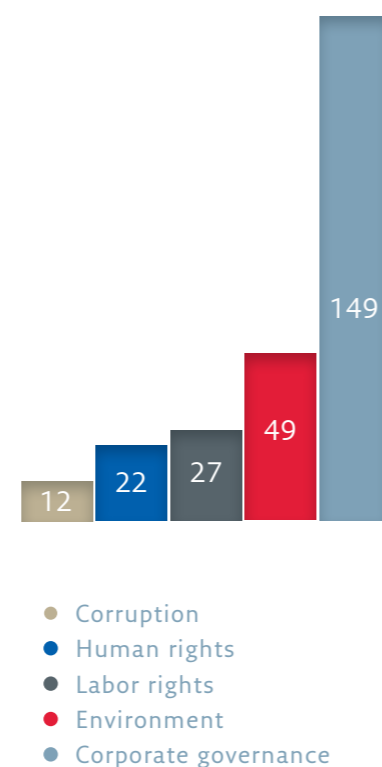
Sustainable Development Investments



Voting record at shareholders' meetings



Number of talks with companies by topic



Total assets under management

406 billion

Sustainable development investments

38 billion

Investments in renewable energy

2,5 billion

Investments in green bonds

997 million

Shareholders' meetings where we were represented

4,400

Number of proposals we voted on at shareholders' meetings

47,000

Listed companies we were in contact with regarding environmental, social and governance (ESG) issues

199

Number of companies on our exclusion list

19

1 Our approach

1.1 Objectives

We invest the pension contributions the participants of our clients and their employers pay in each month in such a way that they earn the best possible returns at an acceptable risk. Investing responsibly helps ensure participants receive a good pension now and in the future.

We have three concrete objectives:

- contributing to the risk-adjusted financial returns;
- demonstrating social responsibility;
- contributing to the integrity of financial markets.

Sound investment requires a clear understanding of the opportunities and risks. Our investment decisions are therefore based not just on financial performance and operating processes. It is also important to us that companies have good environmental and social policies and are well governed. These are the so-called environmental, social and governance (ESG) factors.

In 2015, one of our clients refined its policy to include specific, measurable objectives to be realized by 2020. This includes things such as a considerable increase in investments in sustainable development, in particular in renewable energy. Furthermore, the CO₂ emissions of the companies in the equity portfolio must be reduced by 25%. Other clients are also investigating the possibility of formulating specific objectives.

1.2 Clear expectations

Our approach to responsible investing is closely aligned with national and international regulations. These are, in the first instance, Dutch law and international treaties and conventions the Netherlands has signed up to.

We also expect companies and funds we invest in to act in line with the United Nations principles for responsible business practice (UN Global Compact). These concern human rights, labor rights, anti-corruption and the environment.

We employ a variety of means to assess whether companies operate in line with these principles. Doubts can give reason to enter into a dialogue with a company (engagement), focusing on specific improvements. This process of engagement generally takes some time and involves several contacts (e-mails, letters, telephone conversations, meetings). We often work with other investors in order to exercise more influence over the company.

If a company fails to rectify serious shortcomings and there is no prospect of improvement in the near future, we can decide to exclude it. This involves selling our holding in the company after which we can no longer invest in it. This is a last resort and only used in highly exceptional circumstances, not least because we cannot exercise any further influence over a company once we have sold our stake in it.

The guidelines for multinational enterprises and the principles of corporate governance of the Organization for Economic Cooperation and Development (OECD) and the corporate governance principles of the International Corporate Governance Network (ICGN), a network of investors that promotes effective standards of corporate governance, are also important to our approach to responsible investing.

2 What we do

1.3 Responsible investment and return

We are convinced that investors make better investment decisions if they pay close attention to sustainability factors and responsible business practices as this gives them a more complete picture of opportunities and risks.

This view is supported by a meta-analysis of over 200 academic studies published last year which concluded that responsible and sustainable business practices need not be at the expense of financial returns.¹

During 2015, we performed extensive analyses and studied the results of analyses by others. These show that in the past seven years the returns of companies which pay great attention to sustainability and good governance have not lagged behind those of companies which do less. Nor do they involve greater risks as investments.

1.4 Contributing to the integrity of the financial markets

It is important that financial markets function properly and enjoy sufficient public confidence if pension assets are to be invested responsibly for the long term.

We must therefore contribute to the discussion on credible and efficient regulation with policymakers and industry organizations. These discussions focus on the development of standards in different areas.

We often work with other investors to strengthen the integrity of financial markets, including collaborative initiatives such as the International Corporate Governance Network (ICGN) and the Principles for Responsible Investment (PRI).

1. In From the stockholder to the stakeholder: how sustainability can drive financial outperformance. Gordon Clark, Andreas Feiner and Michael Viehs originally examined over 190 different academic studies of sustainable business practices and sustainable investing. An updated version of the 2014 research, covering over 200 studies, was published in March 2015.
2. Pilot Assessment Report 2015, APG Asset Management.

1.5 Report to the PRI

APG accounts for its policy and activities not just through its own reporting but also through an annual report to the Principles for Responsible Investing (PRI) organization.

The PRI is a collaborative network of approximately 1,400 investors and financial institutions that promotes responsible investing. APG's report to the PRI (in English) is available for all to read at: www.unpri.org/signatories/signatories/.

In the annual report prepared by the PRI on the basis of self-reported information from various companies, APG achieved the second highest score in all relevant investment categories in 2015.²

2.1 Active in-house management of investments

As we actively manage the investment of the majority of our clients' assets in-house, we can give sustainability and corporate governance a prominent role in the investment practice.

Active investing means that the around ninety portfolio managers of our investment team make investment decisions using their own knowledge of companies and market insights rather than merely following market developments (passive).

As it is important our portfolio managers have the most relevant, up-to-date information on sustainability and corporate governance available, we have developed various tools in recent years to assist them in this regard.

Additionally, sustainability and corporate governance specialists assess all proposals for new investments (above a given amount) in unlisted companies and new mandates for external managers. The specialists not only provide a sign-off but are also involved in drawing up terms in the agreements that form the basis for these new investments.

2.2 Exerting influence

Companies are held to account in various ways if there are concerns about the sustainability of their business or governance. These range from voicing an opinion to a more intensive process aimed at changing behavior. The latter is referred to as "engagement".

Such engagement can take different forms depending on the company, the nature and size of the investment, and

the issue at stake. We often engage on several issues at the same time.

Engagements are not just with companies. It is important for pension investors that the authorities and market participants agree on rules that enable the provision of good pensions in the long term. Well-functioning financial markets and a stable climate that does not pose a threat to the investments are essential in this regard. To stimulate this, APG engages with various parties.

We also exert influence through voting at shareholders' meetings. With the logistical and data support of an external provider, we voted in 2015 on 46,672 resolutions at some 4,450 meetings of listed companies in which we invest. How we voted on each agenda item is set out in apg.nl.³

2.3 Actively seeking sustainable development investments

Our investments in sustainable development grew substantially in 2015. These investments were €29 billion at the end of 2013, but had risen to almost €38 billion by the end of 2015. The greatest growth was recorded in sustainable real estate. There was also a sharp increase in green bonds.

Sustainable development investments⁴ concern activities that contribute to solutions for climate change, water scarcity, flooding, pollution, loss of habitats or fauna, and micro-financing. They also include investments in companies with high ratings in the Access to Medicine Index. This index, which is partly financed by the Dutch and British governments, shows the extent to which

3. www.apg.nl/nl/apg-als-asset-manager/verantwoord-beleggen/stemgedrag

4. Investments in sustainable development (formerly known as high-sustainability investments) are calculated using a method developed in-house. As much as 87% of the reported information comes from external sources such as GRESB, the Access to Medicine Index and the FTSE Russell Low Carbon Economy (LCE) model. We also use input from our own portfolio managers. The calculation method drawn up in 2012 is still under development and will be refined further in 2016.

pharmaceutical companies contribute to accessible healthcare in countries where average incomes are low.

Expressed in euros, the biggest increase was in real estate investments (from €14.7 billion to €20.7 billion). This is a result of the increase in the number of “green stars”. These are real estate investments in the highest category in the annual sustainability survey conducted by the Global Real Estate Sustainability Benchmark (GRESB). For many years we have strongly encouraged our real estate investments to develop green star ratings.

2.4 Growth in green bonds continues

Within the sustainable development investments, there has been a sharp growth in the number of green bonds.

Green bonds are loans that finance sustainable projects so they are well suited to our pursuit of sustainability, although we impose the same requirements in terms of return and risk that we use for our other loans (bonds).

The advance in the number of green bonds started in 2014 and continued in 2015. In early 2015 we held thirteen green bonds with a total value of some €375 million. By the end of the year, there were thirty-eight with a value of almost €997 million. Growth in the United States, where assets invested in green bonds rose from \$19 million to \$169 million (approximately €156 million), was striking. The increase can be easily explained. More and more green bonds that meet our expectations for risk and return are being launched. In the past, green bonds were issued mainly by development banks but now they are increasingly being issued by companies and commercial banks. To ensure they are of good quality and actually contribute to sustainability, APG joined the Climate Bonds Initiative that developed standards for this in 2015.

Currently about 1.6% of our bond portfolio is invested in green bonds. Our clients are involved in wind farms in the

Dutch and German sectors of the North Sea through a bond of €32 million issued by the Dutch energy network manager TenneT. We invested over €63 million of our clients' pension assets in work to protect the country against rising sea levels through two bonds from the Dutch Waterschapsbank.

In 2015, we sold two green bonds that no longer met our risk and return targets.

2.5 Investing more in renewable energy

In 2015, one of our clients specified that by 2020 it wants to have €5 billion invested in renewable energy. At the beginning of 2016, our other clients had not yet set any targets in this area.

In 2015, investments in renewable energy across the different asset classes increased from €1.6 billion to €2.5 billion, partly as a result of additional investment in Norwegian hydroelectric power stations. There was also an increase in sustainable energy investment through green bonds and a noticeable increase in these investments in the hedge fund portfolio to over €600 million. Part of this was a result of improved assessment of investments we already held in our portfolio but we also started investing in a hedge fund that provides capital to sustainable energy companies which find it difficult or impossible to obtain bank loans, offering them the chance to grow.

2.6 Monitoring the CO₂ footprint of equity portfolios

We have been identifying the CO₂ footprint of the equities we manage on behalf of our clients for a number of years.

As in 2014, we calculated how much of the emissions of each listed company in our portfolio are attributable to us in relation to the percentage of shares we own. Adding up all the figures gave a total of about 37.7 million tonnes of

CO₂ for our entire equity portfolio, in which we have invested about €125 billion. The figure for 2014 was 35.7 million tonnes.

Our CO₂ footprint⁵ has fluctuated since we started analyzing our share of the CO₂ emissions of companies in our equities portfolio three years ago. After falling by about 10% in 2014, it rose by 5% in 2015. As our investment staff do not yet have access to companies' recent CO₂ data, they have not been actively managing according to emissions.

A key part of our new responsible investment approach is a sharp reduction in our CO₂ footprint, which needs to fall by 25% by 2020. The aim when adopting this target was to achieve a reduction compared with our CO₂ footprint for 2015. As there was an unintended increase in 2015, we have decided to use the CO₂ footprint of our portfolio for 2014 as the starting point.⁶ In other words, we will offset the increase in 2015, and on top of that, aim for a reduction of 25% by 2020.

We have continued to develop the way we calculate our footprint during 2015 and in early 2016, and it is now maturing. The refinements to the methodology, improved data quality and availability mean our investment staff will be actively managing the equities portfolio on the CO₂ emissions per invested euro.⁷

In 2016, we will further develop the systems required to make these regular calculations so that portfolio managers have the most up-to-date information available for their investment decisions. This makes it possible to actively focus on lowering the footprint.

5. The CO₂ footprint is calculated from scope 1 and 2 emissions data from Trucost and refers to emissions from operations and the purchase of electricity. Estimates using internal calculation methods have been used where Trucost has no information (2.5% of our portfolio by value) and so the CO₂ footprint should be seen as a best estimate. The methodology is being refined continuously.
6. The 2014 report presented emissions for 2013 based on our portfolio in 2013. As emissions figures are only available with a considerable delay, we are always looking backwards. We need to change this since, under our new policy, we want to manage on emissions. We will update the most recent emissions data in our investment systems every six months. The bases for calculating our target of a 25% reduction in 2020 are the emission figures available on September 30 2014 and our equities portfolio at March 31 2015.
7. We will divide the total emissions of companies in our portfolio attributable to us by the euros we have invested in equities (at the date of investing the assets), allowing us to show the CO₂ footprint per invested euro. This will adjust for price movements and changes in the assets invested in our equities portfolio as we do not want these to have an influence on achieving the target.

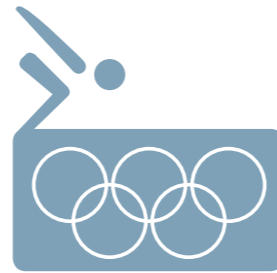
Reduction in the environmental footprint of the real estate we invest in⁸



920,000 MWh power
= annual electricity
consumption of all
the residents of the
province of Groningen



350m kg CO₂
= annual emissions
of 140,000 cars



4.2bn liters of water
= 1,668 Olympic-sized
swimming pools

2.7 Real estate investments reduce environmental footprint

The offices, retail centers, housing and hotels we invest in considerably reduced their electricity consumption in 2015.

They also reduced their CO₂ emissions and water consumption although this latter reduction was less pronounced than a year earlier. This information comes from the most recent research by the Global Real Estate Sustainability Benchmark (GRESB) which showed that our real estate funds were again being operated more responsibly in 2015.

GRESB, which was founded by APG and others in 2009 to measure the sustainability performance of real estate, carries out an annual comparative study looking not only at environmental factors but also at matters such as safety at work, involvement of stakeholders and bribery and

corruption. Our investments do well against GRESB: our real estate portfolio scored 65 on a scale of 0 to 100 while GRESB participants on average achieved 56 points. This is a clear improvement on the previous year when we were seven points lower.

2.8 New sustainability standard for infrastructure

Together with ten other major asset managers we have set up GRESB Infrastructure to obtain better insight into the sustainability performance of our infrastructure investments (such as wind farms, roads, ports, hospitals and schools).

Fund holders managing these investments will from now on complete a comprehensive questionnaire each year on how they handle employee safety, the interests of people living nearby, energy consumption and the reuse of waste. Participating in GRESB Infrastructure is mandatory for new investments and existing investments will also be urged to

8. These are the total savings of all real estate companies we invest in. They are not related to the share we hold.

participate. We will use the results to encourage improvement in the performance of the investments. GRESB Infrastructure was presented at special meetings in London and New York in September. During the presentation at our United States office in New York, the chairman of the General Assembly of the United Nations expressed support for the new initiative. The results of the first GRESB Infrastructure survey will be published at the end of 2016.

2.9 External managers becoming more sustainable

The third annual survey of the twenty-seven external managers that we use to manage part of our clients' equities portfolios, showed that twenty-two of them were paying more attention to sustainability and good management.

The survey addresses the external managers' activities in seven different areas such as their policy on sustainability and good governance, how they address this in their day-to-day investment decisions (integration), what they do to encourage companies to perform better (engagement) and how they report on this. Most progress was made in the latter area with thirteen of the managers scoring better. Nine were more active in sector networks and eleven had a more robust policy.

Two managers' overall scores were unchanged and three fell slightly. The results of this survey are being used to discuss how the managers can develop further. We spoke with the three managers who had slipped back in the last survey (in 2014) and they showed a clear improvement this year.

9. This was done within the Principles for Responsible Investing.

2.10 Clarity on private equity investments

New private equity funds we invest in have to report more specifically on the sustainability and governance performance of all the companies in their portfolios.

In 2015 we, along with AlInvest (the company that manages a large portion of our private equity investments) and pension administrator PGGM, presented a special reporting framework for this which sets out targets (KPIs) on subjects such as health and safety, bribery and corruption. This new framework will give APG, which, as a "limited partner" in a private equity fund, has no direct contact with companies in that fund, greater clarity on how sustainably and responsibly those companies are performing. Up to now, the managers of the funds (the general partners) have mainly presented individual examples. To ensure that other investors can use this framework, it has been offered to the PRI organization which promotes responsible investment worldwide.

We have worked with other investors⁹ on a new due diligence questionnaire to obtain good advance information on a private equity fund's sustainability and governance performance. From 2016, we will be using this before we invest in a fund.

2.11 Encouraging other parties

During 2015 APG spoke about sustainability and corporate governance at several symposiums and conferences.

At the annual conference of the Asia Corporate Governance Association in Kuala Lumpur (Malaysia) we spoke to explain how we encourage companies to become more

sustainable and adopt corporate governance practices. One of the topics at meetings with companies and investors in Singapore and Hong Kong was how we contribute to making real estate and infrastructure more sustainable through means of the Global Real Estate Sustainability Benchmark (GRESB).

During a panel discussion in New York, our Head of Sustainability and Governance pointed out the importance for companies in emerging markets to be transparent about their financial performance as well as their performance in the area of sustainability and corporate governance. The meeting, which was opened by UN Secretary General Ban Ki-Moon, was part of the international process aimed at completing the financing for the new UN sustainable development goals.

Our sustainability specialist for unlisted companies organized a course segment for Invest Europe (the European organization for private equity) about integrating responsible investing into the private equity sector. Approximately 25 pension investors and private equity managers took part in this course. At the Principles for Responsible Investing (PRI) annual conference, we addressed some 100 hedge fund managers and investors about how to apply responsible and sustainable investing criteria in actual practice.

At that same conference, the PRI presented a new report concerning the fiduciary obligations of major asset managers.¹⁰ Our Head of Sustainability and Governance explained what this means for investors in Europe.

During a panel discussion at the annual Italian Corporate Governance conference in Milan, one of our governance specialists explained the importance for companies to work together with their shareholders.

Our CEO and the Head of Sustainability and Governance have become members of the Sustainable Pension Investments Lab (SPIL). SPIL, which was founded at the end of 2015 by Sustainability Professor Herman Wijffels and Managing Director Marga Hoek of De Groene Zaak, an association of entrepreneurs, is a partnership of people from the pension world and scientists that in a personal capacity want to develop ideas for investing the pension assets of Dutch pension funds in more sustainable ways.

We also support the 'toolkit' for responsible investment, developed by the Pension Federation (a partnership of Dutch pension funds) together with various stakeholders.

2.12 Integration in the investment process

The table on the next page shows how attention to the environment, social policy and good governance is part of the various investment strategies.

We expect all investments to operate in line with UN agreements on how companies should deal with human rights, labor rights, corruption and the environment.¹¹ The exclusion policy applies to the entire portfolio.¹²

The "industry frameworks" developed by our sustainability and governance specialists give our portfolio managers insight into major sustainability and governance risks in thirty-eight different industries. The Country Risk Monitor, developed with research firm Sustainalytics, offers insight into sustainability and corporate governance risks in various countries. Proposals for new investments (above a given amount) in unlisted companies and new mandates for external managers are also assessed by sustainability and corporate governance specialists. These specialists not only make recommendations but are also involved in drawing up the terms in the agreements that form the basis for these new investments.

10. Fiduciary duty in the 21st century.

11. Exceptions are discussed in the Exclusions section.

12. There is more information in the Exclusions section.

How does APG assess the sustainability performance of its investments?

Equities, in-house managed	Portfolio managers use a dashboard, which has been developed in-house, that shows how a company scores on environment, social policy and good governance. The dashboard also shows our correspondence and talks with the company on these subjects, our voting record and analyses by three independent research firms.
Equities, external managers	For any allocation entrusted to an external manager we check whether the manager operates in accordance with the responsible investment policy. The managers were surveyed for the third successive year in 2015 concerning the attention they give to the environment, social policy and corporate governance. The findings are discussed with these managers.
Sovereign bonds	We do not invest in sovereign bonds of countries subject to a UN Security Council arms embargo. The Country Risk Monitor is used by the portfolio managers when analyzing the risks and opportunities of investments in emerging markets such as Brazil and India.
Corporate bonds	Internal portfolio managers have access to a dashboard, which has been developed in-house, which shows at a glance how a company scores in terms of the environment, social policy and corporate governance. Portfolio managers include these sustainability ratings in their investment proposals. A more detailed analysis is made if these are lower than the ratings of comparable companies.
Inflation-linked loans	All investment proposals are assessed by sustainability and corporate governance specialists.
Real estate	All unlisted real estate investments are expected to take part in the Global Real Estate Sustainability Benchmark for the entire period for which an investment is held. This involves an ex ante review and an annual measurement of performance. Where necessary, a dialogue is commenced with the aim of improving performance. This is also done for listed real estate.
Infrastructure	From 2016, infrastructure funds will complete a comprehensive annual questionnaire on how they handle employee safety, the interests of people living nearby, energy consumption and the reuse of waste. Participation in GRESB Infrastructure, which was set up in 2015, is mandatory for new investments and existing investments will also be urged to participate. We will use the results to encourage improvement in the performance of the investments.
Hedge funds	All funds for which it is relevant, are expected to have an environmental, social and corporate governance policy which must be submitted or published on the website. Funds that do not have a policy must draw one up and implement it within an agreed period. We adopt a tailored approach in this regard, with the strategy of the fund largely determining the precise nature of these requirements. Hedge funds are encouraged to join the Hedge Fund Standards Board, which promotes transparency, integrity and good governance.

3 Dialogue with companies and policy-makers

In the context of responsible investing, we have brought up a large number of different topics in our dialogue with companies, sector associations and policy-makers. It is not possible to cover all of these topics in this report. The following is a selection. The companies we engaged in a dialogue in 2015, and the type of topics that were discussed are shown in the overview at the end of this chapter.

3.1 Environment and climate change

We expect companies to have good insight into the environmental risks they run and a policy on how to deal with them. The greatest risk at the moment, which affects almost all of our investments, is climate change. In particular, it is vital that energy companies and companies with high CO₂ emissions respond to this. Real estate can also play a significant role in reducing emissions.

Shell and the Arctic

We publicly expressed our doubts about the plans of Anglo-Dutch oil company Shell to drill for oil in the Arctic at its shareholders' meeting in the spring. This was held shortly after the United States government had given permission for trial drilling. Partly on the basis of information from environmental organization Greenpeace and specialists in the oil world, we had serious doubts about the risks of the project, both for the environment and for the shareholders. These doubts were not dispelled by a visit by one of our staff to the drilling area. We notified Shell that it could do better by developing gas and oil fields off the coast of Brazil. We were, therefore, happy when Shell announced after initial drilling that it would end activities in the Arctic.

Fracking

The Disclosing the facts survey published at the end of 2015 showed that oil and gas companies are increasingly following the guidelines we adopted some years ago, on extracting shale gas and oil. Disclosing the facts reports each year on how the thirty largest oil and gas companies that use fracking¹³ provide information to investors on, for example, the use of toxic chemicals, emissions of waste gases, water consumption and the effect on local communities. This was discussed with eight companies in 2015 and all but one displayed clear progress in the latest report.

Divestment from coal

We have asked the Chinese wind energy company Longyuan to reconsider its coal activities (about 10% of the total) and investigate whether a complete transition to renewable energy would be more attractive. We expect this would increase the value of the company as coal currently generates poor returns and involves risks. The company has not yet done this but the discussions continue.

Voting for CO₂ reductions

Along with other investors¹⁴ we have worked on resolutions for the shareholders' meetings of mining companies Glencore, Rio Tinto and Anglo American that will be voted on in 2016. We want these companies to report more clearly on the amounts of CO₂ they emit, how they link the reduction targets to their remuneration policy, how they are responding to possible new climate policy from governments and their lobbying in this area. Last year we voted in favor of similar shareholders' resolutions at Shell and BP. Both resolutions were accepted by their boards. We voted against a shareholders' resolution at Apple calling for more insight into the risks it faces as a result of possible national, state and local government measures

13. In fracking, oil and gas is extracted from hard shale after it has been cracked by injecting large quantities of water, sand and chemicals into the ground.

14. We are working with the Aiming for A coalition, which is in dialogue with the ten largest listed mining and utilities companies in the United Kingdom to encourage them to reduce their CO₂ emissions.

How does APG assess the sustainability performance of its investments?

Private equity	Private equity managers are expected to have a policy in line with our approach to responsible investing. It is also important that they are transparent about their performance in this area. To encourage this, we contributed to the creation (in 2012) of the ESG Disclosure Framework. We encourage new private equity funds to use the framework we developed in 2015 to report on the sustainability and good governance performance of companies in the fund.
Commodities	Unlisted commodity funds have to show they comply with the UN Global Compact principles as well as the more detailed standards of, for example, the International Finance Corporation. Which standards and requirements exactly apply, depends on the commodity and fund invested in. We hold annual meetings with every manager operating in high-risk countries and visit specific locations, characterized by elevated risk, regularly. We send a questionnaire to all managers each year and they have to report significant incidents such as serious accidents immediately. Managers of agricultural funds have to report on the implementation of the Principles for Responsible Investment in Farmland.

on climate change. Apple already provides sufficient information on this.

In total we voted on over 100 shareholders' resolutions on environmental subjects, supporting about two-thirds of them. Consequently most resolutions on combating climate change and the reduction of greenhouse gas emissions could count on our vote. Most votes against (28) were exercised in Japan where far-reaching resolutions on ending nuclear energy and moving to renewable sources were presented at several meetings. Although we support the transition to sustainable energy, in our opinion these resolutions were not the right way of approaching this. Some specified what management had to do in excessive detail, others would have meant, in practice, a prohibition on the use of nuclear energy.

3.2 Human rights

The UN Global Compact, which is one of the foundations of our responsible investment approach, states that companies may not be complicit in breaches of human rights. They also have to avoid their activities leading or contributing to them.

No drugs for the death penalty

We sold our shares in American pharmaceutical company Mylan after it did not meet our request to ensure its muscle relaxants could not be used in carrying out the death penalty. We contacted the company on the back of information from an NGO on the use of its rocuronium bromide in executions in the United States. Mylan then stated on its website that its products were not intended for use in executions. The company did not want to clarify measures it had taken to prevent actual use in executions or whether it delivered muscle relaxants to American prisons that could use them in the death penalty. In a later discussion, Mylan stated its delivery contracts include a clause on unintended use of its products. That was not sufficient for us as there is no check on compliance.

Preventing repeated problems

At our request, the British-Danish security company G4S published more information on how it applied its human rights policy and what it had learned from complaints by stakeholders on activities in Israel, Cuba and Papua-New Guinea. It also announced a centralization of complaints procedures so management can identify possible malpractice at the local level more quickly. Oil company Chevron responded positively to our suggestion to centralize complaints procedures.

The Chinese mining company Zijin Mining, which suspended operations in Peru after fierce protests by local people, has committed to examine the possibility of a complaints procedure so people affected can express their concerns to the company. This has not yet led to clear results. We will continue monitoring this.

Operations in disputed territory

Oil company Total explained to us how it dealt with different people in Western Sahara who strive for independence from Morocco, which regards the region as part of its territory. The French company had been licensed by the Moroccan government to search for oil off the coast of Western Sahara. We wanted to be certain that Total was acting in line with international regulations on disputed territories which state that the interests of the local population must be served when extracting commodities and that they should benefit from the proceeds. Total explained the discussions it had with the local communities. Arrangements had been made on sharing any future revenues equitably. A few months after our talks, Total announced it had not renewed the licenses and is no longer operating in Western Sahara.

Voting on human rights and labor rights resolutions

We voted in favor of six resolutions on human and labor rights at the shareholders' meetings of nineteen companies. We supported resolutions at Caterpillar (machinery manufacturer), Kroger (supermarket chain) and T-Mobile US (telecoms) for more information on measures

to combat violations of human rights. We did not support similar resolutions at Facebook, Amazon.com and eleven other companies because in our opinion they already do enough and additional obligations would involve an unnecessary burden. Resolutions on human and labor rights are, however, less than 2% of all resolutions that shareholders submitted in 2015 at the meetings of companies in which we hold shares.

3.3 Working conditions

We want employees of companies we invest in to be free to join trade unions and bargain collectively on working conditions. Child labor, forced labor and discrimination on the shop floor are not acceptable. A good personnel policy can enhance the value of an investment.

Safe ports

LBC Tank Terminals amended its safety policy after we had suggested this. Following a fatal accident in the Port of Rotterdam in 2014, the oil and chemicals bulk storage company made central arrangements for safety regulations that apply to all ports where it has operations. A new three-year program should ensure that its safety performance is better than at similar companies. A special management committee, on which we are represented, will monitor this. During a visit to the LBC site in Antwerp, one of our specialists saw how the safety regulations are being applied.

Engaged employees

APG, along with supermarket chains Ahold and Sainsbury's, contributed to an investors' manual for the Principles for Responsible Investment (PRI) to encourage retail chains to be more open about their personnel policy. According to the PRI, satisfied and engaged employees are good for a business as they stay longer and on average are more productive. The investors who drew up the PRI manual want retail chains to give more information on, for example, staff turnover and training.

The Indian hotel chain Lemon Tree, of which APG owns about 15%, has won the Asian Human Capital Award. The company (twenty-five hotels in sixteen towns) received the award since it actively employs people who are deaf or hard of hearing, or have Downs syndrome. About 11% of the chain's 3,200 staff are people with physical or learning disabilities. Four years ago this was 6%. The Asian Human Capital Award is made each year to two companies in Asia with an innovative personnel policy that sets an example to other companies.

Good work in the clothing and textile sector

We discussed sustainability performance with a fashion brand we invest in through one of our private equity funds. This brand came bottom of a Dutch NGO's list because it provided no information at all on working conditions in its clothing factories or its environmental policy. Since we, as an investor (limited partner), have no direct contact with the companies in our private equity funds, we made a visit with the manager (general partner). After we had established that the company does much more than it discloses, it said it would publish more.

At our suggestion, clothing company H&M contacted a factory in Burma which subcontracted work to a company not on the list of approved suppliers on the H&M site. APG found out about the supplier at the end of 2014 during a working visit to clothing factories in Burma and Bangladesh. H&M, which is in the lead internationally in providing information on its factories and suppliers, tightened its internal procedures. It also organized a workshop for its factories in Burma on why it is so important to be transparent about the companies involved in clothing production.

We also spoke to the Spanish fashion group Inditex (parent of Zara and other companies) and the Chinese company Li & Fung about tighter supervision of working conditions in the production chain.

3.4 Conduct and culture change

Metal and commodities company Glencore published its policy on corruption, signed up to the principles in the UN Global Compact, reviewed its internal code of conduct and announced an external board evaluation. APG had been in discussion with the Swiss-British company on these and other subjects for some years. We will continue to talk to Glencore, which generates a large part of its revenues from coal mining, about how it is responding to climate change and monitoring safety at work.

Oil company Cobalt has issued its first sustainability report. This American company was accused of corruption in its activities in Angola and was investigated by the American judicial authorities and the regulator, the SEC. Although it is still currently managing them, Cobalt has since sold its Angolan assets and so runs fewer risks.

Culture change at Volkswagen

We have urged Volkswagen to work on a change of culture following the scandal with the “defeat software” it used to manipulate the CO₂ emissions of its diesel cars in the United States. A more open culture is needed to hold the company’s senior managers more accountable for inappropriate behavior and strategy. We also want Volkswagen to find new directors who can operate more independently.

APG is also in talks with companies about their corporate governance to stay ahead of issues. At our request, Chinese real estate company Dalian Wanda set up a whistle-blowers’ scheme and appointed a chief financial officer with responsibility for the financial policy of the rapidly-growing Wanda Group, which includes cinemas, shopping centers and a yacht builder.

3.5 Directors with an eye for shareholders

We attach great value to a properly functioning board with a varied composition, a clear division of executive and supervisory duties and sufficient independent directors who safeguard the interests of minority shareholders such as pension funds.

European Shareholder Rights Directive

Following pressure from us, the European Parliament rejected a proposal in the new Shareholder Rights Directive to grant additional rights to investors who have held the shares in their portfolio for at least two years. Along with other institutional investors, we set out our objections to the European Commission and the European Parliament. The final Shareholder Rights Directive, which is expected to be adopted in 2016, is a step in the right direction, since for example investors everywhere will soon be able to vote on remuneration policies. The directive is unlikely to have significant effects in the Netherlands.

Unequal voting rights in France and Italy

We and other investors have asked seventy-one French companies to prevent long-term shareholders receiving double voting rights. The Florange law, which came into force in 2014, means that these rights are granted automatically to investors who have held shares in a company continuously for two years unless that company explicitly decides not to implement this (an opt-out). We are against double voting rights as they give some shareholders disproportionate control. They also allow the French government to sell a large proportion of its shareholdings without losing influence. A majority voted in favor of an opt-out at nineteen of the twenty-five companies prepared to put a resolution to their shareholders. This strengthened our position as a shareholder.

We made a similar request to the 100 largest Italian listed companies. Unlike in France, double voting rights are not

automatic in Italy but since 2014 it has been possible for a company to put such a resolution to its shareholders (an opt-in). Despite our request, seven of the companies approached did put an opt-in on the agenda and the resolution was passed in all cases.

Swedish corporate governance code

We believe it is important that individual directors can be held accountable so we asked the committee overseeing the revision of the Swedish corporate governance code to end the practice of shareholders’ meetings voting on all directors together in a joint resolution. Along with other investors we wrote to forty Swedish companies to request that directors stand individually. In early 2016, a number of companies (telecoms company Ericsson, Swedbank and Handelsbanken) said they will do this. The committee does not currently want to accept our request. We will continue to urge this.

Guidance for company boards in Japan

The Japanese government has introduced a corporate governance code that APG and other investors had been advocating for years. The code will contribute to a change of culture that will make companies more transparent and pay greater attention to minority shareholders. Along with other institutional investors, we visited ten companies to examine how they are applying the code. Discussions were held on this with the Japanese financial markets regulator and the government pension fund, which, as the largest pension fund in the world, can exercise huge influence.

Nine of the thirty-three large Japanese companies we wrote to, explaining why we wanted to see a third of the members of their directors being non-executives, have increased the independence on their board. This is a major step in a country where non-executive directors were unknown until recently. Japan is our principal Asian market, in ninth place on a list of countries where we invest, just above China.

Discrimination against non-Japanese investors

We voted against the introduction of new shares with guaranteed proceeds and voting rights at the shareholders’ meeting of Toyota Motor Corporation. These “AA shares” would only be available to Japanese investors. APG was against this since it was excluded as a foreign investor and could be put at a disadvantage as a holder of normal shares. The request to remove this resolution from the agenda was not honored.

Controversial merger in South Korea

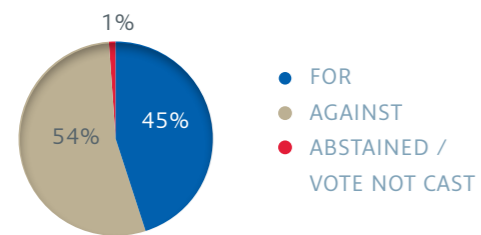
We voted against the merger of Korean companies Samsung Construction & Trading and Cheil (advertising and marketing). The reason for this was that Cheil wanted to pay far too little for the shares in Samsung Construction & Trading, which, like Cheil, has close ties with Samsung Electronics. APG as a shareholder would lose some €21 million as a result. As over two-thirds of the shareholders agreed to the acquisition by Cheil, the merger went ahead.

During a subsequent enquiry into this matter by the Korean parliament, our Asian corporate governance specialist explained why we voted against the merger, while the Korean civil service pension fund NPS voted in favor. APG had announced in advance in local and international media (New York Times, Bloomberg Business News) why it was against the merger. In early 2016, the Samsung Group announced that it will strengthen the independence of the boards of its subsidiaries.

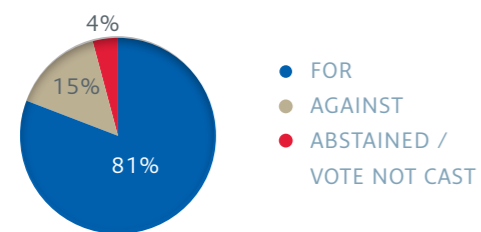
Approved financial statements

We wrote to twenty-two South Korean companies asking them to distribute the financial statements approved by the auditors before the shareholders’ meeting. In Korea it is usual only to issue provisional figures in advance and to present the final figures at the meeting itself. This is not practical for us as we usually vote remotely and have to approve the board’s policy in advance of the meeting. We have been working on this for over two years. About ten companies have now complied with our request. We will write to the others again in 2016.

APG's voting on some 1,730 remuneration resolutions



For comparison: APG's voting on all 47,000 resolutions



Sound remuneration policy

As in 2014, we looked critically at the remuneration of the directors of the companies in our equities portfolio. In 2015, we voted on over 1,730 remuneration resolutions at some 1,600 shareholders' meetings. We voted slightly more often against (54%) than in favor (45%). We cast the same percentage of votes against in 2014, when we abstained slightly more often. The main reasons for voting against were excessively generous severance packages, inadequate links between payment and performance, and opaque schemes. Resolutions linking pay to challenging performance that makes a sufficient contribution to the strategic long-term targets of a company could in general rely on our support.

Greater shareholder influence

Ahold withdrew a proposal to reduce the number of members of its management board from three to two. A resolution to make this possible was removed from the agenda of the shareholders' meeting after we urged this. Ahold wanted to place responsibility with executives just below board level. These executives are not supervised by the supervisory board or elected by the shareholders.

We supported resolutions to allow shareholders to nominate directors (proxy access) at some eighty shareholders' meetings in the United States. In the Netherlands, holders of at least 3% of the shares are already able to nominate candidates for the board. Companies in the United States have resisted this for some time out of fear of shareholders with detrimental intentions. Several companies, including pharmaceutical company Pfizer, General Electric and DTE Energy, introduced proxy access last year after we had raised the subject with them.

American real estate company, Vornado (with several stores in the center of New York) announced it would listen more to its shareholders. For years, the company was run by directors who had not received a majority at

shareholders' meetings. Shareholders' resolutions to change the board structure were passed but not followed by the board. From 2018, Vornado directors who do not receive a majority of votes must offer their resignation to the other directors (who will then decide).

Clear divisions between executives and supervision

After we (and other investors) had urged this, Bank of America (BoA) submitted its plan to unite the roles of chairman and CEO to its shareholders for approval. Before the financial crisis, both roles were held by the same person at BoA. They were separated after shareholder pressure. This year the company wanted to return to the old situation without asking the shareholders' approval. We are not only against one person having both the role of CEO and of chairman but also believe that a company may not reverse a decision of its shareholders without consulting them. BoA obtained the support of a majority of the shareholders at a special shareholders' meeting although there was a substantial minority (40%) against. We wrote setting out our objections against combining the roles once again and will return to this in 2016.

More independence and more female directors

We have been discussing the membership of the board of British property company Derwent London, which owns many office blocks in the center of London, for some years. Only a third of the company's directors were independent in 2013. Last year, after it appointed more independent directors this had grown to half.

Talks have been held with several French companies about the need to have more women on boards. French legislation states that 40% of directors must be women from 2016. Vacancies cannot be filled until this percentage is reached. We are not currently aware of any companies where a problem has arisen because they have been unable to find suitable candidates.

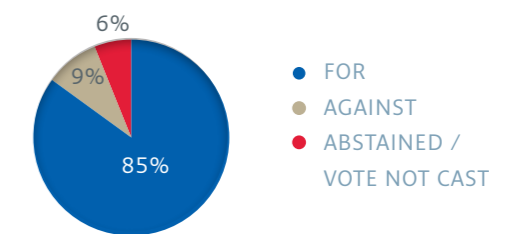
New governance structure after dubious transaction

After sharp criticism from APG and others, Hyundai Motor Company altered its board structure, setting up a separate governance committee just below the board specifically to monitor the interests of minority shareholders. An independent director has also been appointed. Both have a clear role in major investment decisions. The criticism from the shareholders, which we expressed at the shareholders' meeting in March, was prompted by the purchase of an expensive piece of land in the Seoul district of Gangnam after which the share price fell sharply. APG believed that the roughly \$10 billion spent on this should have been distributed to the shareholders.

Voting on appointments of directors

Overall we voted on over 18,000 directors at over 2,600 shareholders' meetings in 2015, supporting almost 85% of the nominations. We voted against 9% of the candidates who, for example, were not sufficiently independent or already held too many directorships. We abstained or no vote was submitted in 6% of cases. These percentages are almost the same as those for 2013 and 2014.

APG's voting on directors



3.6 All engagements in 2015

During 2015, specialists of our sustainability and governance team engaged with 199 listed companies on sustainability and governance. The type of subjects discussed are set out below. More than one subject was discussed at some companies.

double voting rights), Italy (double voting rights), Sweden (directors standing individually for election) and South Korea (approved financial statements) which were only contacted as part of a large-scale mailing. You will find more about these elsewhere in this report.

We have not listed the twenty unlisted companies which were also contacted or the companies in France (about

Environment	Altea SCA, Anadarko Petroleum Corp, Apache Corp, BASF SE, BHP Billiton PLC, BP PLC, British Land Co PLC/The, Capital & Counties Properties PLC, Chevron Corp, China Longyuan Power Group Corp Ltd, ConocoPhillips, Dassault Systemes, Delancey Estates PLC, Deutsche Annington Immobilien AG, Deutsche EuroShop AG, Devon Energy Corp, Digital Realty Trust Inc, E.ON SE, EDP - Energias de Portugal SA, Endesa SA, Essex Property Trust Inc, Eurocommercial Properties NV, Extra Space Storage Inc, Exxon Mobil Corp, Glencore PLC, Hammerson PLC, Heineken NV, Henkel AG & Co KGaA, ICADE, Inmarsat PLC, Intu Properties PLC, Kimco Realty Corp, Klepierre, Koninklijke KPN NV, Korea Electric Power Corp, LEG Immobilien AG, Li & Fung Ltd, Public Storage, Royal Dutch Shell PLC, SL Green Realty Corp, Statoil ASA, Swiss Prime Site AG, TOTAL SA, Transocean Ltd, UDR Inc, Unibail-Rodamco SE, Wereldhave NV, Wilmar International Ltd, Zijin Mining Group Co Ltd.
Human rights	Anadarko Petroleum Corp, Bank Hapoalim BM, Bank Leumi Le-Israel BM, Chevron Corp, Exxon Mobil Corp, G4S PLC, Gemalto NV, Glencore PLC, Heineken NV, Henkel AG & Co KGaA, Inmarsat PLC, Koninklijke Ahold NV, Koninklijke KPN NV, Korea Electric Power Corp, Mizrahi Tefahot Bank Ltd, Mylan NV, POSCO, Telenor ASA, TOTAL SA, Turquoise Hill Resources Ltd, Unilever NV, Zijin Mining Group Co Ltd.
Labor rights	Apache Corp, Bank of America Corp, BP PLC, Chevron Corp, Costco Wholesale Corp, Deutsche Telekom AG, G4S PLC, Glencore PLC, Heineken NV, Henkel AG & Co KGaA, Hennes & Mauritz AB, Hyundai Heavy Industries Co Ltd, Industria de Diseno Textil SA, Inmarsat PLC, J Sainsbury PLC, Koninklijke Ahold NV, Koninklijke KPN NV, Korea Electric Power Corp, Li & Fung Ltd, Lonmin PLC, Royal Dutch Shell PLC, Samsung Electronics Co Ltd, Telenor ASA, TOTAL SA, Transocean Ltd, Unilever NV, Vinci SA.
Corruption	Akzo Nobel NV, Cobalt International Energy Inc, Dalian Wanda Commercial Properties Co Ltd, Finmeccanica SpA, General Electric Co, Glencore PLC, Korea Electric Power Corp, News Corp, Nissan Motor Co Ltd, Petroleo Brasileiro SA, POSCO, Telenor ASA.
Governance	Abbott Laboratories, Aegon NV, Alexandria Real Estate Equities Inc, Altea SCA, Altice NV, Amadeus IT Holding SA, American Electric Power Co Inc, Amgen Inc, ams AG, Apache Corp, Arcadis NV, AT&T Inc, Banco Bilbao Vizcaya Argentaria SA, Banco Santander SA, Bank of

America Corp, Bank of New York Mellon Corp/The, Barclays PLC, BBA Aviation PLC, BNP Paribas SA, Boeing Co/The, Boston Properties Inc, Britvic PLC, Brixmor Property Group Inc, California Resources Corp, CapitaLand Ltd, Central African Gold Ltd, China Development Financial Holding Corp, Chr Hansen Holding A/S, Cie Financiere Richemont SA, Citigroup Inc, Clariant AG, Consolidated Edison Inc, Corning Inc, Credit Agricole SA, Credit Suisse Group AG, Dalian Wanda Commercial Properties Co Ltd, Danske Bank A/S, Dassault Systemes, Deutsche Bank AG, Deutsche Wohnen AG, Dexus Property Group, Domino Printing Sciences PLC, Domtar Corp, Dr Pepper Snapple Group Inc, DTE Energy Co, El du Pont de Nemours & Co, Engie SA, Eni SpA, Faberge AB, Federation Centres, Finmeccanica SpA, FUJIFILM Holdings Corp, Gategroup Holding AG, GEA Group AG, General Electric Co, GN Store Nord A/S, Goldman Sachs Group Inc/The, GOME Electrical Appliances Holding Ltd, GPT Group/The, Great Portland Estates PLC, Groupe Fnac SA, Hammerson PLC, Hana Financial Group Inc, Heineken NV, Hennes & Mauritz AB, Heritage Financial Corp/WA, Hispania Activos Inmobiliarios SA, HSBC Holdings PLC, Hufvudstaden AB, Hyundai Heavy Industries Co Ltd, Hyundai Motor Co, ICADE, ING Groep NV, Inmarsat PLC, Intesa Sanpaolo SpA, Itau Unibanco Holding SA, JCDecaux SA, John Wood Group PLC, JPMorgan Chase & Co, KB Financial Group Inc, Kingfisher PLC, Klepierre, Koninklijke Ahold NV, Koninklijke KPN NV, Koninklijke Philips NV, Korea Electric Power Corp, Kungsliden AB, LG Display Co Ltd, Lukoil PJSC, Macerich Co/The, Mando Corp, Nestle SA, Newmont Mining Corp, Nissan Motor Co Ltd, Nordea Bank AB, Novartis AG, Orange SA, Pfizer Inc, POSCO, Post Properties Inc, Prologis Inc, Prudential PLC, PSP Swiss Property AG, Public Service Enterprise Group Inc, Randgold Resources Ltd, Repsol SA, Royal Bank of Scotland Group PLC, Royal Dutch Shell PLC, Safestore Holdings PLC, Samsung C&T Corp, Samsung Electro-Mechanics Co Ltd, Samsung Electronics Co Ltd, Sandy Spring Bancorp Inc, Sanofi, Siliconware Precision Industries Co Ltd, SK Holdings Co Ltd, Societe Generale SA, SoftBank Group Corp, Spirax-Sarco Engineering PLC, Standard Chartered PLC, Standard Life PLC, State Street Corp, Statoil ASA, Sumitomo Realty & Development Co Ltd, Superior Energy Services Inc, Telenor ASA, TGS Nopec Geophysical Co ASA, Thomas Cook Group PLC, Toray Industries Inc, TOTAL SA, Toyota Motor Corp, UBS AG, Unibail-Rodamco SE, UniCredit SpA, Unilever NV, Vastned Retail NV, Veolia Environnement SA, Vinci SA, Volvo AB, Vornado Realty Trust, Wells Fargo & Co, Wereldhave NV, Wihlborgs Fastigheter AB, Wolters Kluwer NV, WPP PLC, WW Grainger Inc, Yamana Gold Inc, Yuanta Financial Holding Co Ltd.

4 Exclusions

4.1 Excluded companies

We do not invest in companies involved in manufacturing cluster munitions, anti-personnel mines or chemical and biological weapons.

Companies that produce nuclear weapons are excluded if they contravene the Nuclear Non-proliferation Treaty, the international treaty to prevent the spread of nuclear weapons which has been ratified by the Netherlands. Specifically this means that nuclear weapons may only be produced for and by countries permitted to hold such weapons under the treaty (China, France, Russia, the United Kingdom and the United States).

Also important for our exclusion policy are the ten principles of the UN Global Compact on human rights, labor rights, corruption and the environment. A company can be excluded if it acts in breach of these principles and if it does not make sufficient improvements following our engagement. This is the final stage of an intensive process that can take several years and involves clear objectives and timelines. At the end of 2015 there were seven engagements with companies which may be in breach of the Global Compact. APG is not naming them as this information may affect share prices and the success of the dialogue.

Exceptions

The exclusion policy applies to the whole portfolio apart from some investment instruments (index investments or ETFs) as this would prevent efficient portfolio management. There is an exception for certain externally managed investments which were in the portfolio before the exclusion policy (or parts of it) came into force. In 2015, in over 99.9% of our entire portfolio¹⁵ there were no equities or bonds of companies on our exclusion list.

4.2 New exclusions

In 2015 we added two companies to the exclusion list. The Indian company Walchandnagar Industries Ltd was excluded because of its involvement in the production of nuclear weapons for India. The South Korean company S&T Dynamics was excluded for producing anti-personnel mines.

At the end of 2015, there were nineteen companies¹⁶ on our exclusion list.

Excluded because of UN Global Compact violations

PetroChina	China
TEPCO	Japan
Walmart	United States

Excluded because of involvement in the production of cluster munitions

Aeroteh S.A.	Romania
Aryt Industries Ltd.	Israel
Ashot Ashkelon	Israel
China Aerospace International Holdings	China
China Spacesat	China
Hanwha Corporation	South Korea
Motovilikha Plants JSC	Russia
Norinco International Corporation Ltd.	China
Orbital ATK	United States
Poongsan Corporation	South Korea
Poongsan Holdings Corporation	South Korea
Singapore Technologies Engineering ¹⁷	Singapore
Textron	United States

Excluded because of involvement in the production of anti-personnel mines

S&T Dynamics Co Ltd ¹⁸	South Korea
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Excluded because of involvement in the production of nuclear weapons in contravention of the Nuclear Non-Proliferation Treaty

Larsen & Toubro ¹⁹	India
Walchandnagar Industries Ltd	India

4.3 Excluded sovereign bonds

In mid-2015 we added Yemen to the list of countries whose sovereign bonds we do not wish to hold. This was a direct consequence of the arms embargo imposed by the UN Security Council.

We do not invest in sovereign bonds of countries subject to such an arms embargo.

Sovereign bonds excluded because of arms embargoes imposed by the Security Council of the United Nations (at the end of 2015)

Central African Republic
Democratic Republic of Congo
Eritrea
Iraq
Iran
Ivory Coast
Liberia
Libya
North Korea
Somalia
Sudan
Yemen

19. In January 2016, L&T Finance Holdings was added to the exclusion list as its majority shareholder is Larsen & Toubro.

15. Average calculated from about 250 daily statements.

16. The exclusion list only includes listed companies. Contracts with external managers state that they must apply our exclusion policy to unlisted companies. The non-exhaustive list used for this includes a further twenty-nine companies in fourteen countries, most of which are involved in the manufacture of cluster munitions. External managers do not have to apply the exclusion policy to unlisted investments that were already in the portfolio before the exclusion policy (or parts of it) came into force.

17. Singapore Technologies Engineering was removed from the exclusion list in January 2016. The company stated in a letter that it was no longer involved in the manufacture of cluster munitions and anti-personnel mines and this information was confirmed by two specialised research firms.

18. In January 2016, S&T Holdings was added to the exclusion list as its majority shareholder is S&T Dynamics.

5 Outlook for 2016

In 2016 and the following years, we expect to be putting more work on the implementation of the new responsible investment policy of our clients in all asset classes. We will report on our progress in this report each year.

In 2016, the emphasis will be on the development of the inclusion policy to be able to determine the companies that we prefer to invest in.

In addition, we will be recruiting additional personnel to shape the new policy of our clients. Of the four new specialists in the area of sustainability and corporate governance, one will be working from New York and the other from Hong Kong. This means that for the first time we will have a permanent sustainability specialist in our office in the United States. In addition,

investment teams will be acquiring more knowledge about sustainability and corporate governance, and will be expanding their sustainable development investment capacity.

Together with other investors we will investigate how we can contribute to the implementation of the sustainable development goals set by the United Nations in 2015. These 17 goals, supported by over 190 countries, aim at e.g. producing good healthcare, high-quality education, and sustainable and affordable energy. We aim to invest more in activities that contribute to this.

