Mandatory Website Disclosure APG Global Developed Real Estate RI Index Pool

January 2025

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APG Global Developed Real Estate RI Index Pool

Mandatory website sections

a) 'Summary'

Investment strategy
The purpose of the Pool is to provide access to a diversified portfolio of equity and equity-related products of listed real estate entities established or otherwise predominantly active in developed markets and to provide a return that is similar to the benchmark. The Pool seeks to track an index that selects and re-weights entities based on ESG criteria and sustainability frameworks. The index excludes all constituents that are on the Exclusion List based on product-related and UNGC exclusion and includes companies that are classified by APG as Real Estate ESG Leaders. The index makes use of optimization techniques to include companies with sound governance, solid reputation, no harm and CRREM alignment, and controlled factors and tracking error risk versus a market-cap weighted parent index. The parent index is the iSTOXX Developed Real Estate index.

Based on the Good Governance Practices (GGP) test, investee companies in this financial product are (pre-)screened on controversies related to sound management structures, employee relations, tax compliance and remuneration of staff. The Pool does not invest in companies which do not pass the GGP test, i.e. where GGP controversies are flagged.

No sustainable investment objective
This Pool promotes environmental and/or social characteristics but does not have sustainable investments as its objective.

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

Environmental and/or social (E/S) characteristics
The Pool uses the iSTOXX APG Developed Real Estate CRREM-Aligned RI index to promote the following environmental and/or social (E/S) characteristics:
1. Exclusion Policy
2. CO_2-reduction and energy-efficient real estate
3. Contribution to the Sustainable Development Goals (SDGs)
4. ESG-integration

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

1. <u>Exclusion Policy</u>: monitoring by semi-annual review and update of the Exclusion list, and publication on clients' websites.
2. <u>CO_2-reduction and energy-efficient real estate</u>: APG calculates the CO2 footprint of relevant asset classes according to the Global GHG Accounting and Reporting Standard for the Financial Industry, developed by PCAF. Progress on CO_2-reduction is monitored by the Investment Committee. Transition risk is measured by assessing the relative Greenhouse Gas (GHG) emission intensity level (kg CO_2 per sqm) as compared to the CRREM (Carbon Risk Real Estate Monitor) pathways. The Pool does not hold names flagged by APG Real Estate CRREM-aligned Flag.
3. <u>Contribution to the SDGs</u>: identification of SDIs by portfolio management based on the SDI-AOP Taxonomy & Guidance and monitoring on SDI dashboard.
4. <u>ESG integration</u>: Inclusion classifications are systematically evaluated and validated every six months in so-called Major Revisions. The list of Inclusion classifications is input to (a) the list of securities delivered to the index provider, and (b) the list of securities delivered to internal investment teams/ external managers to determine which companies they can invest in. The Pool only invests in companies classified as ESG-Leader.

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

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

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

Engagement policies
The external manager engages with the investee companies in this Pool. Proxy voting at the annual general and special shareholder meetings of the investee companies in the Pool is done by APG AM in line with clients' voting policies, and voting decisions are published on clients' websites.

Designated reference benchmark
The iSTOXX APG Developed Real Estate CRREM Aligned RI index.

b) 'No sustainable investment objective'

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

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

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

1. Exclusion Policy
2. CO_2-reduction and energy-efficient real estate
3. Contribution to the Sustainable Development Goals (SDGs)
4. ESG-integration

d) 'Investment strategy'

The purpose of the Pool is to provide access to a diversified portfolio of equity and equity related products of listed real estate entities established or otherwise predominantly active in developed markets and to provide a return that is similar to the benchmark. The Pool seeks to track an index that selects and re-weights entities based on ESG criteria and sustainability frameworks. The index excludes all constituents that are on the Exclusion List based on product-related and UNGC exclusion and includes companies that are classified by APG as Real Estate ESG Leaders. The index makes use of optimization techniques to include companies with sound governance, solid reputation, no harm and CRREM alignment, and controlled factors and tracking error risk versus a market-cap weighted parent index. The parent index is the iSTOXX Developed Real Estate index.

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

Based on the Good Governance Practices (GGP) test, investee companies in this financial product are (pre-)screened on controversies related to sound management structures, employee relations, tax compliance and remuneration of staff. The Pool does not invest in companies which do not pass the GGP test, i.e. where GGP controversies are flagged Additional good governance practices are assessed as part of the due diligence and assessment processes for investee companies in this Pool. For example, all investee companies in this Pool are assessed on their corporate governance practices, including corporate structure, board composition and remuneration, before making an investment.

SFDR GGP	Metric		GGP Test
1. Sound management structures	• No controversies related to **Business Ethics** practices in direct operations and supply chains		
2. Employee Relations	• No controversies related to **Employees' Human Rights** practices in direct operations and supply chains	✗	Sustainalytics: Controversy 4 & 5, confirmed by APG AM research
3. Employee Relations	• No controversies related to **Labor Relations** in direct operations and supply chains		
4. Tax Compliance	• No controversies related to **Accounting & Taxation** practices.		
5. Remuneration of Staff	• No controversies related to **Staff Remuneration**	✗	MSCI: Controversy observed (binary data) confirmed by APG AM research

e) 'Proportion of investments'

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

f) 'Monitoring of environmental or social characteristics'

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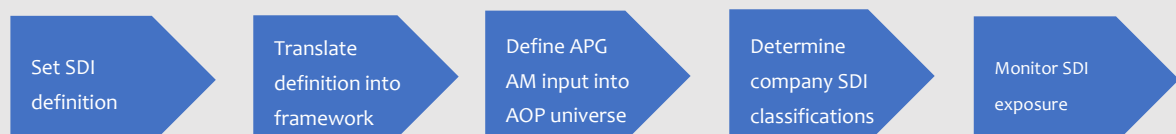
1. **Exclusion Policy**

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

2. **CO_2-reduction and energy efficient real estate**

The carbon footprint reduction target of 50% in 2030 (compared to 2019) in the listed equity and credit portfolios considers direct and indirect emissions of a company's own activities (scope 1 and 2). In line with our commitment to contribute to limiting global warming to 1.5 °C, we use the 1.5 °C scenarios (with limited or no overshoot) developed by the International Panel on Climate Change (IPCC) and the International Energy Agency (IEA) to determine the reduction target for the listed equity and credits portfolios. CO_2-footprint is calculated according to the Global GHG Accounting and Reporting Standard for the Financial Industry, developed by PCAF. The carbon footprint of applicable portfolios is calculated on a regular basis for the purpose of monitoring progress against the carbon reduction targets, and integrated into key portfolio management systems. Progress against the carbon reduction targets as established by clients is monitored by the Investment Committee. Transition risk is measured by assessing the relative Greenhouse Gas (GHG) emission intensity level (kg CO_2 per sqm) as compared to the CRREM (Carbon Risk Real Estate Monitor) pathways.

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

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

Set SDI definition → Translate definition into framework → Define APG AM input into AOP universe → Determine company SDI classifications → Monitor SDI exposure

This end-to-end SDI process contains the following elements:
- Setting an SDI definition and translating it into the assessment framework;

- Classifying SDIs (companies/assets) either using externally or internally generated data;
- Monitoring and Reporting of SDI exposure.

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

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

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

4. ESG-integration

Based on the Inclusion methodology, Inclusion classifications categorize companies based on their ESG practices into distinct groups. Classifications are based on actual and verifiable reported company-specific data in the public domain or collected by data providers and evidence of ESG controversies that reveal companies conduct over time. Companies are systematically assessed based on their conduct in relation to the management of ESG-related risks inherent in companies' industries and markets. The assessment contains both normative and relative components and focuses on companies' preparedness and behaviour regarding business ethics, human rights, labour standards and the environment.

The list with Inclusion classifications is input to (a) the list of securities delivered to the benchmarks/ index providers, and (b) the list of securities delivered to internal investment teams/ external managers to determine which companies they can invest in.

The Pool only invests in companies classified as ESG-Leader.

g) 'Methodologies for environmental or social characteristics'

1. Exclusions

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

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

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

- Exposure to companies involved in the production of tobacco.

2. CO_2-reduction and energy efficient real estate

APG AM aims to reduce the absolute carbon footprint of the listed equity and credit portfolios by 50% in 2030 (compared to 2019). APG calculates the CO_2 footprint of relevant asset classes according to the Global GHG Accounting and Reporting Standard for the Financial Industry, developed by PCAF.

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

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

A detailed description of how APG AM measures the carbon footprint can be found here:
https://assetmanagement.apg.nl/media/3hshzn5j/apg-co2-how-we-measure-co2-footprint-of-investments.pdf

Transition risk of investments in this Pool is measured by assessing the relative Greenhouse Gas (GHG) emission intensity level (kg CO_2 per sqm) as compared to the CRREM (Carbon Risk Real Estate Monitor) pathways. The Pool does not hold names flagged by APG Real Estate CRREM-aligned Flag.

3. Contribution to Sustainable Development Investments

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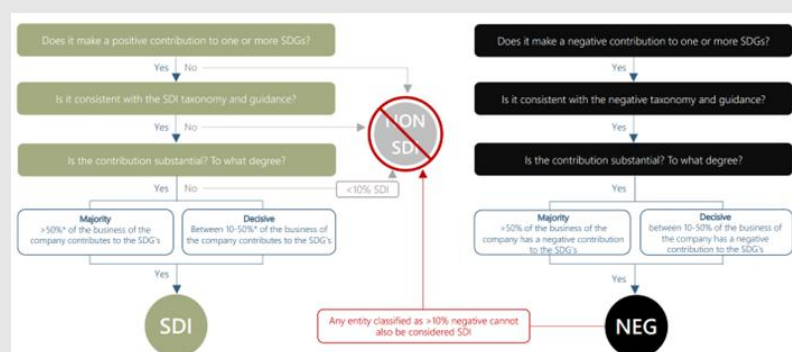
4. ESG-integration

Under Inclusion, companies are systematically evaluated and validated every six months in so-called Major Revisions. The list with Inclusion classifications is input to (a) the list of securities delivered to the benchmarks/ index providers, and (b) the list of securities delivered to internal investment teams/ external managers to determine which companies they can invest in.

Under Inclusion, companies are systematically assessed based on their conduct in relation to the management of ESG-related risks inherent in companies' industries and markets. The assessment contains

both normative and relative components and focuses on companies' preparedness and behaviour regarding business ethics, human rights, labour standards and the environment. The Pool only invests in companies classified as ESG-Leader.

h) 'Data sources and processing'

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

E/S characteristic	Data source	Data limitations
Exclusion	Proprietary research, Sustainalytics, ISS ESG	Negligible.
CO$_2$-reduction and energy-efficient real estate	ISS ESG (listed) and GRESB (private)	For carbon data, we follow the PCAF standard. The PCAF standard describes a data quality hierarchy and a scorecard ranging from 1-5 (with 1 being the highest quality emission data, and 5 the poorest). In line with the PCAF standard, we prefer emission figures that are reported by companies themselves and that are verified by an independent third party. If no reported data is available, we accept estimates. Estimates can either be provided by third parties (e.g. data vendors) or made in-house. These estimates can be based on peer analysis, sector average carbon intensities or sector benchmarks. Transition risk is measured by assessing the relative Greenhouse Gas (GHG) emission intensity level (kg CO2 per sqm) as compared to the CRREM (Carbon Risk Real Estate Monitor) pathways. *Real Estate* The data quality indicator for real estate (weighted by invested capital) is 2.
Contribution to SDGs	SDI: SDI-Asset Owner Platform	Limitations in coverage, quality and consistency of the data. The data is made accessible with a delay.
ESG-integration	Sustainalytics, MSCI, ISS, Global Coal Exit List (GCEL)	Limitations in coverage, quality and consistency of the data. The data is made accessible with a delay.

Measures taken to ensure data quality
Before data vendors are selected, several aspects are checked, including the data quality of the vendor, methodologies used, coverage and completeness of data. During the reporting process, sanity checks are

performed to ensure data quality and completeness before incorporation in sustainability disclosures. Data providers are assessed annually.

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

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

i) 'Limitations to methodologies and data'

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

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

j) 'Due diligence'

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

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

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

k) 'Engagement policies'

The external manager performs engagement activities with the investee companies in this Pool. Proxy voting at the annual general and special shareholder meetings of the investee companies in this financial product is done by APG AM in line with clients' voting policies. The Corporate Governance Frameworks and Voting Policies are published on our clients' websites. Voting decisions are also made publicly available shortly after the shareholder meeting has taken place.

l) 'Designated reference benchmark'

The iSTOXX APG Developed Real Estate CRREM Aligned RI index excludes all constituents that are on the Exclusion List based on product-related and UNGC exclusion and includes companies that are classified by APG as Real Estate ESG Leaders. The index makes use of optimization techniques to include companies with sound governance, solid reputation, no harm and CRREM- alignment, and controlled factors and tracking error risk versus a market-cap weighted parent index. The parent index is the iSTOXX Developed Real Estate index.

For more information about how the index is aligned with the environmental and/or social characteristics, including the methodologies used, please see: iSTOXX® APG Developed Real Estate CRREM-Aligned RI - STOXX