

Mandatory Website Disclosure APG Strategic Real Estate Pool

January 2025



APG Strategic Real Estate Pool

Mandatory website sections

a) 'Summary'

Investment strategy

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

Based on the Good Governance Practices (GGP) test, investee companies in this financial product are (pre-)screened on controversies related to sound management structures, employee relations, tax compliance and remuneration of staff. Additional good governance practices are assessed as part of the due diligence and assessment processes for investee companies in this Pool. In the event that an investee company is linked to a GGP controversy, the severity and assess the solvability of the issue through engagement with the respective investee company is assessed. If the severity and solvability of the GGP issue is confirmed, an engagement trajectory will be initiated to address and resolve the issue. Such an engagement will be aimed at a transition by the investee company to a good governance practice, i.e. passing the Good Governance Practice Test within a maximum of 3 years.

Listed investments

SFDR GGP	Metric	GGP Test
1. Sound management structures	No controversies related to Business Ethics practices in direct operations and supply chains	
2. Employee Relations	No controversies related to Employees' Human Rights practices in direct operations and supply chains	
3. Employee Relations	No controversies related to Labor Relations in direct operations and supply chains	
4. Tax Compliance	No controversies related to Accounting & Taxation practices.	
5. Remuneration of Staff	No controversies related to Staff Remuneration	

Private Investments

SFDR GGP	Metric	GGP Test
1. Sound management structures	No UN Global Compact Principles Flag related to Principle 10 on Anti-Corruption	
2. Employee Relations	No UN Global Compact Principles Flag related to Principles +6 on Human Rights & Labour	
3. Tax Compliance	No very severe Tax Compliance controversies	
4. Remuneration of staff	No very severe Staff Remuneration controversies	

No sustainable investment objective

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

Proportion of investments

The E/S characteristics apply to all investments in this product, with the exception of derivatives. The product will mainly invest in real estate.

Environmental and/or social (E/S) characteristics

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

1. Exclusion Policy
2. CO₂-reduction and energy-efficient real estate
3. Contribution to Sustainable Development Goals (SDGs)
4. ESG-integration

Monitoring and methodologies for E/S characteristics

The monitoring and methodologies used to measure the attainment of the E/S characteristics vary per characteristic as summarized below:

1. Exclusion Policy: monitoring by semi-annual review and update of the Exclusion list, and publication on clients' websites.
2. CO₂-reduction and energy-efficient real estate: carbon footprint is calculated on a regular basis in line with the 1.5 °C scenarios of the IPCC and the IEA to determine the reduction target for the listed real estate. The CO₂-footprint of relevant asset classes is calculated according to the Global GHG Accounting and Reporting Standard for the Financial Industry, developed by PCAF. Progress on CO₂-reduction is monitored by the Investment Committee. Transition risk is measured by assessing the relative Greenhouse Gas (GHG) emission intensity level (kg CO₂ per sqm) as compared to the CRREM (Carbon Risk Real Estate Monitor) pathways.
3. Contribution to the SDGs: identification of SDIs by portfolio management based on the SDI-AOP Taxonomy & Guidance and monitoring on SDI dashboard.
4. ESG integration: when making investments in private Real Estate, standard legal provisions are required based on which external managers agree to 1) taking into account the UNGC Principles in connection with each portfolio investment and, 2) informing APG AM of any severe ESG incident/controversy. The Pool only invests in listed real estate companies which meet our minimum expectations on ESG, or in companies with whom we can engage for change.

Data sources and processing

To attain the E/S characteristics promoted by this Pool we use data from different sources such as Sustainalytics, MSCI, ISS, CRREM, Global Coal Exit List (GCEL), proprietary research and the SDI-Asset Owner Platform.

Limitations to methodologies and data

Sustainability-related data is still less mature than regular financial data and qualitative performance assessments are often translated into numeric values. Generally, we recognize the limitations of the methodologies and data sources for sustainability-related data such as the lack of consistent and transparent measurement methodologies and data assessment processes, and the limited availability, comparability and quality of data. The use of estimated data is limited and does not affect how the E/S characteristics promoted by the Pool are met.

Due diligence

The first line Operational Due Diligence (ODD) function is responsible for the ODD activities in relation to external mandates. The first line ODD function comprises the portfolio managers and the ODD Team, with the former having ultimate responsibility for the external mandates they manage on behalf of APG AM's clients.

Engagement policies

The engagement policies which apply to this product are described in the APG AM Responsible Investment & Stewardship Policy which sets out how our asset manager APG AM carries out its stewardship responsibilities such as engagement, monitoring, voting, collaboration and market engagement.

Benchmark

Not applicable.

b) 'No sustainable investment objective'

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

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

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

1. Exclusion Policy
2. CO₂-reduction and energy efficient real estate
3. Contribution to Sustainable Development Goals (SDGs)
4. ESG-integration

d) 'Investment strategy'

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

All the E/S characteristics this Pool promotes are binding elements of the investment strategy.

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

Based on the Good Governance Practices (GGP) test, investee companies in this financial product are (pre-)screened on controversies related to sound management structures, employee relations, tax compliance and remuneration of staff. Additional good governance practices are assessed as part of the due diligence and assessment processes for investee companies in this Pool. In the event that an investee company is linked to a GGP controversy, the severity and assess the solvability of the issue through engagement with the respective investee company is assessed. If the severity and solvability of the GGP issue is confirmed, an engagement trajectory will be initiated to address and resolve the issue. Such an engagement will be aimed at a transition by the investee company to a good governance practice, i.e. passing the Good Governance Practice Test within a maximum of 3 years.

Listed investments

SFDR GGP	Metric	GGP Test
1. Sound management structures	• No controversies related to Business Ethics practices in direct operations and supply chains	
2. Employee Relations	• No controversies related to Employees' Human Rights practices in direct operations and supply chains	
3. Employee Relations	• No controversies related to Labor Relations in direct operations and supply chains	
4. Tax Compliance	• No controversies related to Accounting & Taxation practices.	
5. Remuneration of Staff	• No controversies related to Staff Remuneration	

Private Investments

SFDR GGP	Metric	GGP Test
1. Sound management structures	• No UN Global Compact Principles Flag related to Principle 10 on Anti-Corruption	
2. Employee Relations	• No UN Global Compact Principles Flag related to Principles 1-6 on Human Rights & Labour	
3. Tax Compliance	• No very severe Tax Compliance controversies	
4. Remuneration of staff	• No very severe Staff Remuneration controversies	

e) 'Proportion of investments'

The E/S characteristics apply to all investments in this product, with the exception of derivatives. The product will predominantly mainly invest in real estate.

f) 'Monitoring of environmental or social characteristics'

The E/S characteristics this Pool promotes and the sustainability indicators used to measure the attainment thereof are described below:

1. Exclusions

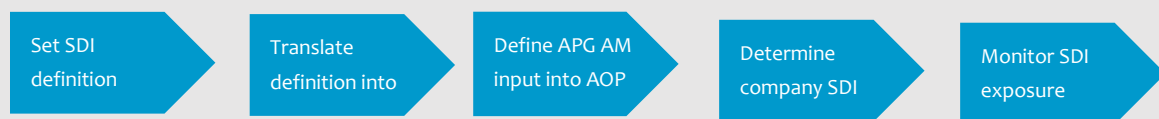
The Exclusion list is updated twice a year (per 1 December 1 June). The APG AM Responsible Investment Execution team reviews corporate involvement assessments of external research providers and, based on its proprietary analysis, recommends any necessary changes to the Exclusion list. Based on this proposal, two months before December or June 1st, the APG AM Responsible Investment Committee (RIC) decides on any changes to the Exclusion list to allow for internal decision making, client reconfirmation, and adequate ability to sell. Upon approval, the Exclusion list is formally communicated by the Chief Investment Officer to the organization and teams responsible for external managers. Relevant benchmarks are subsequently updated per December and June and the updated Exclusion list is published on clients' websites.

2. CO₂-reduction and energy-efficient real estate

The carbon footprint of applicable portfolios is calculated on a regular basis for the purpose of monitoring progress against the carbon reduction targets, and integrated into key portfolio management systems. The CO₂- footprint of relevant asset classes is calculated according to the Global GHG Accounting and Reporting Standard for the Financial Industry, developed by PCAF. Progress against the carbon reduction targets as established is monitored by the Investment Committee. Transition risk is measured by assessing the relative Greenhouse Gas (GHG) emission intensity level (kg CO₂ per sqm) as compared to the CRREM (Carbon Risk Real Estate Monitor) pathways.

3. Contribution to the United Nations Sustainable Development Goals (SDGs)

Investment teams identify investments which qualify as Sustainable Development Investments (SDIs) according to the SDI Taxonomy & Guidance. The SDI methodology was established by a multidisciplinary team, with representatives from the investments teams, legal, risk and fiduciary management. APG AM's Responsible Investment Board approves the SDI methodology, which is re-assessed at least once a year. The end-to-end process regarding SDIs looks as follows:



This end-to-end SDI process contains the following elements:

- Setting an SDI definition and translating it into the assessment framework;
- Classifying SDIs (companies/assets) either using externally or internally generated data;
- Monitoring and Reporting of SDI exposure.

Once the SDI classification is confirmed, the investment teams will implement the SDI classification in their portfolios as part of their general portfolio management activities.

The methodology applied in determining whether a company can be classified as an SDI consists of several steps as further described in the [SDI AOP Taxonomy and Guidance](#).

4. ESG integration

When making investments in private Real Estate, standard legal provisions are required based on which external managers agree to:

- taking into account the UNGC Principles in connection with each portfolio investment and;
- informing APG AM of any severe ESG incident/controversy by the external manager.

The Pool only invests in listed real estate companies that pass all our ESG criteria, or in companies with whom we can engage for change. Sector and market-specific criteria for companies are set broadly in line with the OECD guidelines to test whether there is evidence that investee companies (do not) meet our expectations.

g) 'Methodologies for environmental or social characteristics'

1. Exclusions

The Pool does not invest in companies that carry out certain (undesirable) activities. The excluded activities include the following:

- Exposure to companies involved in the production, sale and/or distribution of controversial weapons (anti-personnel mines, cluster munitions, and nuclear, chemical and biological weapons).

This also relates to companies indirectly involved through corporate ownership in excluded companies, if: a) the company has a stake of more than 20% in an entity that is directly involved in the production, development, sale or distribution of prohibited weapons; or b) more than 50% of the company's capital is held by an entity that is directly involved in the production, development, sale or distribution of prohibited weapons. If the boards of the former and the latter are near-identical, and/ or the parent entity is not listed, a lower threshold of 20% applies.

- Exposure to companies involved in the production of tobacco.

2. CO₂-reduction and energy-efficient real estate

APG AM aims to reduce the absolute carbon footprint of the listed equity and credit portfolios by 50% in 2030 (compared to 2019). The target considers direct and indirect emissions of a company's own activities (scope 1 and 2). In line with our commitment to contribute to limiting global warming to 1.5 °C, we have used the 1.5 °C scenarios (with limited or no overshoot) developed by the International Panel on Climate Change (IPCC) and the International Energy Agency (IEA) to determine the reduction target for the listed equity and credits portfolios.

To achieve real world impact, we take a multi-pronged approach to reducing the carbon footprint of our portfolio through portfolio change (i.e. selling high-emitting companies in favor of low-emitting companies) and through emissions-reductions by portfolio companies. Therefore, a combination of the following instruments is applied to reduce the carbon footprint of our portfolio:

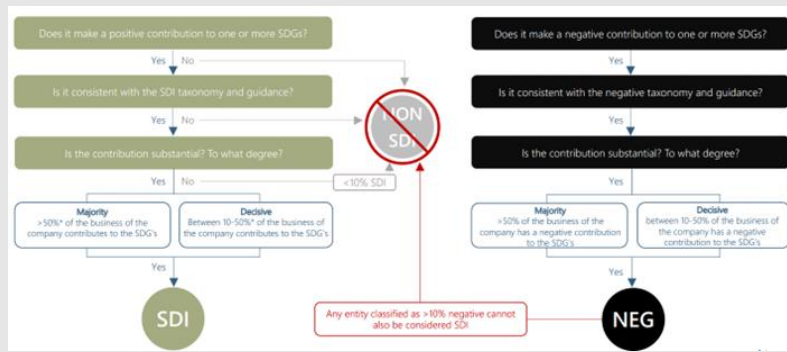
- Allocate carbon budgets per relevant investment strategy.
- Assess the investable (corporate) universe based on climate indicators.
- Perform stewardship activities, in particular engagement and voting.
- Invest in climate solutions.

A detailed description of how APG AM measures the carbon footprint can be found on our website: [Responsible investing | Homepage - Asset Management \(apg.nl\)](#)

Transition risk is measured by assessing the relative Greenhouse Gas (GHG) emission intensity level (kg CO₂ per sqm) as compared to the CRREM (Carbon Risk Real Estate Monitor) pathways.

3. Contribution to Sustainable Development Investments

Portfolio managers assess if the products and services of investments contribute to the achievement of the Sustainable Development Goals (SDGs), such as sustainable energy, safe and sustainable cities, decent work and economic growth, and health and well-being. The assessment by portfolio managers of Sustainable Development Investments (SDIs) is based on the methodology as set out in the [SDI AOP Taxonomy and Guidance](#). The SDI methodology was established by a multidisciplinary team, with representatives from the investments teams, legal, risk and fiduciary management. When companies contribute to these goals with their products and services, our investments in those companies are considered to be Sustainable Development Investments (SDIs).



4. ESG Integration

When making investments in private Real Estate, standard legal provisions are required based on which external managers agree to:

- taking into account the UNGC Principles in connection with each portfolio investment and;
- informing APG AM of any severe ESG incident/controversy by the external manager.

The Pool only invests in listed real estate companies that pass our ESG criteria, or in companies with whom we can engage for change. Sector and market-specific criteria for companies are set broadly in line with the OECD guidelines to test whether there is evidence that investee companies (do not) meet our expectations.

Specific ESG requirements that apply for listed real listed investments on green building certification, climate change transition/physical risk, anti-bribery and anti-corruption, whistleblowing, human rights, ESG controversies and severe incidents, and good governance practices. If a company does not meet the ESG criteria, an engagement will be initiated.

h) 'Data sources and processing'

To attain the E/S characteristics promoted by this Pool we use data from different sources. The table below shows the sources and limitations per data source.

E/S characteristic	Data source	Data limitations
Exclusion	Proprietary research, Sustainalytics, ISS ESG	Negligible.
CO ₂ -reduction and energy efficient real estate	ISS ESG (listed) and GRESB (private)	For carbon data, we follow the PCAF standard. The PCAF standard describes a data quality hierarchy and a scorecard ranging from 1-5 (with 1 being the highest quality emission data, and 5 the poorest). In line with the PCAF standard, we prefer emission figures that are reported by companies themselves and that are verified by an independent third party. If no reported data is available, we accept estimates. Estimates can either be provided by third parties (e.g. data vendors) or made in-house. These estimates can be based on peer analysis, sector average carbon intensities or sector benchmarks.

		<p>Transition risk is measured by assessing the relative Greenhouse Gas (GHG) emission intensity level (kg CO₂ per sqm) as compared to the CRREM (Carbon Risk Real Estate Monitor) pathways.</p> <p>Real Estate The data quality indicator for real estate (weighted by invested capital) is 2.</p>
Contribution to SDGs	SDI: SDI-Asset Owner Platform	<p>Limitations in coverage, quality and consistency of the data. The data is made accessible with a delay.</p>
ESG Integration	Sustainalytics, MSCI, ISS, Global Coal Exit List (GCEL)	<p>Limitations in coverage, quality and consistency of the data. The data is made accessible with a delay.</p>

Measures taken to ensure data quality

Before data vendors are selected, several aspects are checked, including the data quality of the vendor, methodologies used, coverage and completeness of data. During the reporting process, sanity checks are performed to ensure data quality and completeness before incorporation in sustainability disclosures. Data providers are assessed annually.

Data Processing

The collection and processing of data is done in multiple ways. It often requires the collection of data from a variety of sources, both internal and external. Integrating different sources into a consistent dataset can be complicated, especially when it comes to different data formats. In general, processes are automated as much as possible to reduce operational risks.

Proportion of data that is estimated

The proportion of data that is estimated is not tracked. However, the use of estimations of data which is estimated is limited.

i) ‘Limitations to methodologies and data’

Sustainability-related data is still less mature than regular financial data and qualitative performance assessments are often translated into numeric values. Generally, we recognize the limitations of the methodologies and data sources for sustainability-related data such as the lack of consistent and transparent measurement methodologies and data assessment processes, and the limited availability, comparability and quality of data.

The limitations to the methodologies and data used to attain the E/S characteristics promoted by the Pool are described above in section h: data sources and processing. Such limitations do not affect how the E/S characteristics promoted by the financial product are met.

j) ‘Due diligence’

The first line Operational Due Diligence (ODD) function is responsible for the ODD activities in relation to external mandates. The first line ODD function comprises the portfolio managers and ODD Team, with the former having

ultimate responsibility for the external mandates they manage on behalf of APG AM's clients. The most important steps while carrying out an ODD are:

- Trigger: new investment proposal, a scheduled periodic ODD, or an ad hoc request.
- Carry out a background check by the ODD Desk on external party.
- Prepare and submit a due diligence questionnaire and additional information.
- Conduct profound desk research to assess the organizational set-up of the external party.
- Prepare an ODD agenda and have ODD interviews with senior management of the external party.
- Draft an ODD report based on insights gained via prior steps.
- If the report was drafted by portfolio managers, a peer review will be carried out by a specialist of the 1st line ODD Desk to ensure quality and a consistent approach across asset classes.
- Finalize the ODD report.

Further sustainability-related due diligence processes which apply to this Pool involve those described in the RI Implementation Guidelines for the asset classes invested in by this Pool, and the internal Business Process Manuals for the applicable RI policies and approaches. These set out the sustainability-related due diligence and monitoring processes and tools for the underlying assets.

k) 'Engagement policies'

The engagement policies which apply to this product are described in the APG AM Responsible Investment & Stewardship Policy which sets out how our asset manager APG AM carries out its stewardship responsibilities such as engagement, monitoring, voting, collaboration and market engagement

An engagement with an investment in this Pool could be triggered by issues or non-compliance with our minimum ESG criteria around, but not limited to: green building certification, climate change transition/physical risk, anti-bribery and anti-corruption, whistleblowing, human rights, ESG controversies and severe incidents, and good governance practices.

Each engagement with listed real estate will be described in an engagement plan, written by PM, including a clear description of its objective(s) and associated ask(s). In order to leverage our influence, we also actively use our voting rights in order to achieve our engagement objective.

l) 'Designated reference benchmark'

Not applicable.