

Summary of Exclusion Approach (Corporate and Sovereign)

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Approved by APG AM Investment Committee (APG AM IC)

Owner APG AM IC

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Change log			
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Summary of Exclusion Approach (Corporate and Sovereign)

As a fiduciary manager for Dutch pension funds whose goal is to provide their beneficiaries with a good retirement income that they can enjoy in a sustainable world, all our investment processes are geared towards ensuring they can deliver on this objective. Our fully integrated Responsible Investment Approach encompasses a comprehensive approach towards making a material positive social, economic and environmental contribution in the real economy by investing responsibly for the long-term.

The specific and diverse characteristics of the portfolio of assets we invest in on behalf of our clients require a clear overarching but also a customized approach to integrating responsible investing objectives for each asset class. Thereby we can ensure that they all contribute to the fullest extent possible to the overall objective of the Responsible Investment Approach.

This document describes how we implement our clients' Exclusion policies and how they are applied¹ and maintained.

Corporate Exclusion

APG AM, on behalf of its clients, does not invest in companies involved in:

- Controversial weapons

We do not invest in companies that are involved in the production, sale or distribution of:

- cluster munitions;
- anti-personnel mines
- nuclear, chemical or biological weapons.

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 weapon or weapons system and essential (key) for the lethal use of the weapons. Regarding nuclear weapons, we exclude companies involved in the production, development, sale and/or distribution of the core weapon system. We also consider companies a) involved in the production, development, sale and/or distribution, 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. By means of the exclusion of controversial weapons APG AM considers SFDR principal adverse impact indicator 14 (exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)).

- Tobacco production

We do not invest in companies involved in the production of tobacco. We define involvement as manufacturing and producing tobacco products such as cigars, cigarettes, e-cigarettes, beedi,

¹ The Exclusion Approach is implemented across all the relevant asset classes within APG AM, both in internal and external strategies.

kretek, smokeless tobacco, reconstituted tobacco leaf, snuff, snus, and chewing tobacco. Exclusion also applies to companies that grow or process raw tobacco leaves.

- Indirect involvement

APG AM also does not invest in companies which are 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 reduced threshold of 20% applies.

Sovereign Bond Exclusion

In addition to the Exclusion policy applicable to corporates, on behalf of our clients invested in APG Pools, we exclude sovereign bonds issued by countries that are subject to an arms embargo by the UN Security Council² and/or European Union, or countries that have the 10% lowest scores on Voice & Accountability performance according to the World Bank³. Regarding EU arms embargoes we refer to binding arms embargoes that are based on an EU Council Decision⁴. All bonds from sovereign and sub-sovereign issuers are in scope of the Exclusion policy. This includes bonds issued by provinces or municipalities. Bonds issued by quasi-sovereigns, agencies, multilateral and unilateral banks, state-owned enterprises, etc. are not within the scope.

Governance of the Exclusion Approach

The APG AM Investment Committee (IC) approves the overarching implementation approach. The Exclusion list of corporates and sovereign bonds is updated bi-annually, per December 1st and June 1st. The APG AM Global Responsible Investment & Governance team reviews corporate involvement assessments from external research providers as well as primary sources for UN and EU arms embargoes and, based on its proprietary analysis, recommends any necessary changes to the list. Based on this proposal the APG AM IC decides on any changes to the Exclusion list to allow for internal APG AM decision making and adequate ability to sell. Upon approval, the Exclusion list is formally communicated by the Chief Investment Officer to the organization and relevant teams. Relevant benchmarks are subsequently updated per December and June and the updated Exclusion list is communicated externally and published on our clients' websites.

Insight into impact on risk and return

APG AM is developing methods to assess the likely impacts of sustainability risks on the returns for its financial products and gain further insight into the impact of the various policy instruments, such as

² [Sanctions | United Nations Security Council](#)

³ Voice and Accountability captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

⁴ [European Union sanctions | EEAS Website \(europa.eu\)](#)



inclusion, exclusion and Sustainable Development Investments, on the ability to meet risk and return targets. Our aim is to be able to measure and monitor any impacts on an ongoing basis, initially for liquid investments and extending it to other asset categories at a later stage.

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