# Stewardship Overview 2022

APG Groep NV

# Contents

# Introduction

APG wants to contribute to a sustainable future while securing long-term returns for our pension fund clients and their beneficiaries. This is why – in addition to assessing financial, risk and cost criteria – we closely review how companies, countries and other entities in which we invest impact society and the environment, and whether they practice good governance.



Environmental, social and governance (ESG) factors and responsible business practices have an impact on investment risks and opportunities. We have a fiduciary duty to protect our clients' assets in the long term and act in their best interests. In addition to taking financial considerations into account, this means incorporating ESG factors into the investment decision making process. Our stewardship role involves the monitoring of and engagement with our investments as well as exercising our voting rights at shareholder meetings. The APG approach to stewardship is laid out in our Responsible Investment & Stewardship Policy and Summary of Corporate Governance Voting Approach. APG endorses and complies with the Dutch Stewardship Code.

## Proprietary methodology combined with a collaborative approach

The sustainability specialists in our Global Responsible Investment & Governance (GRIG) team work closely with investment teams to carry out stewardship activities for their portfolios. We assess all our investments on the basis of predefined ESG criteria based on our clients' sustainability preferences and documented in their policies. According to the results of this analysis, we prioritize engagements and enter into a dialogue with those companies and assets where we see the highest risks (significant harm), where we see risks for the investment case and where we think we can make the most impact. These criteria also form the starting point for the way we exercise our voting rights.

## Mandatory disclosure

In addition to providing transparency regarding our activities, as an institutional investor, APG has an obligation, under the Dutch Corporate Governance Code to annually report on how it implements its engagement and voting policy. This includes an outline of the key points of the dialogues and topics we discussed with the companies and managers we engaged with. In terms of voting, we disclose how we implemented our voting policy by reporting on our voting behavior, including explanations of how we voted, how we use the services of proxy advisors and details of any significant votes.

## Constantly raising the bar

In 2022, our Responsible Investment and Stewardship achieved four out of a maximum of five stars in the annual benchmark of the Principles for Responsible Investment (PRI). Furthermore, our fund clients scored well in the Association of Investors for Sustainable Development (VBDO) annual sustainability assessment of the largest pension funds in the

Netherlands. And finally, APG was named market leader in engagement by EY. According to EY, the characteristics of a market leader relate to actively driving positive change and setting the market standard for institutional investors.

*Although we welcome these positive assessments, we continue to be ambitious and critical so there's always room for improvement. One area where we can improve is disclosure; by making the outcomes of our stewardship activities even more visible and continuing to build on our reporting efforts. This has multiple benefits. It enables us to assess whether our time and effort are well spent, promotes change by helping to shape best practice and supports our collaborative investor efforts. Equally important, it allows our clients and their participants to see how their policies are implemented and pension money is invested.*

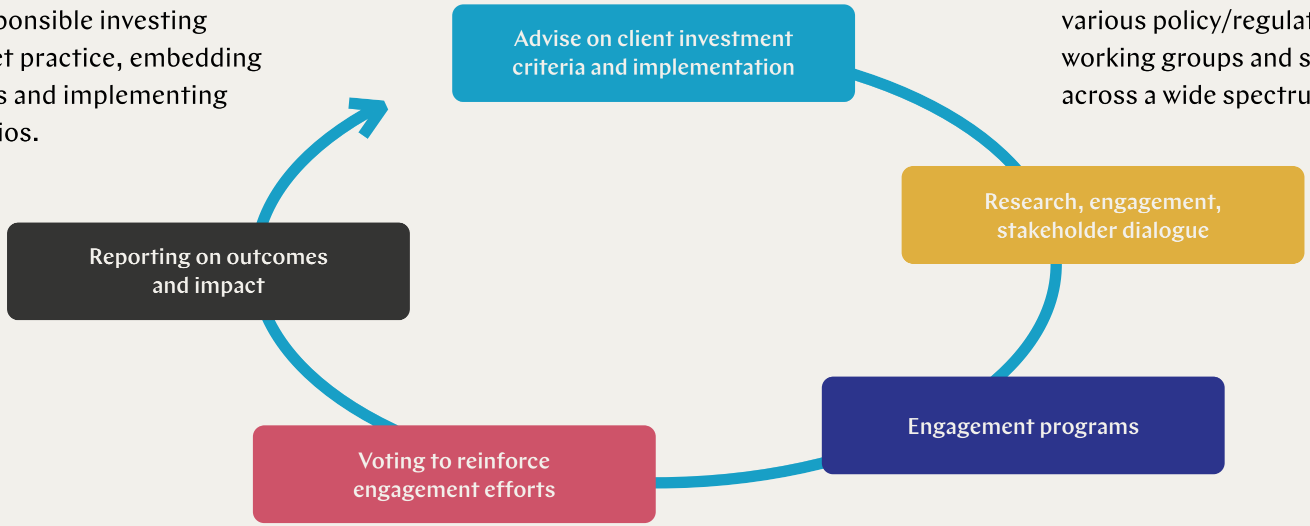
*This report is a further step in the process of making our activities more transparent and tangible and showing the progress we have made towards our goal of creating a better and more sustainable future. We hope you enjoy reading it!*

Anna Pot, Head of Responsible Investment Capital Markets & RI Communications

# Stewardship at APG

- Our stewardship activities begin with our clients – on helping them to define investment criteria and ESG parameters that reflect their responsible investing ambitions and market practice, embedding these in their policies and implementing them in their portfolios.

- We carry out research and engage with other stakeholders (e.g., investors, NGOs, governments), taking an active role in various policy/regulatory/investor/academic working groups and steering committees across a wide spectrum of ESG issues.




- Reporting on engagement outcomes and voting activities brings us full circle. It enables us to assess how effective we have been, fulfil our mandatory disclosure obligations and determine future policy and investment strategy.

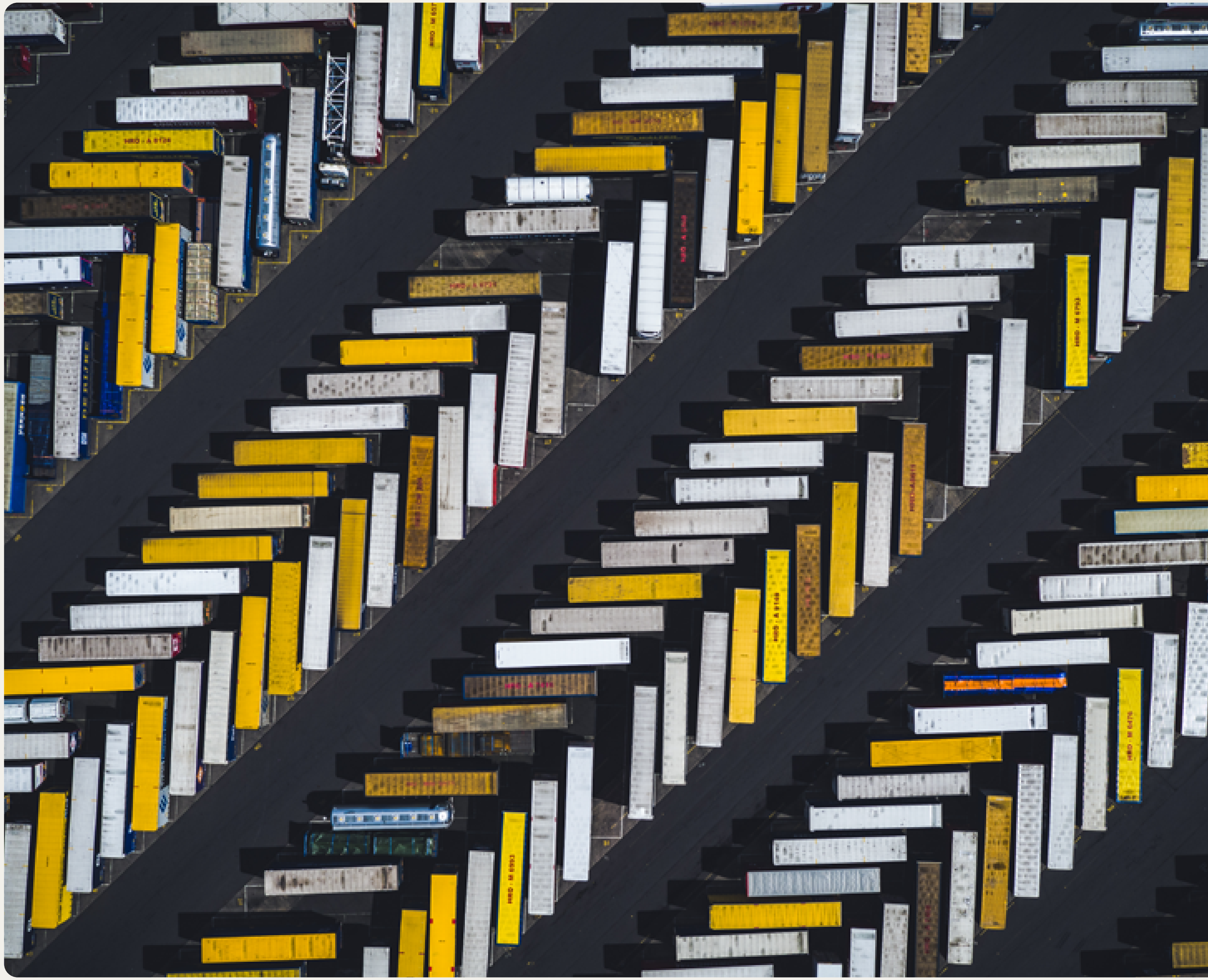
- Voting is a key instrument that gives us the opportunity to directly influence investee companies and reinforce our engagement work. Our voting activities are often informed by our engagement but can also be the reason to initiate a dialogue on a key agenda item.

- Together with our clients, we devise engagement programs to influence individual companies that do not fulfil all our responsible investment requirements, but also on a broader level to bring about change in a specific sector or on a specific theme.

*The fundamental aim of our stewardship activities is to promote and ensure the maintenance of market best practice. This means seeking improvement at individual companies that do not meet our clients' ESG criteria and monitoring all our investments in terms of ESG performance. The combination of engagement and voting is a powerful tool in encouraging companies to change. That said, if a company does not show enough progress as a result of our efforts, we will reconsider our investment.*

*Amazon - one of our largest investments - is a an example of how we implement our stewardship in different ways. We have engaged with them over a number of years on issues relating to human capital management, labor rights and employee engagement. Here too, we critically assess progress and give the company clear feedback on how it can improve.*

Tara-Jane Fraser, Senior Responsible Investment and Governance Specialist



# Engagement

**On behalf of our clients APG engages with investee companies to influence them to improve their performance on environmental sustainability, act in a socially responsible manner and apply good governance practices to enhance their long-term value and meet our clients' ESG requirements.**



## We engaged with 435 listed companies on ESG issues in 2022

Our website contains an overview of these companies, including the issues we engaged with them on. Our clients disclose the progress and outcomes of the engagements on the basis of their proprietary RI policies on their websites and in their reporting.

Engagement with companies is an indispensable part of APG's and its clients' responsible investment approach. It enhances our investment knowledge, helps us better assess risks and opportunities, and improves long-term performance. In order to maximize impact, we often cooperate with other investors and regularly discuss sustainability and shareholder rights with legislators, regulatory bodies and other stakeholders.

In our engagement in its most common form, we target individual companies with specific asks based on our clients' respective ESG criteria to ensure they qualify for inclusion in our portfolio. This also means our clients are prepared to reconsider the investment if insufficient progress is being made in achieving these requirements. Our engagement activities span a broad range of markets across asset classes in both developed and emerging markets.

### Client focus themes

We aim to raise the bar in certain areas by engaging with industry leaders, and through collaboration with other investors and stakeholders or through focused initiatives. The themes of these multi-year engagement trajectories (usually three years) are chosen in collaboration with our clients. The selected themes reflect areas where challenges exist that pose significant ESG risks to us as investors, which are important for the portfolio and where engagement can really have an impact, for example, by setting sector or industry standards. In 2022, we completed two focus engagement programs for ABP on the Digital World and Sustainable Food.

### Proprietary engagement monitoring tool

In the course of an engagement, we make use of in-house expertise, corporate disclosures, company-specific data provided by our research providers and other external sources such as brokers, NGOs or investor networks. We also have an in-house centralized knowledge management system (KMS) which enables us to track our engagement with the listed companies in which we invest. Both investment teams and GRIG experts have access to this system, enabling them to record information and share findings.

## Private markets

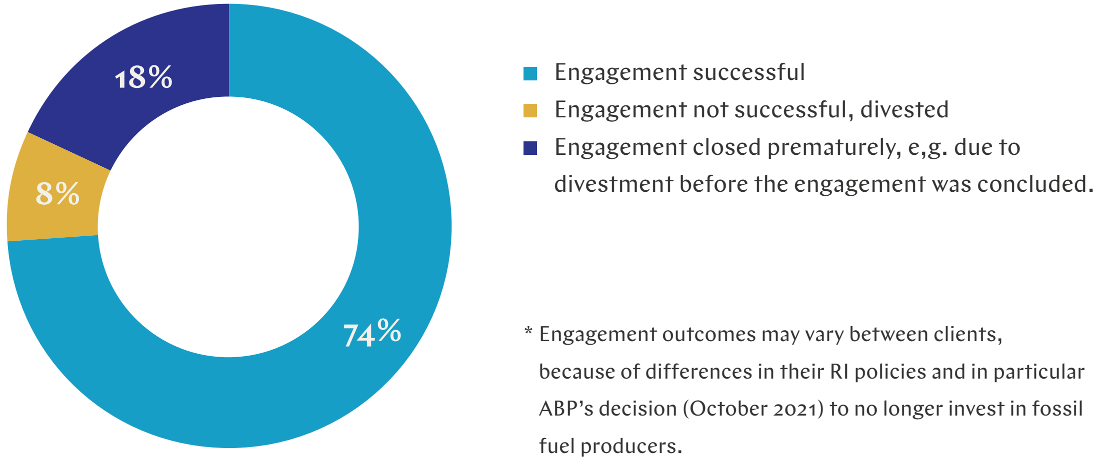
On behalf of our clients, we invest in a range of private markets. Although the principles we apply to engagement are generally like those we apply to capital markets, there are some differences. Information may not necessarily be in the public domain, so establishing close ties with companies and maintaining a dialogue is vital in ensuring that we have all the information we need to make well-balanced investment decisions. Furthermore, as private investors we often hold larger stakes in these investments, enabling us to get closer to the business and influence the choices the company makes through strong strategic controls.

## Reporting

Our fund clients have signed the IMVB covenant which contains agreements with the government, trade unions, and environmental and civil society organizations to prevent malpractice at companies in which pension funds invest. The covenant is based on the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights.

In line with the covenant, our pension fund clients reported on the outcomes of engagements closed in 2022 relating to their listed equity and corporate bond investments. Nearly three-quarters of these were closed successfully which means positive progress has been achieved in the predefined engagement objectives and asks. Topics that we engage on with investee companies on behalf of our clients differ based on asset class, sector and geography, ranging from climate transition plans and social supplier standards to business ethics.

**Results of closed engagements 2022***




* Engagement outcomes may vary between clients, because of differences in their RI policies and in particular ABP's decision (October 2021) to no longer invest in fossil fuel producers.

# Engagement numbers 2022

## Dialogue with companies about sustainability and good governance

**Companies APG has spoken with**

Number of companies

435

**Number of conversations about**

Good corporate governance
**142**

Business ethics*
**74**

Human rights
**45**

Other topics
**112**

Environment
**211**

Working conditions
**61**

Sustainable financing
**65**

* Including bribery and corruption, money laundering, inappropriate promotion of medicines, and lack of whistleblowing mechanisms.

# Theme: Climate

**Climate change is a key issue for our pension clients and their participants. We engage with companies to reduce their greenhouse gas emissions and promote the transition to low-carbon business models. We focus our engagement on the 'demand side', targeting sectors such as electric utilities, construction materials, transportation and real estate.**



## Climate Action 100+

Some of our climate engagements fall under collaborative global engagement initiatives as large investors can exert pressure effectively, especially if they join forces. One of the most important of these is Climate Action 100+ (CA100+). APG takes an active role and in 2022, was engagement lead for Holcim, Heidelberg Materials, and SK Innovation, and co-lead for Stellantis.

**Holcim** is one of the world's largest producers and distributors of cement, aggregates and ready-mixed concrete. The company published a comprehensive climate action plan and put this to shareholder vote. Initially there was a lack of clarity as to whether the targets were 1.5 °C aligned and Holcim was unwilling to commit to 1.5 °C alignment. But the company worked with the Science Based Targets initiative (SBTi) to develop 1.5 °C aligned pathways for the cement industry. Areas to monitor are the feasibility of Holcim's targets, its heavy reliance on carbon capture technology and a lack of detail on the required capital expenditure.

Tangible results
- New decarbonization targets established that are validated to be 1.5 °C aligned by SBTi
- Climate Action Plan published and put to shareholder vote

**Heidelberg Materials** is one of the world's largest producers and distributors of cement, aggregates and ready-mixed concrete. In May 2022, the company announced new decarbonization targets and a revenue target from low-carbon products. The company is advanced in carbon capture technology and has pilot plants running. Heidelberg Materials supported the SBTi's development of 1.5 °C aligned pathways and has submitted its targets to be validated. It makes climate disclosures but has yet to publish a comprehensive climate action plan.

Tangible results
- New decarbonization targets established that are the strictest in the cement industry
- Detailed information on carbon capture, including planned investments up to 2030

**SK Innovation (SKI)** is the biggest integrated refining and chemical producer in South Korea. A highlight of our engagement with SKI is our annual meeting with the chair to discuss progress, particularly on climate change. In the November 2022 meeting, SKI unveiled detailed emission reduction plans for Scopes 1 & 2 (-25% by 2025,

-51% by 2030, and net zero by 2050). $CO_2$ emission cuts to date have been achieved in various ways including facility upgrades and improved efficiency. SKI also plans to reduce its and its subsidiaries integrated Scope 3 financial intensity[1] by 90%, against the 2019 baseline, by 2050. Carbon reduction is part of executive compensation.

Tangible results
- Most progressive carbon reduction targets of local/regional sector peers. These will require a massive transformation of the current business model
- Best 'net zero' governance, with a complete buy-in from management, board and the controlling shareholder

## Dutch Climate Coalition

APG is a member of the Dutch Climate Coalition (DCC), which was launched in September 2022. This is a collaborative initiative by Dutch financial institutions to engage with carbon intensive companies on their alignment with the Paris Agreement.

In 2022, we engaged with oil and gas companies on behalf of several of our clients.

*There has been progress in a number of areas. In terms of climate, the companies we engage with have committed to becoming net zero and are starting to incorporate low carbon climate solutions into their investment strategies. An increasing number are also carrying out climate risk assessments and putting climate strategies on the voting agenda.*

*However, there are still significant challenges, with many failing to disclose clear Paris aligned emission reduction targets (1.5 °C) and some with projects that pose biodiversity or potential human rights risks. Not all companies effectively assess stranded asset risk and the level of investment in low-carbon assets is often still low.*

Asimwe Ruganyoisa, Responsible Investment & Governance Specialist

### Shell – stakeholder engagement

We have engaged with Shell on a number of issues in the past, including controversies related to oil spills in Nigeria with the aim of encouraging the company to clean-up contaminated sites and take action to prevent further disasters. We achieved progress on some of our asks. We now communicate with the company as part of the investor network. Through our activities in initiatives like the DCC, we continue to encourage Shell and others to establish net-zero pathways and implementation plans to achieve these.

1. Financial intensity refers to the amount of Scope 3 emissions per unit of fixed assets.

## Climate engagements in Asia - calling for progress not just commitments

**Korea**
In early 2022, APG wrote to ten large carbon emitters – all of which are companies important to the Korean economy and global supply chain. Transforming them into low carbon businesses will play a critical role in climate change mitigation and in setting an example to other Korean firms. In our letter, which we also published, we urged the companies to take more action and challenged them on their climate change strategies and progress on implementation. This received wide-spread Korean and international media coverage. All the recipients acknowledged our letter and a few – including Samsung Electronics and SK Telecom – took our recommendation.

Tangible result
- In September 2022, Korean electronics giant Samsung announced a comprehensive strategy to reduce its emissions to zero by 2050.

**Japan**
Later in 2022, we extended our climate engagement program to Japan and contacted ten companies there. Our engagement with Japanese automakers is especially important as it addresses both climate change mitigation goals and business sustainability through more rapid transition to electric vehicles (EVs). We ask for a clear commitment to net zero and clear carbon reduction targets and pathways. In September, we had meetings with the management of Toyota Motor, Honda Motor, and Nippon Steel and urged them to speed up the process of carbon emission reduction and strategic engagement with regulators, customers and suppliers.

Progress
- We have continued to follow up with each of the companies and are seeing positive developments, for example, in terms of improved EV production targets and in our work on encouraging steelmakers to make decarbonization-related investments.

## Climate Action Plan
APG and its largest clients are signatories to the Commitment of the Financial Sector to the Dutch Climate Agreement, in which Dutch financial institutions – including pension funds and their asset managers – pledge to:
- measure and report on the $CO_2$ impact of their relevant financing and investment activities;
- draw up action plans to contribute to the goals set out in the Dutch Climate Agreement and the Paris Agreement, including 2030 targets.

In 2022, APG published its first Climate Action Plan following the requirements of the Climate Commitment. In it, we recognize that engagement and collaboration are important tools for realizing real world impact, also with respect to climate change.

## Policy advocacy
Government policy is crucial for creating an environment that promotes large-scale private investment in the energy transition. However, there is a gap between the commitments governments have made so far and the efforts required to limit global warming to 1.5 °C. So APG and our clients engage with policymakers to communicate the need for clear policy and standards.

*As a signatory to the Global Investor Statement to Governments on the Climate Crisis, APG urges world leaders to rapidly implement several policy steps to combat climate change. These include stepping up national climate ambitions for 2030, optimizing conditions for investments in climate solutions, and requiring companies to report on their transition plans in line with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations.*

*We also engage with individual governments on climate policy. For instance, we have called on the Dutch government to implement effective carbon pricing and urged South Korea's government to outline a clear and Paris-aligned decarbonization pathway and stop building new coal-fired power plants.*

Joost Slabbekoorn, Senior Responsible Investment & Governance Manager

# Asset class: Infrastructure

**Through careful due diligence, policy implementation, and active management, APG strives to invest in infrastructure that meets our clients' responsible investment ambitions.**

## GRESB Infra – the market standard for ESG in infrastructure

On behalf of our clients, APG and a group of ten founding infrastructure investors came together to establish the GRESB Infrastructure Assessments (GRESB Infra) in 2015. GRESB Infra promotes transparency and provides a consistent framework with which to measure the ESG performance of individual infrastructure assets and fund managers. Over the years, APG has remained closely involved in contributing to the further development of GRESB Infra and is currently part of a working group to examine how net-zero targets can be incorporated into the annual assessment.

GRESB Infra forms the basis for how APG assesses its infrastructure investments and it is mandatory for all our infrastructure assets to take part in the annual assessment. Our investments are expected to show ongoing annual improvements in their scores and/or achieve above average scores compared to the overall GRESB benchmark within three years. Our portfolio managers maintain a dialogue with assets on how to improve their scores in addition to focusing on any defined ESG/GRESB engagement priorities.

*For the GRESB Infra 2022 Annual Assessment, over 100 APG Infrastructure portfolio assets participated, which equates to 89% of the portfolio's net asset value. We are happy with these results, particularly given the growth of the portfolio in recent years. Our portfolio weighted average score continues to improve year-on-year, reaching 85 (on a scale 0 to 100) in 2022, up from 81 in 2021.*

Cameron Talbot-Stern, Senior Responsible Investment and Governance Manager

In addition to providing valuable input for determining our portfolio's sustainability performance, including carbon footprint data, GRESB data also feeds into reporting under the Sustainable Finance Disclosure Regulation (SFDR) and the Task Force on Climate-related Financial Disclosures (TCFD). APG has engaged intensively with portfolio assets in the last few years to report on actual greenhouse gas emissions. In 2022, around 70% of the portfolio's total Scope 1 and 2 emissions footprint was sourced from data reported via the GRESB annual survey. Looking ahead, APG is engaging with companies to provide Scope 3 emissions data and improve data quality through third-party verification of all scopes.

## 2022 in numbers

**~100**

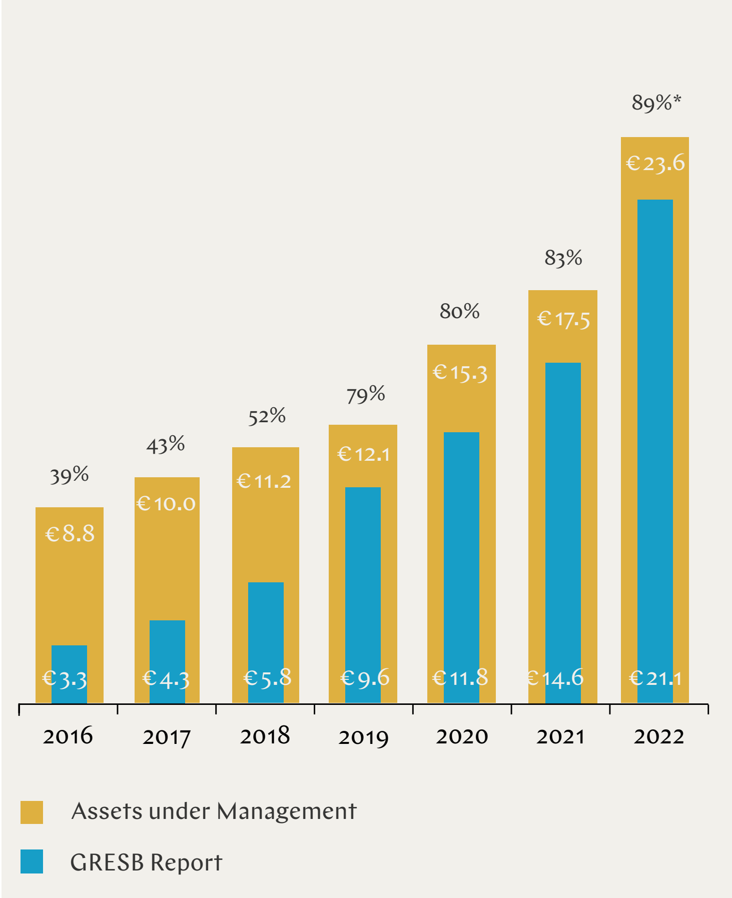
Individual asset submissions

**89%**

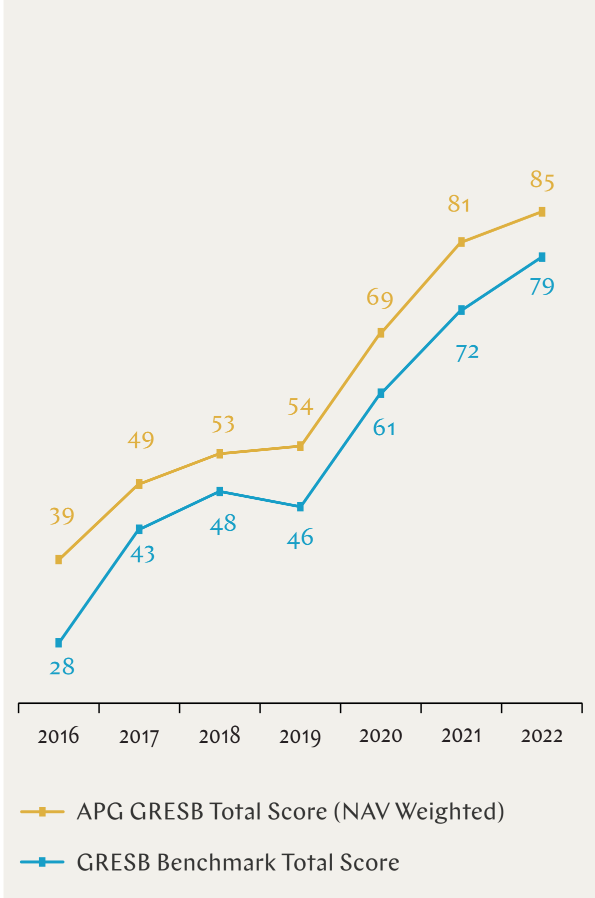
Participation based on the AUM

* 2022 figure includes €4.3Bn in AUM that are reporting under "Grace Period" (as it is their first-year reporting to GRESB) or at Fund Level Only

## GRESB APG Asset Participation / Reporting (AUM €Bn and % Participation)




## GRESB Total Score for APG NAV weighted vs GRESB Average



## Integrating ESG into the investment process: Glaspoort

Glaspoort is a joint venture between APG and KPN and an investment made on behalf of ABP, that rolls out fiber-to-the-home (FttH) connections in the Netherlands. In such investments, APG aims to exert influence by obtaining majority ownership in investee companies, putting it in an ideal position to shape the ESG agenda.

APG engaged directly with Glaspoort's management team to highlight the importance of identifying and improving ESG performance. Glaspoort met our requirements by conducting an ESG materiality assessment and participating in GRESB Infra. As a result of our participation on Glaspoort's supervisory board and the company's commitment to sustainability and responsible investment, it has achieved significant milestones, successfully implementing all the ESG policies and procedures required by APG by the end of 2022.

*Despite being in its first year of operation with a small team, Glaspoort implemented a range of policies and improved transparency. It completed its first GRESB annual survey and reported its energy consumption and Scope 1 and 2 greenhouse gas emissions data. On a broader scale, the company's operations are significantly contributing to reducing the carbon footprint of the Dutch telecommunications sector by replacing legacy copper telephone lines with a more energy efficient fiber optical network. The biggest achievement is having created a strong alignment with the management team that ESG is critical and should be top-of-mind.*

Laurens-Jan Sipma, Senior Portfolio Manager

# Growing the labeled bond market

As one of the world's largest labeled bond investors, APG has built relationships both issuers and bank syndicates, regulators, and certification bodies. We use our network and experience to further develop this market – while upholding its integrity – through different types of engagement.



## Roundtable to promote the US sustainable corporate bond market

In April 2022, APG organized its fifth annual roundtable on the green, social, sustainability and sustainability-linked (GSSS) bond markets. This event brings together institutional investors, capital market underwriters, and other market stakeholders to exchange views on ways to help grow the sustainable debt market.

*The 2022 event examined the opportunities for and obstacles to financing the energy transition through corporate GSSS issuance. It focused on three areas: the aviation sector, how to ensure issuers are held accountable when it comes to Scope 3 targets, and the role of sustainability-linked bonds. The discussion resulted in recommendations for follow-up actions for investors and underwriters. In the past, this brainstorming has often directly influenced policy development in the market.*

Joshua Linder, Lead Sustainability Research for Fixed Income

## Talking to the UK government about its first green gilt

When the UK issued its first green government bond in September 2021, we raised questions on one of the categories to which the bond's proceeds would be allocated – carbon capture, usage and storage (CCUS). Although this qualifies as an EU-taxonomy eligible sector and has a role to play in the energy transition, the UK's green bond framework lacked clarity on industries and thresholds. We still invested in the issue but committed to assess the allocation report once published.



One year on, in 2022, the UK published the allocation report on material developments relating to eligible green expenditure, and we updated our opinion. Overall, the categories to which the bond's proceeds were to be allocated mirrored those of other sovereign green bonds, with the largest sum allocated to clean transportation, to finance the decarbonization of the UK's bus fleet.

*The report also confirmed that allocation to CCUS is very low (around 0.06%), with a commitment to give continued transparency. These developments mean the bond better fulfills the APG Guidelines for GSS bonds and we increased our position as a result. Over the lifetime of the bond, we will continue to critically evaluate the use of proceeds.*

Chris Lam, Senior Portfolio Manager Government Bonds

## Requalifying conventional bonds as green

In addition to engaging with issuers, we regularly talk to the banks who arrange their debt issues. These discussions help us push for higher standards, as the banks serve as an intermediary for relaying best practices in terms of bond structures and sustainability parameters. In one example, the APG Credits Team engaged with a bank on the subject of requalifying conventional bonds as green bonds through a consent solicitation process. This process would allow an existing regular bond to be requalified as a green bond if the issuer could find an equivalent number of green projects to invest in after issuance.

*We expressed our opposition to this concept as we feel it is important for issuers to establish a green financing framework upfront and distribute proceeds in a forward-looking manner. We believe requalifying bonds as green also undermines the direct linkage to financing specific environmental projects and opens the door to potential greenwashing if some investors are willing to accept projects that don't meet APG's more stringent standards.*

Oscar Jansen, Expert Portfolio Manager Credits

# Theme: Biodiversity

**The rate of biodiversity loss has never been as fast as it is today. It now poses a major systemic risk, with widespread and drastic long-term implications. Policymakers and regulators are focusing on measures to protect and restore biodiversity. APG's clients are increasingly incorporating biodiversity into their responsible investment policies and targets.**



## Sustainable Food

To create a sustainable and resilient food system, companies need to act on a range of critical issues that span environmental and social topics. In our thematic engagement on behalf of ABP on Sustainable Food (2020-2022), we focused on mitigating biodiversity loss and helping prevent climate change, combating malnutrition by ensuring access to healthy food for all, and contributing to a living income to ensure a viable supply chain. As poverty is the root cause of many of these issues, we took a holistic view on sustainable food systems and engaged with Coca-Cola, Mondelēz and General Mills on these three topics.

### Why we engage

The global food system is a major contributor to **biodiversity** loss. The production of soy, beef, palm oil, pulp and paper is estimated to account for about half of global deforestation.

**Objective** → to respect and not harm biodiversity.

A lack of **healthy nutritious food** and poor diet leads to malnutrition and weight problems. One in ten people are hungry or undernourished globally and one in three adults is overweight or obese.

**Objective** → to ensure access to healthy food for everyone.

Two thirds of the global population living in extreme poverty (less than $1.90 per day) are agricultural workers and their dependents. Workers in the food sector often do not earn **a living wage**.

**Objective** → to eradicate poverty by addressing the issue of a living wage.

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**Company selection and measurement criteria**
All three companies have exposure to biodiversity risks, potential living wage issues in their value chains and product portfolios with concerns relating to nutrition. They also have the potential to improve in these areas. Their size and relevance, also in our portfolio, gave us the opportunity to define best practices that can be applied in other areas. The overlap in the three topic areas and the related external initiatives also enabled us to maximize the scope of engagement.



The set of engagement objectives we defined for the specific themes reflect industry asks set out by the World Benchmarking Association (WBA), and expert input from Platform Living Wage Financials (PLWF), Partnership for Biodiversity Accounting Financials (PBAF) and Access to Nutrition Initiative (ATNI). Engagement objectives were set per topic but were applied differently to the companies we talked to.

**Company engagement progress**
Coca-Cola's performance on nutrition has improved and the company recognizes that it has a role to play in addressing obesity. Coca-Cola has not publicly committed to paying a living wage or requiring its suppliers to do this and has as yet taken little concrete action on this. On biodiversity, the company has set goals to sustainably source priority ingredients and has set Scope 1, 2 and 3 greenhouse gas reduction targets.

*Our engagements with Mondelēz have yielded positive results mainly on the living wage theme. The company has committed to living wage roadmaps for all strategic suppliers by 2030. Performance on biodiversity has also improved, with a focus on tackling deforestation relating to cocoa and palm oil. More work is required in terms of the nutrition-related commitments and targets.*

Ton van Ooijen, Senior Portfolio Manager

General Mills has shown the least improvement overall but performs well on environmental metrics. It has targets, for example, for Scope 1, 2 and 3 greenhouse gas emissions, soil health and plastic use. General Mills has improved the nutritional quality of its products and has made commitments in the area of decent work with an increased focus on healthy and safe workplaces. Its biodiversity-related policies need to be formalized and strengthened.

*A sustainable food system requires concerted action on a range of issues and these engagements enable us to dive deeper into specific topics. Particularly for biodiversity, we see opportunities for companies to develop strategies to mitigate biodiversity impact and reduce nature-related risks.*

Willem Hettinga, Senior Responsible Investment & Governance Manager

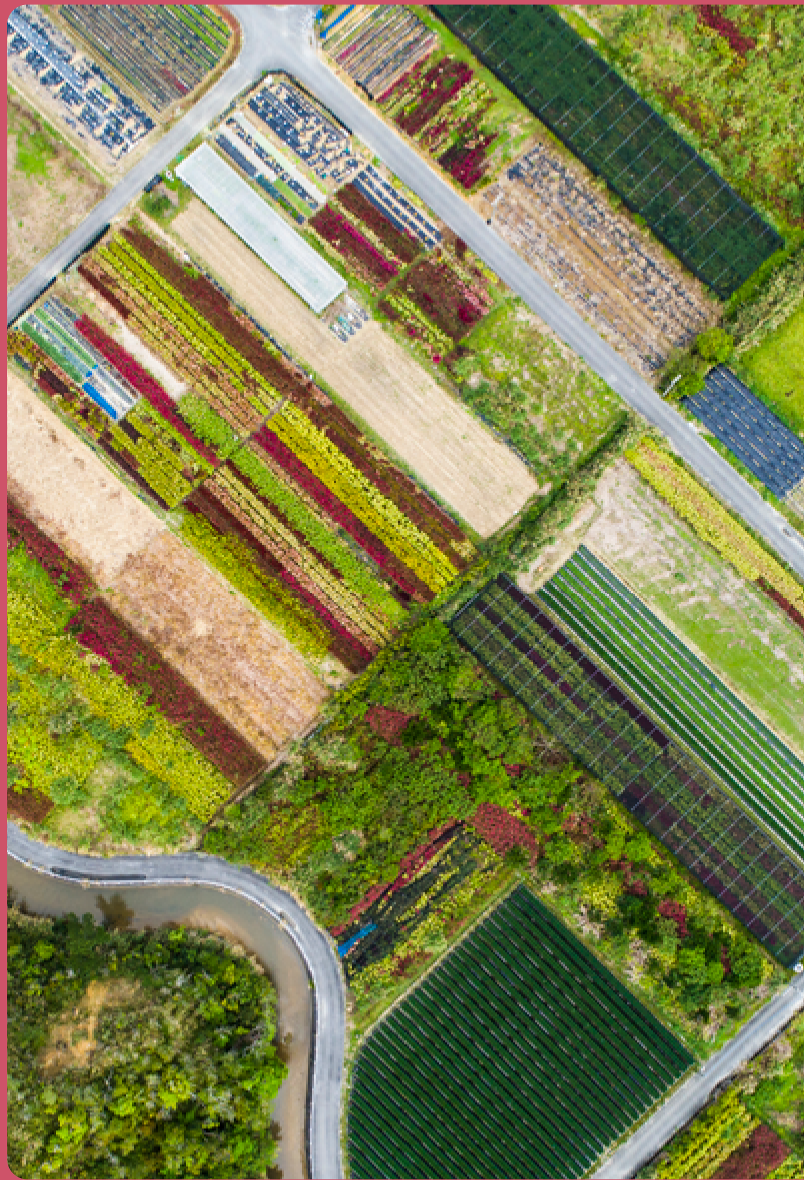
## Collaboration and initiatives on biodiversity

In June 2022, APG committed to taking ambitious action on biodiversity conservation by signing the Finance for Biodiversity Pledge. This pledge was initiated by a group of 26 financial institutions calling on global leaders to take action and committing to protect and restore biodiversity through their finance activities and investments.We are actively involved in the Taskforce on Nature-related Financial Disclosures and in the Partnership for Biodiversity Accounting Financials. Under the auspices of these organizations, financial institutions develop a shared methodology to measure and report on the impact their investments have on biodiversity and the related risk management implications.

The biodiversity finance initiative of the World Economic Forum (WEF) aims to develop an aligned view on removing barriers to investor action and identifying and adopting best practice. Ronald Wuijster, member of APG's Executive Board and CEO of APG Asset Management, is chair of the WEF's Biodiversity Finance Steering Committee.

APG is a member of the Biodiversity Workgroup of the **DNB Platform Sustainable Finance** (Netherlands central bank). APG has also been involved in initiatives with academic institutions such as the **Cambridge Initiative** and has research ties with **Wageningen University** in the Netherlands. APG is a member of **FAIRR**, a collaborative investor network that raises awareness of the environmental, social and governance (ESG) risks and opportunities in the global food sector.

Representatives from APG's GRIG team attended the **15th Conference of the Parties (COP 15) under the Convention for Biological Diversity (CBD)** in December 2022, as part of a delegation led by the Finance for Biodiversity Foundation. We and other financial sector representatives actively supported aligning financial flows and disclosure to the goals of the Kunming-Montreal Global Biodiversity Framework.



# Asset class: Real estate

**The building and real estate sectors account for 30 to 40% of global carbon emissions. Curbing carbon emissions in real estate will therefore contribute significantly to the Paris climate goals. APG is a large investor in both private and listed real estate.**

Our climate engagement objectives focus on enhanced disclosures on the robustness of companies' climate strategies, implementation of a strong governance framework for climate change and sustainability, development of science-based transition pathways and promotion of standardized green building certifications.



## Carbon Risk Real Estate Monitor (CRREM)

We encourage the sector to reduce its carbon emissions and manage progress against science-based 1.5°C targets, such as the Carbon Risk Real Estate Monitor (CRREM) pathways. CRREM pathways allow the industry to set targets aligned with the requirements of the Paris Agreement to limit global warming to 2°C or better 1.5°C by 2050 and effectively measure the transitional risk of climate change for individual assets and portfolios.

The CRREM Pathway Asia pilot project was an 8-month initiative in 2022 led by APG and the Asian Association for Investors in Non-Listed Real Estate Vehicles (ANREV), supported by real-estate investors, developers, and managers. The aim was to assess the potential for adopting the CRREM pathways in the Asia Pacific region. The report explains the aims of the pilot, the approach taken, key findings and lessons learned and provides updates on the next steps for the CRREM pathways.

## Global Real Estate Engagement Network (GREEN)

In 2022, APG joined the Global Real Estate Engagement Network (GREEN). Through the power of coalition, the institutional investors – with combined assets under management of € 2 trillion – aim to steer real estate companies to reduce their exposure to climate risk and improve their overall sustainability performance.

**VIA Outlets,** a European-wide owner and operator of outlet centers, of which we are the sole shareholder, is an example of a company with a comprehensive sustainability strategy. This is based on four pillars: sustainable buildings, responsible consumption, resilient communities and stakeholder engagement. In 2022, VIA Outlets maintained its top (five stars) score in the annual GRESB assessment and took further steps to achieve its 2030 goal of reducing building energy intensity by 50%.

## APAC real estate climate engagement – positive outcomes, but a long way to go

As part of our global initiative to communicate with key real estate investees on climate-related expectations and recommendations, we sent a letter to 28 companies to launch engagement dialogues and push for changes where our expectations were not met. The letter contained four main recommendations.

1. Implement a strong governance framework for climate change and sustainability
2. Adopt science-based transition pathways to help meet Paris Agreement goals

3. Promote green building certification across the portfolios
4. Provide enhanced disclosure of business plans for different climate scenarios to aid strategic investment decisions

We contacted several Chinese real estate developers and a number of leading companies in the ASEAN region, for example, in the Philippines and Singapore. Most have increased focus on environmental initiatives and there are improvements in disclosures, target setting and general commentary on the risks and opportunities associated with change. However, the overall performance still lags best practices and market expectations.

**China Overseas Land & Investment (COLI)** began to disclose TCFD compliant information in their ESG report for 2020 and was looking into incorporating reporting guidelines published by the Securities and Futures Commission of Hong Kong for its 2021 ESG report. The company is serious in considering the measures needed to achieve net zero, including research on new building materials and related science. They highlighted the difficulties of disclosing Scope 3 emissions for real estate developers due to their dynamic portfolios with constantly changing contractors and worksites. COLI planned to carry out a carbon audit in 2022.

**City Developments Limited** will have a CRREM-aligned decarbonization pathway going forward. For Scope 3, 2 of 15 categories were used (building materials and investments) and net zero ambitions cover these two categories. Assessments are also being considered for other categories. The company highlighted the challenges Singapore faces when it comes to renewable energy – this is why City Development uses carbon credits to offset GHG emissions. However, it will ensure that less than 10% of its decarbonization target is met through offsets at all times. Targets and GRESB assessments only cover the company's Singapore assets, but City Development will look to expand this. The company confirmed ESG metrics are part of CEO pay structure but cannot disclose details.

# India: one country – three engagements

To set priorities and clarify what we want to achieve through engagement, we regularly carry out deep-dive research, often in collaboration with other stakeholders. We also engage with policymakers and regulators to share our views. In 2022, APG was involved in three such engagement-related activities in India.



**Debanik Basu, Senior Manager Global Responsible Investment & Governance Asia Pacific**

### Informing our approach to health and safety engagement

In 2022, APG carried out research into occupational health and safety in India as the first step in our India Safety Initiative. We looked at the health and safety structures at some of our largest holdings. Our findings revealed that urgent action is required as most companies in scope fail to disclose sufficient information on safety performance. And for those that do, there is no notable or consistent improvement. Furthermore, shareholders rarely hear about causes, preventative measures, or insurance and compensation.

**According to the British Safety Council, 48,000 workers die in fatal accidents at work each year in India**

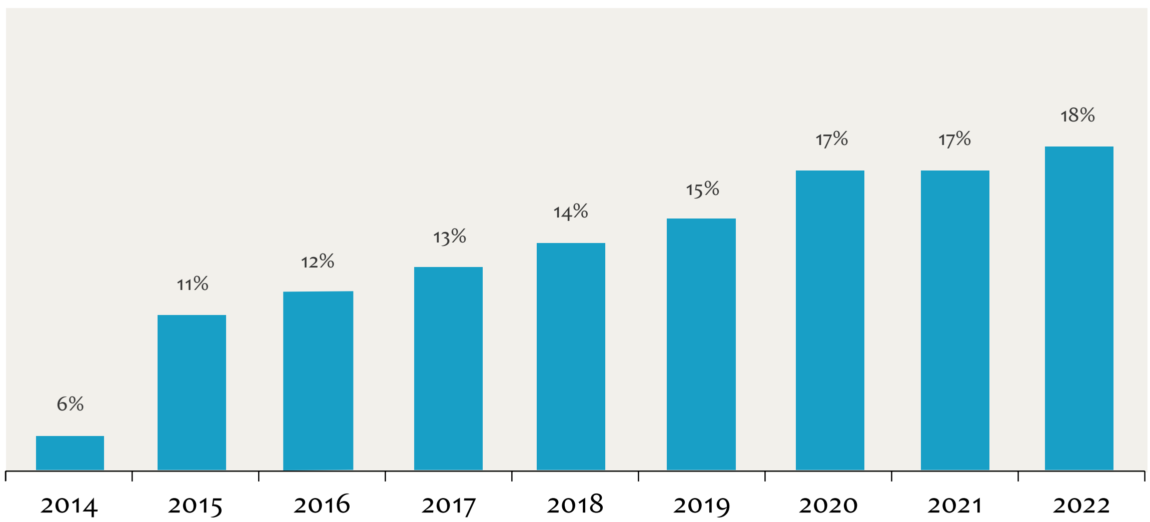
Our findings paint a grim picture, and we intend to take up the key issues with our investee companies and embark on a two-pronged engagement strategy. Our initial focus will be on improving transparency and then to seek board commitments to improve oversight and monitoring of safety systems. Over time, this dialogue is expected to increase accountability, paving the way for rapid and more effective implementation of health & safety policies.

### Shrinking diversity gap but more change is required

We conducted a joint study with IiAS, an Indian governance research firm, on board gender diversity levels in India, on behalf of ABP. The findings show that the number of women on the boards of India's top 500 companies (Nifty 500), has increased significantly, almost reaching the 20% threshold[3] prescribed in APG's voting guidelines and close to the global average of around 19.7%. For a market that lagged significantly a decade ago, this represents real progress.

3. In APG's voting policy these thresholds differ between regions/markets. The 20% threshold applies to Asian companies.

**Share of directorships held by women in NIFTY 500 companies**




There are, however, some concerns – the pace of new appointments has faltered in recent years and only 22 of the 500 companies had board chairs that were women, with a similar trend in executive board positions. Overall, the improvement in women's representation seems to have been driven more by regulatory mandates than real acceptance of the importance of diversity. We will continue to engage companies on this issue as India can, and must, do better.

## Engaging on regulations for ESG ratings providers

The Securities and Exchange Board of India (SEBI) is the regulatory body for the securities and commodities market in India. In 2022 it released a consultation paper to create a regulatory framework for ESG Rating Providers (ERPs) in line with the recommendations of the International Organization of Securities Commissions (IOSCO)'s Sustainable Task Force.

APG engaged extensively with SEBI on this proposal. We discussed potential eligibility requirements and the scope of accreditation, the role of proxy advisory firms and transparency guidelines. In general, we believe the proposals should be timely, relevant, and include enhanced transparency on how ERPs operate. This will be vital for ensuring more balanced, consistent ratings - which in turn will help foster greater trust among users of these products.

# Theme: Human rights

**APG and our clients view respect for human rights as a prerequisite to ensure that the major transitions the world is facing take place in an equitable and sustainable manner. We expect the companies we invest in to act in accordance with the UN Global Compact and to respect the rights of their employees, local communities, and other stakeholders.**

## Digital World



We started engaging with the digital sector on behalf of our clients in 2016, following the first US electoral manipulation scandals and as people became more aware of how personal digital data could be misused. In this final phase of our thematic engagement for ABP (2021 – 2022), we focused on encouraging Big Tech companies to demonstrate how they implement their human rights and digital policies and how these impact product/service decisions.

### Tackling challenges from the top down

This engagement focused on Alphabet, Amazon, Apple, Meta and Microsoft. These five companies, or parts of them (Facebook and Google) are global household names and dominate the tech industry. They have a huge, diverse and loyal customer base and play a key role in people's lives enabling them to sift information, socialize and purchase merchandise. The nature of their products and services gives them huge influence. Due to the extent of the power they wield, engaging with them can help to set industry standards from the top down.

### Four key engagement topics

We focused on whether the companies in scope had human rights centered policies in place and whether they conducted ongoing due diligence to assess the actual and potential negative impacts of their products and services. In addition, we looked at four key themes.

**Privacy and Security** – Users should be at least co-owners of their data, with control over what is shared, retained and transmitted to third parties. We expect companies to establish privacy standards and systems that are reliable and understandable to users and can be applied to products, services, partners.

**Responsible AI** – The design and implementation of AI-based systems should center human rights. We expect companies to demonstrate oversight and responsibility in the context of AI development and applications.

**Content Moderation & Shaping** – Social media platforms should maintain a balance between safe online content and free expression while protecting users' human rights. We expect companies to implement responsible and interpretable content shaping and moderation policy, strategies and actions, and mitigate disinformation.

**Lobbying** – Maintain a clear stance on digital rights that aligns with policies and actions. We expect companies to pursue a clear lobbying policy relating to privacy, content shaping and moderation, security, and responsible AI across markets.

### Engagement successes and milestones

There is still a lot of work to be done, but there were some positive developments during the

< >

last phase of this Digital World engagement. Steps were taken at all five companies to improve data protection and tighten human rights related policies.

*While we were engaging with Apple, the company implemented its iPhone App Tracking Transparency (ATT) framework. Users are now asked to opt in to let an app track their data rather than just opt out. This might seem like a small shift – but is, in fact, a huge change.*

Simone Andrews, Responsible Investment Specialist

*Part of our dialog with Facebook focused on the implications of facial recognition, and we had several detailed discussions with company experts on this topic. This feature was ultimately discontinued and 1 billion 'face prints' were deleted – a major milestone for our engagement.*

Henny Crauwels, Senior Portfolio Manager

**Amazon – intensive long-term engagement to promote human rights improvements**

We also continued our engagement with Amazon on a number of broader human rights topics relating to human capital management, labor conditions and on employee communication and engagement. In 2022, we sent Amazon a letter on a number of related topics. They responded but did not address all of our points. That said, Amazon has made improvements on some of our asks in terms of its reporting on human capital management metrics and goals, workplace audits on safety policies and programs and employee training. Worker's safety and labor relations have also improved as shown by the decline in injury rates, the use of employee engagement tools and introduction of a European Works Council. Amazon also reported that the lost time injury (LTI) rate was halved in the period 2019-2022.

Despite this progress, there continue to be stakeholder reports about union busting activities and hazardous working conditions. In March 2022, Amazon was fined $60,000 by the Washington state authorities for putting workers at risk of injury in its fulfillment centers. To inform our engagement, we have spoken with a range of stakeholders including Amazon workers, worker organizations and health & safety experts. Our engagement with Amazon continues in 2023.

**Corporate Human Rights Benchmark**

The Corporate Human Rights Benchmark (CHRB) compares the human rights performance of companies in a number of industries using indicators based on the UN Guiding Principles. The CHRB, which APG co-founded in 2017, is an important source of information and offers a starting point for discussing human rights with companies. CHRB has since become part of the World Benchmarking Alliance.

**Company Assessment 2022**

Although corporate action to protect human rights has improved in the past five years, big gaps remain, with over one-third of the 127 companies assessed in 2022 still scoring zero on human rights due diligence. That said, there are clear signs that holding companies to account is driving faster progress. Since first being included in the benchmark, 66% of food & agricultural companies, 65% of ICT companies, and 57% of automotive companies have improved their scores. While elevating responsibilities to board level appears to be a key factor in ensuring better action on human rights.

*These leading companies demonstrate that action on human rights is possible within a competitive framework. But the research also shows that many need to do more to translate commitments into action. For instance, while many companies include issues related to child labor, land rights and living wages in supplier codes of conduct and contractual agreements, the vast majority fail to follow through and monitor progress. We make clear to investee companies what we expect from them; through engagement – also together with other investors in the Investor Alliance for Human Rights – and by voting on behalf of our clients at shareholder meetings.*

Anna Pot, Head of Responsible Investment Capital Markets & RI Communications

# Asset class: Private Equity and Alternative Credit

**APG's in-house private equity program was established in 2013 and since then we have established ourselves as a leader in responsible investing within the private equity industry, influencing manager ESG programs and industry standards.**



### ESG Data Convergence Initiative (EDCI) – pioneering standardized data in PE

APG is a founding member of the EDCI; the first industry collaboration of its kind working to standardize ESG data collection across GPs and LPs. In its first two years, the EDCI has experienced strong momentum. More than 60% of APG's managers are EDCI signatories. Also, 25 of the APG managers who became signatories reported metrics in the inaugural year, providing ESG data across more than 570 portfolio companies.

In 2022, we also developed an internal analytics platform to analyze manager data and progress on ESG. One interesting number that emerged was the strong job growth among reporting companies in our portfolio. This mirrors analysis conducted by Boston Consulting Group (BCG), who manages the EDCI benchmark. BCG observed higher rates of job creation among PE companies than their public peers. Our APG portfolio saw 12.1% organic net employee growth across the portfolio, surpassing the PE EDCI benchmark of 7.2%.

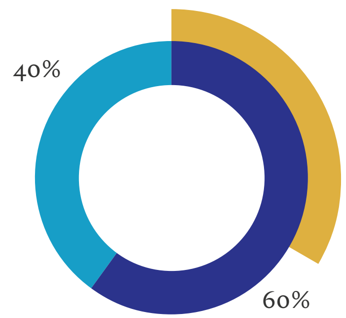
*We expect the EDCI will help provide the transparency needed to drive the wider adoption of ESG as an integrated part of PE investing. The APG team will continue to play a key role in this initiative by serving on the steering committee. As we gather more data, we can use the findings in our underwriting and engagement processes to help achieve real world ESG outcomes.*

Keren Raz, Senior Responsible Investment & Governance Manager and EDCI Steerco Member

**275 EDCI members**
since its founding in 2021

**~$25 trillion**
combined assets under management

Among APG's managers...



## General partner (GP) engagement is central to our PE program

When we started the in-house program, we were one of the few managers to engage regularly with our GPs on environmental, social and governance issues. Since the inception of our program, we have frequently collaborated with the PRI (Principles for Responsible Investment) and pressed managers to join this initiative and provide transparency on ESG progress.

- The number of PE and venture capital manager signatories to the PRI has quadrupled over the past five years to more than 1,100. 72% of our managers are UN PRI signatories.
- 96% of our GPs produced a standalone ESG report for limited partners (LPs). More than 80% of this group were influenced to do so through APG's engagement efforts.

In 2022, we focused our engagements on GPs lagging on ESG to catalyze progress. Our teams pressed for progress through calls, emails, and in-person meetings. All the GPs we prioritized engagement with increased their investment in ESG resourcing and expertise. Three made significant progress hiring ESG specialists, implementing due diligence and engagement processes, and improving reporting.

> *We continue to engage with GPs that already carry out ESG reporting to encourage them to improve the quality of their reports and use standardized ESG data. As a result, we are seeing an increasing number of reports that provide transparency into company progress on ESG initiatives and go beyond high-level anecdotal updates.*
>
> Greg Jania, Global Co-Head of Private Equity

## EQT

EQT is a large global buyout manager based in Europe that focuses on investing in high-quality businesses with strong growth potential and attractive market fundamentals, mainly in the healthcare, technology, services, and industrial technology sectors. It stands out amongst its peers for embedding sustainable transformation as a core investment objective.

We have engaged with EQT frequently over the years, challenging it to continue improving its ESG practices – and EQT has responded with an open, proactive approach, reflecting its ongoing commitment to learn and drive sustainability improvement for itself and the broader industry. EQT is an ESG leader in our portfolio with the second highest score (84.9)[4], and one of only four GPs to achieve a Leader score (75+) since the implementation of our ESG Assessment Tool in 2016. EQT was also the first PE manager to commit to setting science-based targets for its portfolio, with eight of the EQT funds' portfolio companies having their science-based targets (SBTs) validated at year-end 2022. In the course of our engagement, EQT has also committed to providing APG with EDCI metrics for the companies in which we are invested and to align with the APG reporting template.

4. Our ESG Assessment Tool enables us to compare performance, by scoring each manager across a range of ESG parameters. The scores range from 0-100, with managers that score 75+ classified as Leaders.

# Alternative Credit

## Successfully promoting PRI membership to external managers

In 2022, we continued our engagement with external managers on their ESG implementation processes, targets and reporting based on our APG investment guidelines. Part of this process includes asking all our managers to complete an ESG annual questionnaire, enabling us to rate them in terms of their responsible investing policies and implementation, including research, resources, disclosure and participation in industry initiatives. We also encourage all our external managers to become signatories to the PRI, which means complying with PRI's ESG integration standards. These efforts paid off as by the end of the year 2022 all our external managers in the Alternative Credits' portfolio had taken this step.

## PRI Private Debt Advisory Committee (PDAC)

In June 2022, the PRI established the PDAC. This committee's members include representatives from large investors, including APG, and external managers active in the private credit space. Focus areas included the PRI 2023 report on ESG in private credit and a questionnaire for market parties on the practices and the challenges they face in taking ESG factors into consideration in private debt, with a particular focus on how the market has recently evolved.

*The PRI PDAC aims to improve collaboration between investors and external managers on ESG implementation, monitoring and goals, to promote best practice and knowledge sharing, and find synergies with other industry bodies. It also promotes ESG integration as a means of reducing risk and driving positive ESG outcomes in private debt.*

*Participation in this committee will enable APG's Alternative Credits teams to play a key role in developing ESG standards in private debt by exchanging views with like-minded investors and providing input to harmonize industry frameworks using APG's approach as a starting point.*

Marcin Lenart, Senior Portfolio Manager Credits and PDAC Member

# Exercising our shareholder rights



**On behalf of our clients, APG actively exercises its rights as a shareholder, voting at thousands of shareholders' meetings every year for the companies in which we invest.**

Exercising voting rights forms a key part of our stewardship activities. Voting is an important link in the chain of accountability between a company and its shareholders. The right to vote is also a fundamental part of a well-functioning corporate governance system in public markets.

**In 2022, we voted at 5,750 company's shareholder meetings and on 59,823 proposals and resolutions**

APG's voting decisions are based on expectations set out in the APG AM Global Corporate Governance Framework and in our clients' voting policies. These explain underlying corporate governance principles, how we meet our responsibilities as an investor on behalf of our clients, and how we decide what to vote on the main agenda items at companies' annual general shareholders' meetings. Our voting decisions reflect each individual client's specific voting policy requirements and developments resulting from our engagement activities with individual companies. Our framework and our clients' voting policies are regularly reviewed in the light of regulatory and market developments.

## Policy-driven and nuanced approach

In making voting decisions, APG looks at the specific context and market in which a company operates. For companies in which APG holds large stakes, where special attention is required, or in cases where a significant allocation of capital is involved, we may consult with the company, investors and other stakeholders in advance. When voting in markets where we use external managers, we may also use their input to help inform our vote.

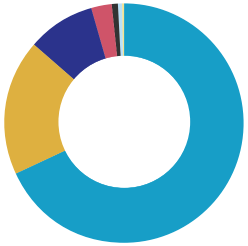
## Proxy voting platform

APG uses the electronic proxy voting platform of Institutional Shareholder Services (ISS). This enables us to monitor upcoming annual and extraordinary shareholder meetings, assess agendas and make timely and well-considered voting decisions. It also helps us to oversee and manage voting at a large number of companies. Research from our proxy service provider also provides additional input for our voting decisions.

# Voting numbers for 2022*

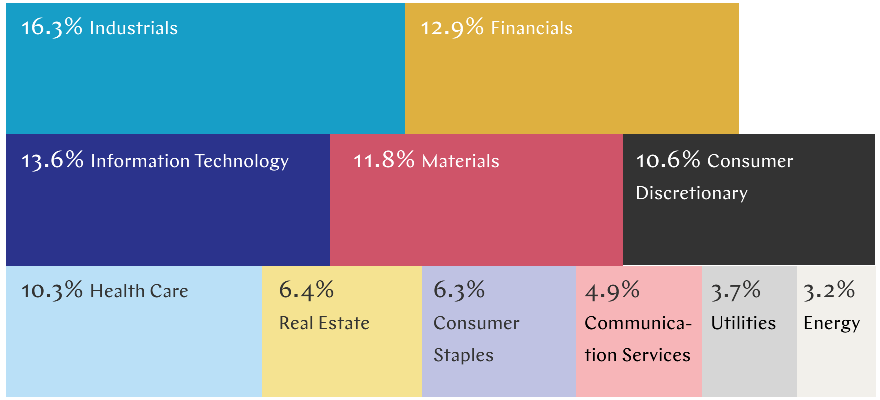
## Meetings by Meeting Type

With 5,750 distinct company meetings available to vote, 5,750 were voted, leaving 0 unvoted.



- 68.2% Annual
- 18.3% Special
- 9.2% Extraordinary Shareholders
- 2.8% Annual/Special
- 0.7% Ordinary Shareholders
- 0.6% Court
- 0.2% Proxy Contest

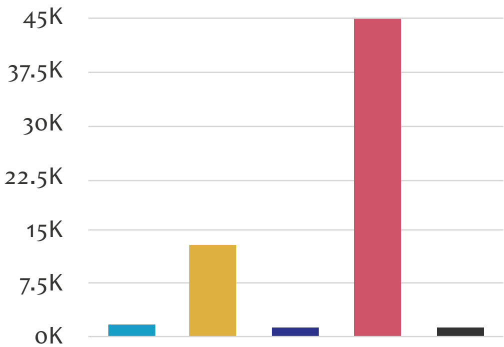
## Meetings by Sector





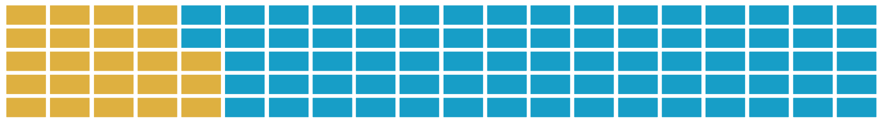

## Voting Statistics

Across 59,823 unique proposals available to vote, we voted 59,712 for which 2 proposals were voted in varying ways for the same meeting agenda item.




- Abstain
- Against/Withhold
- Did not Vote
- For
- One Year

## Alignment with Management



23% Against 77% for

* The 2022 numbers from our VDS platform are indicative and have not been audited. They should not be used for drawing conclusions on our voting behavior and efforts. Data extracted on 16/08/2023

### Website voting disclosure

Our clients disclose their voting activity and APG reports on how we have voted on our website. It is increasingly important for us and our clients to be transparent about how we implement our voting rights. Our voting platform provides details per company and statistics on how we voted on specific agenda items, with a search function that enables the data to be filtered.

Good corporate governance is a prerequisite for companies to operate responsibly. This is why we ensure we always also exercise our voting rights on standard AGM governance items such as board appointments and remuneration.

**We voted on 21,247 nomination proposals, voting in favor in 73% of the cases**

### Voting on directors

When voting on the appointment or reappointment of directors, we look at whether the board is balanced and diverse, and whether the majority of non-executive directors are independent. We expect directors to have the right knowledge, experience, and skills. The composition and performance of the board and its individual members should be evaluated regularly. In larger companies, especially those in sectors with a substantial societal and environmental impact, we expect the board to have a director responsible for sustainability issues.

### Voting on remuneration

The remuneration policy for directors should be in line with that of the company's employees. We expect companies we invest in to clearly show in their annual report how directors' remuneration is determined, what the targets are, and what performance must be achieved before any remuneration or bonus is paid. It is also important that incentive plans and remuneration are linked to ESG performance. Overly generous severance payments – especially common in the United States – are, for example, an important reason to vote against a proposal.

**We voted on 2,144 remuneration proposals. We voted against 48% of the proposals and in favor of 51%.**

# Strengthened voting policy

**In line with our clients' enhanced voting policies APG made amendments to its voting policy ahead of the 2022 shareholder season in a number of areas to stimulate companies to improve their performance. These are climate, board diversity, human rights (including digital rights). These changes reflect our clients' growing responsible investment ambitions.**



## Climate

Our stricter voting policy affects around 2,000 companies in the energy sector and those with a high climate impact – for example, in the mining, steel and transport sectors. We want to see companies appointing dedicated board members for climate-related matters and implementing a climate strategy. We also want to see clear emission-reduction targets and net-zero ambitions and transparency on climate impact. To this end, where possible we supported climate shareholder resolutions in 2022 and only voted in favor of climate strategies with concrete goals. For companies in high-impact sectors with no climate approach, we voted against the reappointment and remuneration proposals that did not incorporate sustainability targets.

## Board diversity

We require companies to consider board diversity when appointing directors. This includes, for example, a balanced mix of gender, ethnicity, education, personality, and age. As a result of our strengthened policy, in 2022, we voted against or withheld votes from incumbent nominating committee members if the board lacked at least one female and one racially diverse director, and if the board was not at least 30% diverse in terms of gender. For companies with no formal nominating committee, we also voted against or withheld votes from the entire board of directors except new nominees.

## Human rights

In 2022, APG voted against the chair of the (supervisory) board of companies that had no human rights due diligence in place and failed to demonstrate meaningful progress following our engagement efforts on this topic. We also conducted case-by-case reviews of proposals asking companies to conduct independent racial equity and/or civil rights audits and assess whether companies' actions are aligned with market norms on civil rights, and racial or ethnic diversity.
APG tightened policy to make Big Tech and other digital companies more accountable for violations of digital rights. These issues focus on privacy, content moderation, discrimination and the risks relating to AI.

## Tax policy

Taxes make an essential contribution to the local communities in which we operate and invest. In 2022, we updated our tax policy and, as part of its implementation, we continued expanding our tax-related expectations for the companies in which we invest and included tighter voting criteria to be implemented in the 2023 voting season. In this way, we give substance to both our own and our pension fund clients' tax policies and tax principles. For capital market investments, we have identified companies that we will seek to engage with on responsible tax behavior in 2023, based on data covering items such as tax strategy, transparency, effective tax rate and known tax-related controversies.

# Voting highlights and shareholder proposals



We vote on all shareholder proposals and support those that we consider to be in the interest of the company and its shareholders. In general, APG supports resolutions that seek to generate greater transparency and accountability when we deem this to be reasonable and practical and especially in cases where problems have arisen, suggesting risks are not adequately managed.

## Apple, Meta, Amazon, Alphabet – shareholder proposals on digital rights

As a result of our tighter voting policy for digital rights, we voted in favor of adopting a number of proposals on human and digital rights at four Big Tech companies.

In the case of **Apple**, two out of the three shareholder proposals were approved. One was for a human rights audit and the other for hidden clause reporting and both went against management's recommendations. This is a major step as no social or climate-related proposals have been approved by shareholders in the past two years. APG also supported the third proposal on transparency reporting on lobbying/public policy which did not receive sufficient support.

At **Amazon**, the two human rights proposals on lobbying and risks associated with facial recognition technology were not passed. Both received a high percentage of non-management votes, also from APG, but the concentration of shares held by a small group, including founder Jeff Bezos, meant that they did not receive a sufficient level of support. This underscores the need to address the concentration of voting weight.

The resolutions related to human rights at Facebook's parent company, **Meta**, were all voted down with only a small percentage of votes in favor. The proposals were on implementing a third-party human rights impact assessment, content moderation relating to child sexual exploitation, and lobbying. The company's dual share structure, which means that not all shares can vote in the same way, and the fact that founder Mark Zuckerberg still holds more than fifty percent of the shares, were the main reasons these resolutions failed to get substantial support. We continue to abstain from voting for him and will continue to fight against unfair distribution of votes.

At Google's parent company, **Alphabet**, the three resolutions regarding human and digital rights (lobbying, third-party racial audit and AI algorithm transparency) that we voted for were voted down by a large majority.

## HDC Hyundai Development – filed a groundbreaking shareholder proposal

Leading Korean real estate developer, HDC Hyundai Development was involved in two accidents in 2021 and 2022, resulting in multiple fatalities. We wanted to address the company's chronically poor safety record and filed a shareholder proposal for its 2022 AGM. This was the first ever shareholder proposal filed in relation to a sustainability issue in the Korean market.

*We proposed a number of measures including a commitment to safety focused management, the establishment of a Health & Safety Committee, publishing an annual sustainability report and allowing independent shareholders to propose ESG-related resolutions. APG representatives attended the AGM in person and shared their views with high-level stakeholders. The board accepted the first three of our proposals, which we view as a very positive outcome that sent a strong signal to other companies that need to improve how they manage ESG issues.*

YK Park, Head of Responsible Investment & Governance Asia Pacific

## Tesla – supported resolutions on discrimination, lobbying and freedom of association

At Tesla's annual general meeting, we supported resolutions calling on the company to report on its efforts to prevent harassment and discrimination in the workplace and on its climate lobbying. We also supported a resolution on adopting policies to respect the rights to freedom of association and collective bargaining.

Our reasons for supporting the resolutions, despite strong management pressure not to, were simple. First, Tesla has faced allegations of harassment and discrimination in the workplace and greater transparency would help shareholders assess how the associated risks are managed. The second resolution – evaluating lobbying activities and how they relate to the Paris Agreement – enables shareholders to better evaluate the risks related to lobbying. In the case of the third resolution, policies that respect workers' rights can help manage related risks.

## FedEx – supported three resolutions on company values and lobbying

We also made our voice heard at FedEx. We supported three resolutions requiring the company to increase reporting on corporate values and lobbying related to climate change. We believe that analysis comparing FedEx's spending on political contributions and corporate values would allow shareholders to better evaluate how well the company assesses and mitigates risk to reputation, brand and shareholder value. In addition, transparency regarding the company's lobbying activities and their relationship to the objectives of the Paris Agreement would provide more insight into how this is managed.

## Climate-related shareholder resolutions for oil and gas companies and banks

In 2022, we supported all the climate resolutions filed by FollowThis for oil and gas companies in which we were invested (Equinor, ConocoPhillips, Occidental Petroleum, BP Plc, Shell Plc).

We also supported shareholder proposals for banks to adopt financing policies consistent with the International Energy Agency's net-zero emissions scenario (Wells Fargo, Bank of America, Goldman Sachs, Bank of America, JP Morgan, Morgan Stanley).

## Climate action plans

In 2022, we voted against a number of climate action plans that failed to demonstrate enough ambition in terms of emissions reduction pathways, usually because these failed to go far enough in terms of concrete targets and commitments. Two examples are given below.

## Rio Tinto

The climate action plan was quite comprehensive, with targets for operational emissions brought forward and strengthened to a 50% reduction by 2030, but there was no Scope 3 target. Rio Tinto's emissions are related to steel production using the iron ore it produces, hence 95% of its emissions are Scope 3. Although the company is taking action, including engagement with steel producers on reduction targets, we would like to see more ambition in line with our policy which requires companies to disclose Scope 3 targets.



## TotalEnergies

A group of 11 investors, most of which are members of Climate Action 100+, filed a shareholder resolution at TotalEnergies, urging the company to set and publish targets that are consistent with the Paris Agreement. APG co-filed the resolution on behalf of bpfBOUW, SPW and PPF APG. According to Climate Action 100+, which has been engaging with TotalEnergies since early 2017, the companies short and medium term GHG carbon emission intensity reduction targets are not aligned with a 1.5 °C scenario. The group did not represent sufficient assets to be able to submit the resolution but once again sent a clear message to the company that it needs to do more.