

# Mandatory Website Disclosure

## APG Infrastructure Pool 2011

January 2025

# APG Infrastructure Pool 2011




## Mandatory website sections

### a) 'Summary'

#### Investment strategy

The purpose of the Pool is to provide access to exposure to global non-listed investments in infrastructure across the different asset styles ('minimal', 'constrained', 'relatively high volatility' contract styles), sectors and regions over the long-term (>10 years). The Pool will, either directly or indirectly, only invest in and make commitments to investments that meet at least some of the following criteria: long-term duration, low volatility and low correlation to other asset classes, natural monopolies with high barriers to entry and limited alternatives, low sensitivity to technological obsolescence, predictable, stable and preferably inflation linked cash flows, and a high sustainability value.

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.

SFDR GGP	Metric	GGP Test
1. Sound management structures	• No UN Global Compact Principles Flag related to Principle 10 on <b>Anti-Corruption</b>	 <ul style="list-style-type: none"> <li> Material ESG incident reported by external manager</li> <li>or</li> <li> UNGC Flag or Very severe incident</li> </ul>
2. Employee Relations	• No UN Global Compact Principles Flag related to Principles 1-6 on <b>Human Rights &amp; Labour</b>	
3. Tax Compliance	• No very severe <b>Tax Compliance</b> controversies	
4. Remuneration of staff	• No very severe <b>Staff Remuneration</b> controversies	

#### No sustainable investment objective

This Pool promotes environmental and social (E/S) 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 mainly invests in real assets.

#### Environmental and/or social characteristics

The Pool promotes the following environmental and/or social characteristics which are binding elements of the investment strategy:

1. Exclusion policy
2. Contribution to the UN Sustainable Development Goals (SDGs)
3. 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 update of the Exclusion list and publication on clients' websites.
2. Contribution to the SDGs: identification of SDIs by portfolio management based on the SDI Taxonomy & Guidance, and monitoring on SDI dashboard.
3. ESG-integration: standard legal provisions are included in contracts to require external managers to take into account the UNGC Principles and report on ESG incidents.

### **Data sources and 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. The use of estimated data is limited and does not affect how the E/S characteristics promoted by the Pool are met.

### **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.

### **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 PMs and ODD Team, with the former having ultimate responsibility for the external mandates they manage on behalf of clients.

### **Engagement policies**

This Pool assesses ESG integration by managers through diligence and ongoing engagement with managers. Progress is tracked in an ESG-tracking tool which is updated on an ongoing basis.

### **Designated reference benchmark**

Not applicable.

## **a) 'No sustainable investment objective'**

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

## **b) 'Environmental or social characteristics of the financial product'**

The Pool promotes the following environmental and/or social characteristics which are binding elements of the investment strategy:

1. Exclusion policy
2. Contribution to the UN Sustainable Development Goals (SDGs)
3. ESG-integration

## c) 'Investment strategy'

The Pool invests in equity and equity-related investments (e.g. preference shares, mezzanine, convertible debt) in primarily non-listed and listed infrastructure. Investments can be made through either Companies, Funds, Joint ventures or Co-investments. The Pool aims to invest in infrastructure projects that are expected to generate stable and predictable returns.

The Pool targets the following asset styles:

	Narrative definition
<b>Group 1</b>	Assets with 'minimal' volatility
<b>Group 2</b>	Assets with 'constrained' volatility
<b>Group 3</b>	Assets with 'relatively high' volatility

A robust framework is used to classify investments based on asset specific risk factors. The key risk factors that are taken into account include revenue risk, operational risk, construction / capital expenditure risk, sustainability risk, and leverage. Revenue risk is assessed based on price and volume volatility. Contracts, regulation and/or market volatility are all factors that influence price and volume risk. Operational risk is evaluated by looking at the operational expenditure as part of the revenues (EBITDA margin), and how variable this expenditure is. Development capital expenditure is another factor that can have an impact on realized returns, and as such it is considered when classifying investments. Finally, the capital structure is taken into account. The greater the ability to service the debt, the lower the expected volatility. The assessment assigns a higher or lower score to each of these risk factors depending on the magnitude of uncertainty linked to it and the expected impact of the risk factor on returns. Specific guidelines have been developed for conducting the assessment as well as a model for translating them into a group classification / asset style.

The Pool may invest in listed infrastructure investments where the Pool holds listed investments as (i) a result of investments being listed after the Pool's initial investment in non-listed investments or (ii) investments made with the intention of facilitating a take-private initiative.

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

Good governance practices (GGP) around sound management structures, employee relations, remuneration of staff, and tax compliance are considered before making a new investment 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. 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.

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

## d) 'Proportion of investments'

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

## e) 'Monitoring of environmental or social characteristics'

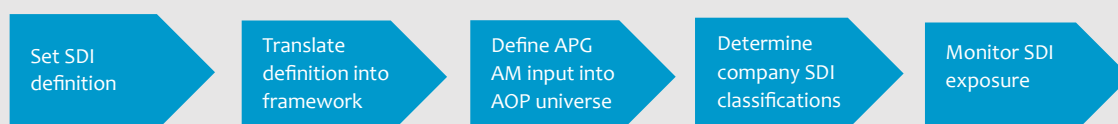
The E/S characteristics this Pool promotes and the sustainability indicators used to measure the attainment thereof are described below:

### 1. Exclusions

The Exclusion list is updated every 6 months (per 1 December and 1 June). The 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 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. 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](#).

To monitor progress against SDI ambitions, investment teams have access to an SDI dashboard which provides an overview of the latest (and historic) SDI exposure. In addition to the teams being able to monitor their SDI exposure directly themselves the Responsible Investment Committee also monitors progress against the ambitions at a total and asset class level and, if deemed necessary, provides an update to the Management teams of the investments.

### 3. ESG integration

When investing with an external fund manager, we encourage our external managers to take into account the UN Global Compact (UNGC) Principles in connection with each investment. We regularly assess all investments on violations of the UN Global Compact Principles or the OECD Guidelines.

## f) 'Methodologies for environmental or social characteristics'

We use the following sustainability indicators to measure the attainment of the environmental and/or social characteristics of this product:

E/S characteristic	#	Sustainability Indicator	Description
1. Exclusion Policy	1	Exposure to controversial weapons (anti-personnel mines, cluster bombs, landmines, chemical and biological weapons).  <i>Related to PAI indicator 14.</i>	<b>No</b> investments in companies involved in the production, sale and/or distribution of controversial weapons (anti-personnel mines, cluster bombs, landmines, chemical and biological weapons).
		Exposure to companies involved in the production, sale and/or distribution of nuclear weapons or key components thereof.	<b>No</b> investments in companies involved in the production, sale and/or distribution of nuclear weapons or key components thereof.
		Exposure to companies involved in the production of tobacco.	<b>No</b> investments in companies involved in the production of tobacco.
2. Contribution to SDGs	2	Percentage of Sustainable Development Investment according to the SDI-AOP methodology.	We measure this indicator for our total portfolio.
		Percentage of Infrastructure investments that participate in GRESB Infra.	We measure this indicator for our Infrastructure investments.
3. ESG-integration	3	Violations of the UN Global Compact Principles or the OECD Guidelines.	We measure this indicator for our investments.

Related to PAI indicator 10 and 11.

## g) '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
1. Exclusion	Proprietary research, Sustainalytics, ISS ESG	Negligible.
2. Contribution to SDGs	SDI: SDI-Asset Owner Platform	Limitations in coverage, quality and consistency of the data. The data is made accessible with a delay.
3. ESG-integration	RepRisk, External Managers	Limitations in coverage, quality and consistency of the data. The data is made accessible with a delay.

### *Measures taken to ensure data quality*

Before data vendors are selected, several aspects are checked, including the data quality, 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.

## h) '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.

## i) '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 Responsible Investment 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.

#### **j) 'Engagement policies'**

This Pool assesses ESG integration by managers through diligence and ongoing engagement with managers. Progress is tracked in our ESG tracking tool which is updated on an ongoing basis. This Pool engages with external managers to ensure that they act in line with the RI policy and agreed-upon ESG fund terms; to address identified gaps in their ESG practices; and to discuss other topics that may arise which in our view contribute to their ability to create and sustain long-term value. This Pool completes a Planet Responsible Investment scorecard for each external manager on an annual basis.

This Pool requires external managers to report annually on ESG integration by completing an annual APG ESG questionnaire. This requirement applies to most investments with the exception of some legacy investments.

#### **k) 'Designated reference benchmark'**

Not applicable.