

Pre-Contractual Disclosure

January 2025

APG Strategic Real Estate Pool



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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 Strategic Real Estate Pool

Legal entity identifier: 549300DQ4JJXMOS6JC24

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 EU Taxonomy <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



Sustainability indicators

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

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

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

1. Exclusion policy

We do not invest in companies and countries 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).

We define involvement as production, sale and/or distribution of the core weapon system, or components/services of the core weapon system that are considered tailor made (or dedicated) for the weapon or weapons system and essential (key) for the lethal use of the weapons. Regarding nuclear weapons, we exclude companies involved in the production, development, sale and/or distribution of the core weapon system. We also consider companies a) involved in the production, development, sale and/or distribution, b) deriving revenues from components or services that are considered tailor-made (or dedicated) for the weapon or weapon system and components or services that are considered essential (key) for the lethal use of the weapon or weapon system.

Related to PAI-indicator 14.

- Exposure to companies involved in the production of tobacco.

We do not invest in companies involved in the production of tobacco. We define involvement as manufacturing and producing tobacco products such as cigars, cigarettes, e-cigarettes, beedi, kretek, smokeless tobacco, reconstituted tobacco leaf, snuff, snus, and chewing tobacco. Exclusion also applies to companies that grow or process raw tobacco leaves.

2. CO₂-reduction and energy-efficient real estate

APG AM measures and reports on the CO₂-footprint of its real estate portfolio. To manage transition risk and steer the real estate portfolio towards Net Zero, we co-founded the Carbon Risk Real Estate Monitor (CRREM). CRREM publishes science-based decarbonization pathways for various property types per country consistent with a 1.5 degrees scenario. We steer our portfolio towards our 2030 goal that on average the real estate portfolio is Paris-aligned based on the CRREM pathways in terms of energy intensity and carbon intensity

Related to PAI indicator 1, 2, 3 and 18.

3. Contribution to Sustainable Development Goals (SDGs)

We assess how the products and services of our 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. When companies contribute to these goals with their products and services, our investments in those companies are considered to be Sustainable Development Investments (SDIs). For real estate, CRREM-aligned investments are considered to be SDIs.

4. ESG-integration

We require our external managers to adopt the UN Global Compact (UNGC) Principles. For listed real estate we monitor UNGC Violator Flags according to RepRisk. Any UNGC breach will be followed up with an engagement.

Related to PAI-indicator 10 and 11.

Reference Benchmark

No reference benchmark is used to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes.

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

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

E/S characteristic	#	Sustainability Indicator	Description
1. Exclusion policy	1	Exposure to controversial weapons (anti-personnel mines, cluster bombs, landmines, chemical and biological weapons). <i>Related to PAI indicator 14.</i>	No investments in companies involved in the production, sale and/or distribution of controversial weapons (anti-personnel mines, cluster bombs, landmines, chemical and biological weapons).
	2	Exposure to companies involved in the production, sale and/or distribution of nuclear weapons or key components thereof.	No investments in companies involved in the production, sale and/or distribution of nuclear weapons or key components thereof.
	3	Exposure to companies involved in the production of tobacco.	No investments in companies involved in the production of tobacco.

2. CO₂-reduction & energy-efficient real estate	4	CRREM-alignment (Energy Intensity & Carbon Intensity) and/or SBTi approved targets in place. <i>Related to PAI indicator 1, 2, 3 and 18.</i>	We use this indicator to manage investments in real estate.
3. Contribution to SDGs	5	Percentage of Sustainable Development Investment according to the SDI-AOP methodology, which includes CRREM-alignment.	We measure this indicator for our total portfolio. For real estate, CRREM-aligned investments are considered to be SDI.
4. ESG-integration	6	Violations of the UN Global Compact Principles or the OECD Guidelines. <i>Related to PAI indicator 10 and 11.</i>	We measure this indicator for our investments.

- What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

Not applicable.

How have the indicators for adverse impacts on sustainability factors been taken into account?

Not applicable.

How are sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

Not applicable.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

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.

Does this financial product consider principal adverse impacts on sustainability factors?

Yes, this product considers PAI #1, #2, #3 and #18 through CRREM alignment. Further, PAI #10, PAI #11 and PAI #14 are considered. Please refer to the E/S characteristics section for further details on how these PAI indicators are being considered. More information on the principal adverse impacts considered by this financial product will be made available in the periodic report pursuant to Article 11(2) of Regulation (EU) 2019/2088.

No



What investment strategy does this financial product follow?

The Pool has a strong focus on sustainable core strategies, meant to deliver income and growth from stabilized institutional-quality real estate assets. Investment decisions will be based on fundamental bottom up research which is quantitative and

qualitative in nature whilst taking top down considerations into account. Investments can be made through companies, funds, joint ventures and co-investments.

The Pool invests in both listed and private real estate, as both types fundamentally exhibit the same risk-return characteristics. Irrespectively, a general preference for private real estate investments exists given the larger degree of control over such investments, greater opportunity set and lower return volatility.

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

● ***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?***

All the elements as described in the E/S characteristics section are considered binding elements of the investment strategy.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable.

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

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

The following test is applied to assess the governance practices of investee companies.

In the event that an investee company is linked to a good governance practice (GGP) controversy, we will research this to establish the severity and assess the solvability of the issue through engagement with the respective investee company. If the severity and solvability of the GGP issue is confirmed, and APG AM wishes to stay invested in the company, then an engagement trajectory will be initiated to address and resolve the issue. Such an engagement will be aimed at a transition by the company to a good governance practice, i.e. passing the Good Governance Practice Test.

SFDR GGP	Metric	Explanation	Thresholds for failing the GGP Test
Sound management structures	Investments take into account the UN Global Compact Principles, including Principle 10 on Anti-Corruption.	We require all new investments to contractually (via side letter) commit to take into account the UN Global Compact Principles.	ESG incident reported/RepRisk UNGC Violator Flag wrt UNGC principle 10 + engagement with external manager/investee entity does not result in timely remediation of issue.
Employee Relations	Investments take into account the UN Global Compact Principles, including Principles 1-6 on Human Rights and Labour.	We require all new investments to contractually commit (via side letter) to take into account the UN Global Compact Principles.	ESG incident reported/RepRisk UNGC Violator Flag wrt UNGC principle 1-6 + engagement with external manager/investee entity does not result in timely remediation of issue.
Tax Compliance	Investments have no significant controversies related to tax compliance.	We screen for whether investee companies have been involved in significant controversies related to accounting and taxation.	ESG incident reported/RepRisk controversy threshold crossed + engagement with external manager/investee entity does not result in timely remediation of issue.
Remuneration of Staff	Investments have no significant controversies related to staff remuneration.	We screen for whether investee companies have been involved in significant controversies related to staff remuneration.	ESG incident reported/RepRisk controversy threshold crossed + engagement with external manager/investee entity does not result in timely remediation of issue.



Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure (CapEx)** showing 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.

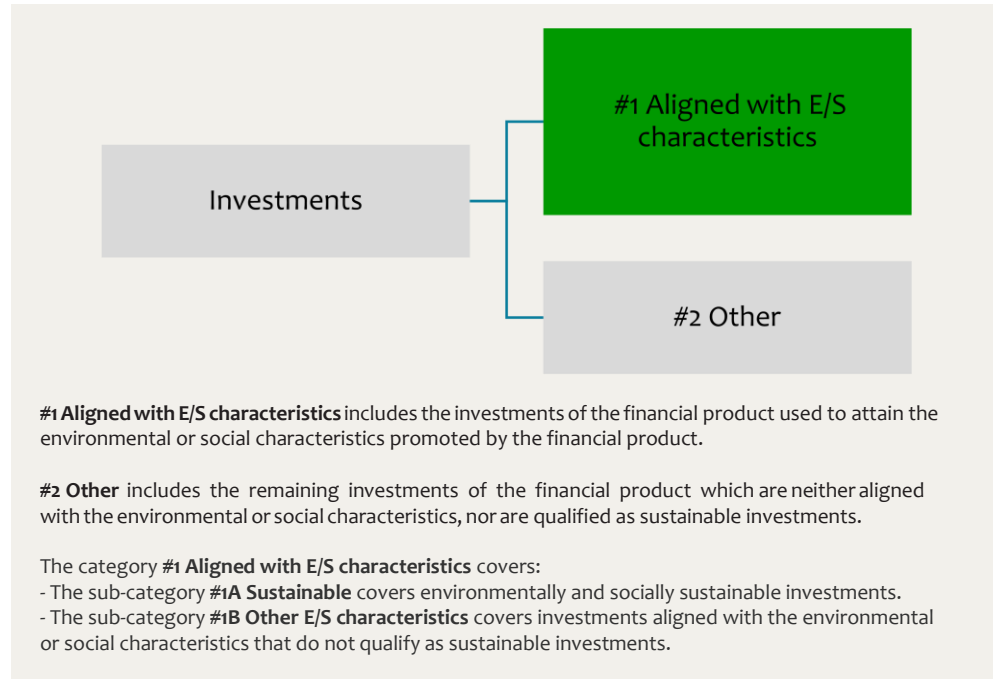
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

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. The product will predominantly invest in Real Estate.



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.



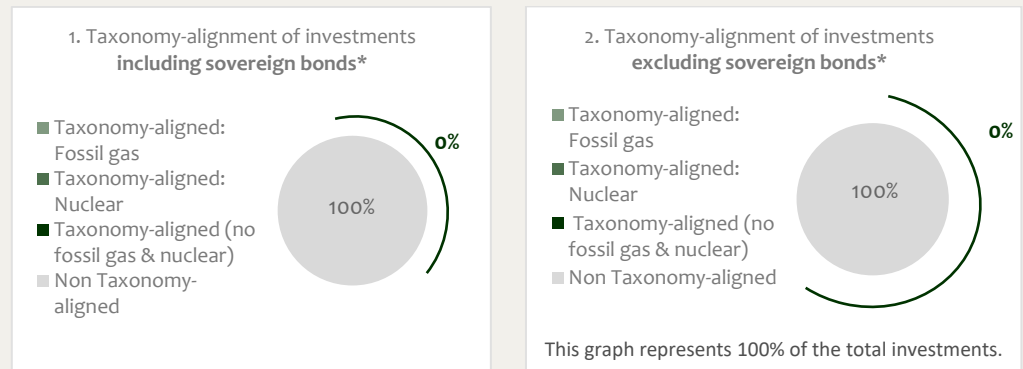
To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

Yes:
 In fossil gas In nuclear energy
 No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214



are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under Regulation (EU) 2020/852.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable.



What is the minimum share of socially sustainable investments?

Not applicable.



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. 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 the Manager’s counterparty policy, collateral policy, liquidity policy and market risk policy. There are no minimum environmental or social safeguards.



Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

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?

No reference benchmark is used for the purpose of attaining the environmental or social characteristics promoted by the financial product.



Where can I find more product specific information online?

More product-specific information can be found on the APG AM website: [Our financial products | Homepage - Asset Management \(apg.nl\)](#).