

Pre Contractual Disclosure for the APG Emerging Markets Equity Multi-Client Pool ¹

September 2023

1) The disclosures in this document solely relate to APG AM's alternative investment funds ('Pools') and is prepared in accordance with art. 10 of the Sustainable Finance Disclosure Regulation (EU/2019/2088).



APG Emerging Markets Equity Multi-Client Pool

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: APG EME Multi Client Pool

Legal entity identifier: 549300D87F2ANS41R30

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics	
Does this financial product have a sustainable investment objective?	
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___% <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EUTaxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective <input checked="" type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments



What environmental and/or social characteristics are promoted by this financial product?

This product promotes the following environmental and/or social characteristics¹:

Corporate Exclusion Policy

The Corporate Exclusion Policy applies to this product.

Corporate Inclusion Policy

The Corporate Inclusion Policy applies to this product.

Sustainable Development Investments²

This product actively seeks investments in the investable UN Sustainable Development Goals (SDGs). An ambition has been set for this product to invest 7% of assets under management in Sustainable Development Investments (SDIs) by 2025.

Sustainability indicators	
Indicator	Metric
PAI # 1	GHG emissions scope 1+2
PAI # 2	Carbon footprint
PAI # 4	Exposure to companies active in the fossil fuel sector

Social	
Indicator	Metric
PAI # 10	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
PAI # 13	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
PAI # 14	Share of investments in investee companies involved in the manufacture or selling of controversial weapons

1) For more information about the Corporate Exclusion Policy, Corporate Inclusion Policy and the Sustainable Development Investments approach, please see: [Responsible investment, good pension in a sustainable world | APG](#).

2) Please note that Sustainable Development Investments do not constitute sustainable investments as defined by SFDR.

Benchmark

The customized benchmark that has been designated for the purpose of attaining the E/S characteristics promoted by this product is aligned with the Corporate Inclusion Policy and the Corporate Exclusion Policy. This means that the benchmark for this product excludes the following investments:

- Product based exclusions:
 - Controversial weapons
 - Tobacco production
- Energy and utility companies that we believe to be lagging on climate change. We refer to the Net Zero Investor Framework and identify laggards as companies that have not yet “committed to align” to a net zero pathway. In practice, these are companies that have been found not to have quantitative long-term emissions reduction target.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

Corporate Exclusion Policy

The sustainability indicator to measure adherence to the Exclusion Policy is the absence of excluded products/ companies in this financial product.

Corporate Inclusion Policy

The sustainability indicator to measure adherence to the Corporate Inclusion Policy is the share of leaders in the product, based on the Corporate Inclusion Policy methodology.

Sustainable Development Investments

The sustainability indicator to measure the SDIs is the % of investments classified as SDIs versus the overall NAV of this product.

In addition to the above sustainability indicators, this product considers the following principal adverse impact indicators:

Sustainability indicators			
Indicator	Metric		Explanation
PAI # 1	GHG emissions	Scope 1 GHG emissions	Scope 1 and 2 emissions of the investments in this product are measured and monitored.
		Scope 2 GHG emissions	Scope 3 emissions of the investments in this product are not measured.

PAI # 2	Carbon footprint	Carbon footprint	Based on our carbon footprint target ³ , we measure how much carbon is emitted by companies this product invests in and how much of this is attributable to these companies.
PAI # 4	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	A number of companies active in the fossil fuel sector will be sold based on the Corporate Inclusion Policy. These concern energy and utility companies that we believe to be lagging on climate change. These companies will be divested and subsequently excluded from the benchmark.

Social			
Indicator	Metric		Explanation
PAI # 10	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Based on the Corporate Inclusion Policy this product does not invest in companies involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.
PAI # 13	Board Gender Diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	Board gender diversity is addressed through the APG Corporate Governance Framework and Voting Policy ⁴ . The average ratio of female to male board members in investee companies of this product is addressed in our voting behavior which is based on our expectations around board composition and diversity.

3) For more information about the carbon reduction target, please see:

[Responsible investment, good pension in a sustainable world | APG](#)

4) For more information about the APG Corporate Governance Framework and Voting Policy, please see:

[Responsible investment, good pension in a sustainable world | APG](#)

PAI # 14	Exposure to controversial weapons	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	Based on the Corporate Exclusion Policy, this product does not invest in controversial weapons.
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Does this financial product consider principal adverse impacts on sustainability factors?

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- Yes, this product considers PAIs # 1 (partially), 2, 4, 10, 13 and 14. We do not actively promote PAI # 1 but PAI # 2 and 4 have an indirect impact on PAI # 1.
- No



What investment strategy does this financial product follow?

The **investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The purpose of the Pool is to provide access to a diversified portfolio of equity and equity related products of companies established or otherwise predominantly active in emerging markets for beta exposure and to outperform the benchmark through active management. The Pool's risk exposure is predominately determined by stock specific risk and country risk.

The Pool will invest in a combination of investment strategies that capture the growth in emerging economies and equity markets. The Pool will seek diversification by investment philosophy and process (i.e. fundamental versus quantitative, bottom-up versus top-down), investment horizon and style (value, growth, quality). The Pool can be divided into the following strategies: Core Fundamental, Core Quant, High Conviction Strategies, and Smart RI. The Pool seeks to outperform the benchmark by combining internally and externally managed strategies. The Pool targets to be beta and style neutral for most risk factors; main risk contribution should come from Country, Stock and Sector positioning. The Pool is actively managed against the benchmark.

Investment restrictions⁵

The Pool shall, either directly or indirectly, only make investments that meet the following criteria:

Countries allowed

Countries which are classified to be emerging markets.

The country classification of a security will be defined in the following order:

1. MSCI's country classification
2. 'Country of Risk'
3. 'Country of Issuer Code'
4. 'Country of Issue Code'

This will lead to an APG Country Code. The Manager will determine the Country Code manually, if this is not sufficient in exceptional cases. This is in line with the Manager's Instrument Dictionary.

Countries can be excluded based on the risk framework set by the Manager's Asset Management Risk Committee.

Sectors allowed

All sectors allowed.

Concentration limit⁶

Country limits: An active country weight of maximum $\pm 5\%$.
Sector limits: An active sector weight of maximum $\pm 5\%$.
Security limits: A maximum position per issuer of benchmark weight $\pm 2.5\%$.
Off benchmark limit: Investments in off benchmark securities should not exceed 20%; depositary receipts of benchmark names are not considered off benchmark holdings.

Credit ratings allowed

Not applicable.

Financial instruments allowed

Instruments only to be used in compliance with APG AM's Approved Instruments List as annually reviewed.

As a result of mandatory corporate actions, the Pool (1) may receive instruments which are not allowed according to the approved instrument list of the Pool or (2) may acquire exposure in a company that does not comply with the sector / country restrictions of these Pool specifics but APG AM did not have the opportunity to choose receiving cash instead of shares. Such an event will not be classified as a breach of these specifics. The particular instrument will be sold in an orderly manner if possible. If it is not possible to sell, the participants will be informed as part of the regular reporting cycle.

5) Financial instruments may be excluded or restricted based on APG's exclusion implementation guidelines. It should be noted that permitted financial instruments may not be permissible if they are used as an element of an excluded or restricted strategy as and when referred to in those guidelines.

6) The country and sector classifications refer respectively to the MSCI classification and GICS sector definitions and the limits are set against the given Pool benchmark.

FX Policy

All active currency weights may be (partly) hedged to the benchmark currency weights, in general currency exposure will not be hedged.

The Pool is divided into four sub-strategies: Core Fundamental, Core Quant, High Conviction and Smart RI. The main differences are:

1. Liquidity;
2. Risk;
3. Performance potential; and
4. Costs.

The weight of the sub-strategies is the result of the aggregated weights of the individual mandates within the Pool. These weights are based on an assessment of the alpha target of the Pool, achievable diversification, costs, capacity, liquidity and risk-budgeting. We do not allocate tactically to sub-strategies and mandates.

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The E/S characteristics this product promotes are binding for the entire investment strategy.

● **What is the policy to assess good governance practices of the investee companies?**

The following good governance practices test is applied for setting the APG GGP Flag.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR GGP	Metric	Explanation	Source data & Thresholds for failing the GGP Test
Sound management structures	Controversies related to Business Ethics practices in direct operations and supply chains	This indicator assesses whether a company has been involved in business ethics-related controversies.	Sustainalytics: Controversy of category 4&5, confirmed by APG research.
Employee Relations	Controversies related to Employees' Human Rights practices in direct operations and supply chains	This indicator assesses whether a company has been involved in human rights-related controversies with its employees (e.g. forced labor).	Sustainalytics: Controversy of category 4&5, confirmed by APG research.

Employee Relations	Controversies related to Labor Relations in direct operations and supply chains	This indicator assesses whether a company has been involved in labor relations controversies (e.g. labor standards).	Sustainalytics: Controversy of category 4&5, confirmed by APG research.
Tax Compliance	Controversies related to Accounting & Taxation practices	This indicator assesses whether a company has been involved in accounting and taxation related controversies.	Sustainalytics: Controversy of category 4&5, confirmed by APG research.
Remuneration of Staff	Controversies related to Staff Remuneration	This indicator assesses if whether a company has been involved in significant controversies related to staff remuneration.	MSCI: Controversy observed (binary data), confirmed by APG research.



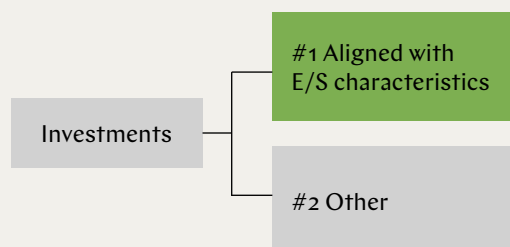
What is the asset allocation planned for this financial product?

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

Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of the revenue from green activities of investee companies.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



#1 Aligned with E/S characteristics includes the investment of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives are only used for efficient portfolio management and risk management purposes in accordance with the Dutch Pension Act (Pensioenwet). Derivatives use shall comply with APG AM's counterparty policy, collateral policy, liquidity policy and market risk policy.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Investments included under “#2 Other” are derivatives.



Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes

Yes

● **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

The benchmark is adjusted based on the Corporate Inclusion Policy and the Corporate Exclusion Policy, and energy and utilities companies which we believe to be lagging on climate change. These policies are monitored via ongoing processes. The benchmark adjustments are effectuated on a bi-annual basis as per June 1st and December 1st.

● **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

First and second line risk keep oversight on portfolio investments. The companies which cannot be invested in are distributed with the Pool managers via an exclusion list and via information in the internally used information systems. The information is based on external vendors and/or proprietary analysis by a designated team: Global Responsible Investments & Governance (GRIG).

● **How does the designated index differ from a relevant broad market index?**

The index excludes all constituents that are on the APG Exclusion List on the basis of product related exclusions, and energy and utility companies which we believe are lagging on climate change.

● ***Where can the methodology used for the calculation of the designated index be found?***

The benchmark is originally based on MSCI methodology, enhanced with the exclusion of specific companies based on the Corporate Inclusion Policy and the Corporate Exclusion Policy, and energy and utility companies which we believe are lagging on climate change.



Where can I find more product specific information online?

More product-specific information can be found on the website: apg.nl.