

Statement on principal adverse impacts of investment decisions on sustainability factors

June 2024

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1. Summary

APG Asset Management N.V. ('**APG AM**', LEI: 549300XWC21UGFTCR876) considers principal adverse impacts of its investment decisions on sustainability factors. The underlying statement is the consolidated statement on sustainability factors of APG AM.

In this principal adverse impacts statement we describe our overall approach to identifying, prioritizing and addressing principal adverse impacts of our investment decisions on sustainability factors in line with Article 4 of the Sustainable Finance Disclosure Regulation (SFDR). It covers the reference period from 1 January 2023 to 31 December 2023. It is the first version of the APG AM principal adverse impacts statement which provides a comparison to the previous reference year, 2022.

The consideration of principal adverse impacts of investment decisions on sustainability factors is an integral part of APG AM's due diligence and investment processes related to climate- and other environment-related indicators, and to social and employee matters, respect for human rights, and anti-corruption and anti-bribery matters. Principal adverse impacts that we deem important are structurally and systematically considered for financial products which promote environmental and social characteristics. How and which principal adverse impacts are considered differs across financial products and is further described in the specific product disclosures in line with the requirements and timelines of the SFDR.¹

This statement provides an overview of the principal adverse impacts on sustainability factors of the investments managed by APG AM. It covers the 18 SFDR mandatory principal adverse impact indicators, and the following additional 4 principal adverse impact indicators on sustainability factors.

ADDITIONAL INDICATORS APPLICABLE TO INVESTEE COMPANIES

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS		
1	Emissions	4. Investments in companies without carbon emissions reduction initiatives
SOCIAL AND EMPLOYEE MATTERS, RESPECT FOR HUMAN RIGHTS, AND ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS		
2	Human Rights	9. Lack of a human rights policy
3		10. Lack of due diligence
4	Anti-corruption and anti-bribery	16. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery

Table 1: Additional Principal Adverse Impact indicators

To further identify, prioritize and address the principal adverse impacts of investment decisions on sustainability factors, APG AM applies a number of policies and approaches, including the:

- **Climate Action Plan** which describes our approach to:
 - measuring the CO₂-footprint of our investments;
 - steering the portfolio towards Net Zero emissions in 2050 or sooner, and;
 - invest in solutions that contribute to the transition towards a low-carbon economy.
- **Climate Risk Policy** which describes the way APG AM defines, measures, manages and reports on climate-related risks and opportunities, both at the total client portfolio level as well as for specific investment strategies;
- **Corporate Governance Framework & Voting Policy** which sets out APG AM's corporate governance and sustainability expectations of listed investee companies and how these are integrated in the voting decisions at shareholder meetings of companies in which we invest on behalf of our clients;

¹ Product specific information about the APG AM Pools can be found in the 'sustainability-related disclosures' section on the APG AM website: [Sustainability-related disclosures | Homepage - Asset Management \(apg.nl\)](https://www.apg.nl/en/sustainability-related-disclosures)

- **Exclusion Approach** to identify investee companies and sovereign bonds which APG AM does not invest in on behalf of clients;
- **Inclusion Approach** through which we define and identify the issues we prioritize surrounding conduct and performance, both in the context of the UN Global Compact themes and the expectations of investors and companies under the OECD Guidelines, enabling APG AM to identify companies in the portfolio that are leading on ESG, and the;
- **Sustainable Development Investment Taxonomy** whereby APG AM actively seeks investments which contribute to the Sustainable Development Goals (SDGs).

The table below provides an overview of the extent to which the above APG AM policies and approaches apply to the different asset classes we invest in on behalf of our clients.

ASSET CLASS	Climate Action Plan	Climate Risk Policy	CG Framework & Voting Policy	Exclusion Approach	Inclusion Approach	SDI Taxonomy
Listed equity	√	√	√	√	√	√
Credits	√	√		√	√	√
Real estate	√	√	√ (listed)	√	√ (listed)	√
Mortgages	√	√		√		√
Sovereign bonds	√	√		√		√ ³
Private equity	√	√		√		√
Infrastructure	√	√		√		√
Alternative credits	√	√		√		√
Private natural capital		√		√		√ (forestry)
Hedge funds		√		√		√
Liquid commodities		√		√		

Table 2: Asset classes covered by APG AM Policies and Approaches

2. Description of the principal adverse impacts on sustainability factors

The table below shows how APG AM considered the principal adverse impacts of our investment decisions on sustainability factors for the 18 mandatory, and 4 additional indicators in reference year 2023, and describes the actions taken, and actions planned and targets set for the reference period.²

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

ADVERSE SUSTAINABILITY INDICATOR		METRIC	IMPACT 2023 [Coverage]	IMPACT 2022 [Coverage]	EXPLANATION	ACTIONS TAKEN, AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
1	Greenhouse gas emissions	Greenhouse gas emissions	Scope 1 GHG emissions	9,998,081 tCO ₂ e [49.3 %]	9,462,351 tCO ₂ e [41.8 %]	<p>Calculation: PAI 1 reflects the sum of all scope 1, scope 2 and scope 3 GHG emissions expressed as metric tonnes carbon dioxide equivalents (tCO₂e). First, we calculate the share of GHG emissions attributed to an investment by calculating the share of our investment in the investee company in relation to the investee company's overall enterprise value. Second, this share is multiplied with the respective investee company's overall GHG emissions. The attributable GHG emissions are then aggregated for all investments with available GHG data.</p> <p>GENERAL In line with our Climate Risk Policy and Climate Action Plan, we continued our commitment to contribute to the goal of the Paris Climate Agreement to keep global warming limited to 1.5 °C, and aim for a Net Zero emissions portfolio by 2050 or sooner by:</p> <ul style="list-style-type: none"> - Measuring the CO₂-footprint of our investments; - Steering the portfolio towards Net Zero emissions; - Investing in solutions that contribute to the transition towards a low-carbon economy. <p>In 2023, APG AM published the approach for measuring the carbon footprint of our investments in relevant asset classes, according to the Global GHG Accounting and Reporting Standard for the Financial Industry, developed by PCAF.</p> <p>We increased our investments that contribute to SDG 7: Affordable and clean energy, whereby we reduce climate risks in our investment portfolio and contribute to the energy transition. Examples of such investments are Vestas Wind Systems (manufacturer of wind turbines) and a 'blue' bond issued by the Danish energy company Ørsted, the world market leader for offshore wind energy. Most of the proceeds of the 'blue' bond will be earmarked for projects that contribute to the conservation and restoration of marine ecosystems. These include measures to restore the habitat of animal species and</p>
			Scope 2 GHG emissions	2,650,331 tCO ₂ e [49.4 %]	2,530,093 tCO ₂ e [41.8 %]	
			Scope 3 GHG emissions	88,323,546 tCO ₂ e [47.9 %]	85,665,457 tCO ₂ e [41.8 %]	
			Total GHG emissions	100,971,958 tCO ₂ e	97,657,901 tCO ₂ e	

² The extent to which asset classes that are in scope for the actions taken, and actions planned and targets set for the next reference period, is clarified in the table on page 2.

						<p>Data gaps: The reported PAI indicator is based on the assets managed by APG AM for which GHG emission data was available. Where such data was not available, no emissions were attributed to the investment.</p>	<p>the use of 'bubble curtains' to significantly reduce noise pollution during the construction of offshore wind farms. Underwater noise and vibrations have a major impact on marine animals such as dolphins and whales, which use sound waves to find their way and communicate with each other. The proceeds of the bond will also be used to make maritime transport greener.</p> <p>In 2023, we also invested in the second Dutch green government bond. The proceeds will go to projects to tackle climate change and to contribute to climate adaptation by the Netherlands. Examples include investments in improving water quality, constructing and strengthening flood defenses, and climate-resilient spatial planning.</p> <p>Through private equity manager Gilde Equity Management, we invested in VDH Solar. This Dutch wholesaler supplies solar panels, inverters, energy storage and related products for residential and commercial real estate projects. The company has an international growth strategy and, in addition to the Netherlands, is active in Belgium, Germany, Spain and Poland. The products sold by the company in 2023 are estimated to avoid around 100,000 tonnes of CO₂-emissions annually. Our investment in VDH Solar contributes to SDG 7: Affordable and clean energy.</p>
2		Carbon footprint	Carbon footprint	374.5 tCO ₂ e per million EUR invested [47.5%]	407.6 tCO ₂ e per million EUR invested [41.8%]	<p>Calculation: PAI 2 is calculated by aggregating the carbon footprint of all investee companies (i.e., the investee companies' scope 1, 2 and 3 GHG emissions in tCO₂e per million EUR invested), with each carbon footprint weighted by the share of the respective investment in the overall portfolio of investments managed by APG AM.</p> <p>Data gaps: The reported PAI indicator is based on the assets managed by APG AM for which carbon footprint data was available (i.e., scope 1, 2 and 3 emission data, and the enterprise value). For investments without such data, we use the weighted average carbon footprint of the investee companies with available data. That means it was</p>	<p>ENGAGEMENT</p> <p>In 2023, APG AM has actively addressed climate change and encouraged investee companies in high-climate impact- sectors to reduce their CO₂-emissions as part of our engagement efforts on behalf of our clients. To this end, APG AM has continued its active participation in Climate Action 100+ as lead engager for Holcim, Heidelberg and Stellantis, and has also become lead engager for three of the five newly added Climate Action 100+ companies in Asia: Iron & Steel, Samsung Electronics en Tata Steel. In our role as lead engager we focused on addressing the material (financial) risks and opportunities of climate change and the energy transition. We encouraged companies to halve</p>

						effectively assumed that all investments without carbon footprint data have the weighted average carbon footprint of the investee companies with carbon footprint data in the overall portfolio managed by APG AM.	greenhouse gas emissions by 2030 and be net-zero by 2050, in line with the Paris Climate Agreement. Furthermore, we expect companies to develop solid governance around climate risks and opportunities under the supervision of the board and encourage them to take action to reduce greenhouse gas emissions throughout the value chain. Finally, we call for transition plans and public reporting in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) and other relevant sector and regional guidelines.
3		GHG intensity of investee companies	GHG intensity of investee companies	1,060.0 tCO ₂ e per million EUR revenue [46.7%]	1,047.7 tCO ₂ e per million EUR revenue [42.2%]	<p>Calculation: PAI 3 is calculated by aggregating the GHG intensity of all investee companies (i.e., the investee companies' scope 1, 2 and 3 GHG emissions in tCO₂e per million EUR revenue), with each GHG intensity weighted by the share of the respective investment in the overall portfolio of investments managed by APG AM.</p> <p>Data gaps: The reported PAI indicator is based the assets managed by APG AM for which GHG intensity data was available (i.e., scope 1,2 and 3 emission data, <u>and</u> the revenue). For investments without such data, we use the weighted average GHG intensity of the investee companies with GHG intensity data.</p>	<p>In Q3 2023, APG AM launched the Climate Focused Engagement Program whereby we focus our climate-related engagement efforts on fourteen companies in the utilities, automobile, cement, chemical and banking sectors. Our engagements with these companies are aimed at encouraging:</p> <ul style="list-style-type: none"> - Electricity companies to invest in sustainable energy generation without the use of fossil fuels; - Car manufacturers to produce cars in sustainable way, and electric cars; - Cement manufacturers to reduce emissions released in the cement making process; - Chemicals companies to set targets to reduce emissions, and make greater use of renewable energy sources; - Banks to set targets to reduce the emissions of companies they finance. <p>VOTING</p> <p>In the 2023 shareholder season APG AM continued to apply the enhanced voting policy on climate on behalf of our clients. Based on our expectation of investee companies in high-climate impact sectors to publish clear emission-reduction targets and net-zero ambitions, and provide transparency on climate impact, we voted against the chair of the non-executive/ supervisory board at companies that do not provide sufficient transparency around climate change.</p>

4		Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	5.7 % [49.7 %]	7.0 % [42.6 %]	<p>Calculation: PAI 4 is calculated by aggregating the investments in companies active in the fossil fuel sectors weighted by the share of the respective investment in the overall portfolio of investments managed by APG AM.</p> <p>Data gaps: The reported PAI indicator is based on the assets managed by APG AM for which data on exposure to the fossil fuel sector was available. For investments for which such data was not available, we use the share computed from the investee companies with data available.</p>	Furthermore, where possible we supported climate-related shareholder resolutions and only voted in favor of climate strategies with concrete emission reduction goals. At companies in high-impact sectors with no climate approach, we voted against the reappointment of directors and did not support remuneration proposals if the remuneration policy lacks sustainability-related objectives.
5		Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources,	<p>Non-renewable energy consumption 61.7 % [27.5 %]</p> <p>Non-renewable energy production 2.8 % [42.6 %]</p>	<p>Non-renewable energy consumption 73.1 % [8.7 %]</p> <p>Non-renewable energy production 2.2 % [41.7 %]</p>	<p>Calculation: PAI 5 is calculated by aggregating the percentage of non-renewable energy consumption / production (i.e., non-renewable energy consumption / production divided by total energy consumption / production) of investee companies, with each such percentage weighted by the share of</p>	

			expressed as percentage			<p>the relevant investment in the overall portfolio of investments managed by APG AM.</p> <p>Data gaps: The reported PAI indicator is based on the assets managed by APG AM for which non-renewable energy consumption / production data was available. For investments for which such data was not available, we use the weighted average percentage of non-renewable energy consumption / production of the investee companies with data available.</p>
6		Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	[total 45.8 %]	[total 25.0 %]	<p>Calculation: PAI 6 is calculated for each high impact climate sector (categorized by the dominant sector) by aggregating all investee companies' energy consumption intensities active in the respective sector, with each intensity weighted by the share of the investment in the overall portfolio of investments in that high impact climate sector. The energy consumption intensity is expressed as</p>
			Agriculture, Forestry and Fishing	0.04 GWh per million EUR invested [0.3 %]	0.06 GWh per million EUR invested [0.0 %]	
			Mining and Quarrying	1.08 GWh per million EUR invested	1.72 GWh per million EUR invested [0.1 %]	

				[0.5 %]					
			Manufacturing	1.00 GWh per million EUR invested [10.4 %]	0.54 GWh per million EUR invested [3.0 %]				
			Electricity, Gas, Steam and Air Conditioning Supply	6.48 GWh per million EUR invested [1.8 %]	2.59 GWh per million EUR invested [0.3 %]				
			Water Supply; Sewage, Waste, Management and Remediation Activities	0.54 GWh per million EUR invested [0.2 %]	0.61 GWh per million EUR invested [0.0 %]				
			Construction	0.24 GWh per million EUR invested [0.1 %]	0.16 GWh per million EUR invested [0.0 %]				
			Wholesale and Retail Trade	0.10 GWh per million EUR invested [1.8 %]	0.12 GWh per million EUR invested [0.4 %]				
			Transportation and Storage	1.36 GWh per million EUR invested [1.4 %]	1.00 GWh per million EUR invested [0.1 %]				
			Real Estate Activities	0.41 GWh per million EUR invested [3.5 %]	0.06 GWh per million EUR invested [0.1 %]				
									<p>total energy consumption in GWh divided by million EUR revenue.</p> <p>Data gaps: The reported PAI indicator is based on the assets managed by APG AM for which energy consumption intensity and high impact climate sector data was available. For investments without such data, the weighted average energy consumption intensity per high impact sector of investee companies with available data was applied. The coverage per sector represents the share of the portfolio for which we have data available and is active in the respective sector. This implies that the coverage per sector is highly dependent on the representation of the sectors within the portfolio. The total coverage is the sum of the coverages per sector and the share of the portfolio for which data specified the investee company not being active in a high impact climate sector. Since the indicator is reported by</p>

						sector, the coverages can be low Comments on underlying PAI data: This indicator is particularly sensitive to outliers. We observed that a few outliers have a significant impact on the reported PAI indicator.	
7	Biodiversity	Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	2.5 % [45.7 %]	0.0 % [42.7 %]	<p>Calculation: PAI 7 is calculated by aggregating the investments in companies with activities negatively affecting biodiversity-sensitive areas weighted by the share of the respective investment in the overall portfolio of investments managed by APG AM.</p> <p>Data gaps: The reported PAI indicator is based on the assets managed by APG AM for which data on activities negatively affecting biodiversity-sensitive areas was available. For investments for which such data was not available, we use the share computed from the investee companies with data available.</p>	<p>GENERAL APG AM supports the Partnership for Biodiversity Accounting Financials (PBAF). This partnership is developing a joint methodology to measure and report the impact of investments on biodiversity. APG AM is also affiliated with the Taskforce on Nature-related Financial Disclosures (TNFD) and signed the Finance for Biodiversity Pledge. The participating parties commit to contribute to the conservation of biodiversity through their investments, including by collaborating and engaging with companies in which they invest.</p> <p>In 2023, we mapped out the potential negative impact of our investment portfolio on nature and biodiversity. The vast majority of companies use natural resources such as water, plants and raw materials in their business operations ('ecosystem services'). Based on ENCORE's methodology³ we have linked the sectors in which we invest to these ecosystem services and drivers of biodiversity loss for almost half of the investment portfolio. For the remaining part of the investment portfolio this is not (yet) possible because there is not yet enough specific data available.</p> <p>Based on our analysis, we were able to conclude that more than half of the portfolio has a serious or very serious impact on at least one of the causes of biodiversity loss.⁴</p>

³ ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) is an online tool that helps organizations to investigate their exposure to nature-related risks and assess their impact on nature: [ENCORE \(encorenature.org\)](https://encorenature.org)

⁴ These conclusions are in line with research results from the World Economic Forum, which show that half of the world's GDP is (heavily) dependent on nature.

8	Water	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as weighted average	0.1 metric tonnes per million EUR invested [2.8 %]	0.1 metric tonnes per million EUR invested [1.0 %]	<p>Calculation: PAI 8 is calculated by aggregating the metric tonnes of emissions to water per million EUR invested of all investee companies, with each value weighted by the share of the respective investment in the overall portfolio of investments managed by APG AM.</p> <p>Data gaps: The reported PAI indicator is based on the assets managed by APG AM for which water emissions data was available. For investments without such data, we use the weighted average of the investee companies with available data.</p>	<p>Finally, in 2023, we mapped out the biodiversity footprint of the investment portfolio for the first time. This also allows us to estimate the impact on biodiversity at company level. In particular, investments in consumer goods, materials and industrial sectors have a high biodiversity footprint.</p> <p>Over the course of 2023, APG AM together with our clients, have developed a new biodiversity policy. In this policy we focus on the most important causes of nature and biodiversity loss as identified by IPBES⁵ and in particular on the four causes where investors have the most influence. Those are:</p> <ol style="list-style-type: none"> 1. Changes in land use (e.g. deforestation and conversion of other ecosystems); 2. Use and depletion of ecosystems and species (e.g. degradation of soil fertility, water use and also overfishing); 3. Climate change and; 4. Pollution of land, water and oceans (plastic, waste, emissions of hazardous substances). <p>ENGAGEMENT</p> <p>In the next reference period we will focus our engagement efforts on investee companies in sectors where biodiversity risks may arise, whereby we will focus on the following matters:</p> <ul style="list-style-type: none"> - Management: clearly anchored responsibility within management for the environment and biodiversity; - Objectives: objectives for responsible water consumption and the use of certified raw materials at companies in certain sectors; - Performance: emissions reduction and responsible water use by companies in certain sectors; - Risk management: prevention of deforestation by producers of soy, beef and palm oil. - Involvement in incidents: we monitor all companies on their involvement in nature- and biodiversity-related incidents. <p>Furthermore, in our engagements with producers of packaged food and food retail companies in the next reference period we will focus on encouraging:</p>
9	Waste	Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	1.4 metric tonnes per million EUR invested [18.6 %]	73.8 metric tonnes per million EUR invested [3.5 %]	<p>Calculation: PAI 9 is calculated by aggregating metric tonnes of hazardous and radioactive waste per million EUR invested of all investee companies, with each value weighted by the relative share of the respective investment in the overall portfolio of investments managed by APG AM.</p> <p>Data gaps: The reported PAI indicator is based on</p>	<p>Furthermore, in our engagements with producers of packaged food and food retail companies in the next reference period we will focus on encouraging:</p>

⁵ Source: IPBES (2019), the global assessment report on biodiversity and ecosystem services.

						<p>the assets managed by APG AM for which hazardous and radioactive waste data was available. For investments without such data, we use the weighted average of the investee companies with hazardous and radioactive waste data.</p> <p>Comments on underlying PAI data: This PAI indicator is particularly sensitive to outliers. We observed that a few outliers have a significant impact on the reported PAI indicator. Our CMI data vendor changed the methodology between the two reference years, which resulted in fewer outliers in 2023.</p>	<ul style="list-style-type: none"> - producers of packaged food to reduce their negative impact on deforestation; - food retail companies to commit to offering more plant-based products and less animal products. <p>Our clients' ambition to contribute to the Sustainable Development Goals (SDGs) focuses specifically on the following SDGs related to nature and biodiversity:</p> <ul style="list-style-type: none"> - SDG 6: Clean water and sanitation - SDG 12: Responsible consumption and production - SDG 14: Life in water - SDG 15: Life on land <p>In 2023, we further increased our investments in investee companies which contribute to these SDGs.</p> <p>VOTING</p> <p>We expect from companies with a (potentially) high impact on biodiversity loss that they take measures to prevent and reduce their negative impact. In the voting policy we apply on behalf of our clients we focus on companies in high-risk sectors. This means that in 2023 we voted against the reappointment of the chairman of the supervisory/non-executive board at:</p> <ul style="list-style-type: none"> - companies active in meat (processing), cocoa, coffee, paper, palm oil, soy and forestry that have no policy to combat deforestation; - pharmaceutical companies that do not have a 3R policy against animal testing replaced by experiments without animals, to be reduced where possible or to be reduced improve to prevent discomfort for the animals (3R methods); - mining companies that do not have a strong environmental management system.
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INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

10	Social and employee matters	Violations of UN Global	Share of investments in investee	1.3 % [49.1 %]	1.7 % [42.7 %]	Calculation: PAI 10 is calculated by aggregating the	GENERAL
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		Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises			investments in companies that have been involved in violations of the principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises weighted by the share of the respective investment in the overall portfolio of investments managed by APG AM. Data gaps: The reported PAI indicator is based on assets managed by APG AM for which such data was available. For investments for which data was not available, we use the share computed from the investee companies with data available.	In our investment decision-making process and exercising our stewardship activities APG AM is guided by public standards and guidelines such as the: <ul style="list-style-type: none"> - Organization for Economic Cooperation and Development (OECD) Guidelines; - UN Guiding Principles on Business and Human Rights; - UN Global Compact Principles. <p>APG AM is one of the initiators of the Corporate Human Rights Benchmark (CHRB). The CHRB compares the human rights performance of companies in high-risk sectors and is an important source of information about companies in which we invest or may invest. The benchmark also provides information to enter into discussions with companies about human rights. The CHRB is now part of the World Benchmarking Alliance (WBA).</p> <p>ENGAGEMENT</p> <p>The inclusion policy for equities and corporate credits which we implement on behalf of our clients is based on the UN Global Compact themes (human rights, labor, environment and anti-corruption) and the expectations of investors and companies based on the OECD Guidelines. Based on the inclusion policy we invest in companies that meet our ESG criteria or those companies which we believe can still improve.</p>
11		Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling	34.4 % [41.1 %]	32.4 % [37.6 %]	Calculation: PAI 11 is calculated by aggregating the investments in companies that lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises weighted by the share of the respective investment in the overall	<p>In 2023, on the basis of the inclusion policy, engagement was conducted with a large number of companies aimed at preventing and mitigating violations of the principles of the UN Global Compact and the OECD guidelines, and promoting procedures and compliance mechanisms for monitoring the compliance with this. Over the course of 2023, we engaged with car manufacturers, food producers, companies in the agricultural sector and companies involved in renewable energy on human rights. Our engagements with companies are aimed at encouraging:</p> <ul style="list-style-type: none"> - car manufacturers to commit to prevent human rights violations in the extraction of materials for electric cars;

			mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises			<p>portfolio of investments managed by APG AM.</p> <p>Data gaps: The reported PAI indicator is based on the assets managed by APG AM for which such data was available. For investee companies for which data was not available, we use the share computed from the investee companies with data available.</p>	<ul style="list-style-type: none"> - food producers and companies in the agricultural sector to commit to ensuring that the people who (indirectly) work for them receive a living wage; - renewable energy companies to take into account the rights of all parties involved in the development of new projects. <p>One of the standard legal provisions in our agreements with managers of private market investments involves an obligation to take into account the UN Global Compact Principles in connection with each (portfolio) investment, and an obligation to immediately notify APG AM of any significant incident or controversy related to a violation of the Principles.</p> <p>VOTING</p> <p>In 2023, we applied our tightened voting policy on human rights by voting against the reappointment of the chair of the supervisory board/ non-executive board of companies that do not have sufficient due diligence mechanisms in place to prevent violations of human rights, as expressed in a score of 0 (zero) or 1 (one) on the CHRB-standard ‘human rights due diligence’.⁶ Based on that policy, we also voted against the (re)appointment of supervisory/ non-executive board chairs at two large multinationals in 2023, because these companies performed inadequately in the CHRB for three consecutive years.</p>
12		Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	12.2 % [5.8 %]	10.1 % [2.4 %]	<p>Calculation: PAI 12 is calculated by aggregating the unadjusted gender pay gap (i.e., the difference between the average gross hourly earnings of male and female employees, expressed as a percentage of hourly gross earnings of men) of</p>	<p>GENERAL</p> <p>The average unadjusted gender pay gap of investee companies has not been a specific focus area for APG AM in 2023.</p>

⁶ This only applies to companies that have been assessed by CHRB since 2019. This contributes to the credibility and quality of the scores. This means that companies that have only been CHRB are currently out of scope. For details on the CHRB methodology see: <https://www.worldbenchmarkingalliance.org/research/the-methodology-for-the-2022-corporate-human-rights-benchmark/>

						<p>all investee companies, with each unadjusted gender pay gap weighted by the share of the respective investment in the overall portfolio of investments managed by APG AM.</p> <p>Data gaps: The reported PAI indicator is based on the assets managed by APG AM for which unadjusted gender pay gap data was available. For investments without such data, we use the weighted average unadjusted gender pay gap of the investee companies with data available.</p>	
13		Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	33.1 % [36.3 %]	30.9 % [32.9 %]	<p>Calculation: PAI 13 is calculated by aggregating the board gender diversity (i.e., the percentage of non-female board members out of all board members) of all investee companies, with each board gender diversity weighted by the share of the respective investment in the overall portfolio of investments managed by APG AM.</p> <p>Data gaps: The reported PAI indicator is based on the assets managed by APG AM for which board</p>	<p>VOTING</p> <p>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, we voted against or withheld votes from incumbent nominating committee members if the board was not at least 30% diverse in terms of gender. At companies with no formal nominating committee, we also voted against or withheld votes from the entire board of directors except new nominees.</p>

						gender diversity data was available. For investments without such data, we use the weighted average ratios of the investee companies with data available.	
14		Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.0 % [50.3 %]	0.0 % [42.8 %]	<p>Calculation: PAI 14 is calculated by aggregating the investments in companies involved in controversial weapons weighted by the share of the respective investment in the overall portfolio of investments managed by APG AM.</p> <p>Data gaps: The reported PAI indicator is based on the assets managed by APG AM for which such data was available. For investments for which such data was not available, we use the share computed from the investee companies with data available.</p>	<p>EXCLUSION APG AM, on behalf of its clients, does not invest in companies involved in controversial weapons. To that end, we do not invest in companies that are involved in the production, sale or distribution of:</p> <ul style="list-style-type: none"> - cluster munitions; - anti-personnel mines; - nuclear, chemical or biological weapons.

Table 3: Mandatory indicators applicable to investee companies



ADDITIONAL INDICATORS APPLICABLE TO INVESTEE COMPANIES

ADVERSE SUSTAINABILITY INDICATOR		METRIC	IMPACT 2023 [Coverage]	IMPACT 2022 [Coverage]	Explanation	ACTIONS TAKEN, AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD
4	Emissions	Investments in companies without carbon emissions reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	46.6 % [48.4 %]	56.6 % [42.2 %]	<p>Calculation: This optional PAI 4 is calculated by aggregating the investments in companies without carbon emissions reduction initiatives weighted by the share of the respective investment in the overall portfolio of investments managed by APG AM.</p> <p>Data gaps: The reported PAI indicator is based on the assets managed by APG AM for which data on carbon emissions reduction initiatives was available. For investments for which such data was not available, we use the share computed from the investee companies with available data.</p> <p>GENERAL We refer to the ‘actions taken and actions planned’ as described under PAIs 1-6.</p>
9	Human Rights	Lack of a human rights policy	Share of investments in entities without a human rights policy	51.9 % [40.3 %]	37.7 % [37.6 %]	<p>Calculation: This optional PAI 9 is calculated by aggregating the investments in companies without a human rights policy weighted by the share of the respective investment in the overall portfolio of investments managed by APG AM.</p> <p>GENERAL We refer to the ‘actions taken and actions planned’ as described under PAI 10 and 11.</p>

						<p>Data gaps: The reported PAI indicator is based on assets managed by APG AM for which data on lack of a human rights policy was available. For investee companies for which such data was not available, we use the share computed from the investee companies with available data.</p>
10	Human Rights	Lack of due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts	44.3% [40.1%]	70.2% [37.1%]	<p>Calculation: This optional PAI 10 is calculated by aggregating the investments in companies lacking human rights due diligence weighted by the share of the respective investment in the overall portfolio of investments managed by APG AM.</p> <p>Data gaps: The reported PAI indicator is based on the assets managed by APG AM for which data on lack of human rights due diligence was available. For investments for which such data was not available, we use the share computed from the investee companies with available data.</p> <p>Comments on underlying PAI data: Our CMI data vendor has changed the methodology between the two reference years. This</p>

						change leads to a significant change of the reported PAI indicator.	
16	Anti-corruption and anti-bribery	Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery	Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery	0.2 % [44.8 %]	0.1 % [42.7 %]	Calculation: This optional PAI 16 is calculated by aggregating the investments in companies with cases of insufficient action taken to address breaches of standards of anti-corruption and antibribery weighted by the share of the respective	GENERAL We refer to the ‘actions taken and actions planned’ as described under PAI 10 and 11.

Table 4: Additional indicators applicable to investee companies

INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS

Investments in sovereigns and supranationals make up 25.5 % (reference year 2022: 25.3 %) of all assets under management based on net-asset value. Therefore, the coverages provided within the following table should be smaller or equal to this ratio.

ADVERSE SUSTAINABILITY INDICATOR		METRIC	IMPACT 2023 [Coverage]	IMPACT 2022 [Coverage]	Explanation	ACTIONS TAKEN, AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD
15	Environmental	GHG intensity	GHG intensity of investee countries	345.8 tonnes per million EUR GDP [23.4 %]	257.6 tonnes per million EUR GDP [23.2 %]	<p>Calculation: PAI 15 is calculated by aggregating the GHG intensity (i.e., the investee countries’ scope 1, 2 and 3 GHG emissions in tCO₂e per million EUR GDP) of all investee countries, with each GHG intensity weighted by the share of the relevant investment in the overall investments in sovereigns</p> <p>GENERAL We refer to the ‘actions taken and actions planned for the next reference period’ under PAIs 1-6.</p> <p>In 2023, we measured the carbon footprint of our sovereign bonds and assessed our investments for physical and transition climate risks. For sovereign bonds, we monitor countries’ willingness and ability to meet the climate targets of the Paris Climate Agreement. We do this on the basis of the climate policy of the countries and the economic dependence on fossil fuels.</p>

						<p>and supranationals managed by APG AM.</p> <p>Data gaps: The reported PAI indicator is based on the assets in investee countries managed by APG AM for which GHG intensity data was available. For investee countries without GHG intensity data, we use the weighted average GHG intensity of investee countries with GHG emissions data.</p> <p>Comments on underlying PAI data: Our CMI data vendor has changed the methodology between the two reference years to align with the latest Partnership for Carbon Accounting Financials (PCAF) guidelines. This change leads to a significant change of the reported PAI indicator.</p>	<p>We also continued to actively seek investments that contribute to the Sustainable Development Goals (SDGs) and gave preference to sovereign bonds with the proceeds earmarked for sustainable goals such as the energy transition or adaptation to climate change. In 2023, we invested in the second Dutch green government bond. The proceeds will go to projects to tackle climate change and make the Netherlands climate-proof. Examples include investments in improving water quality, constructing and strengthening flood defenses, and climate-resilient spatial planning.</p>
16	Social	Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international	<p>Absolute number: 65</p> <p>Relative number: 75.6 % [23.4 %]</p>	<p>Absolute number: 67</p> <p>Relative number: 75.7 % [23.2 %]</p>	<p>Calculation: The absolute number is calculated by counting the investee countries subject to social violations. The relative number is additionally divided by the number of all investee countries. The coverage provides the relative portfolio weight (based on net asset value)</p>	<p>EXCLUSION</p> <p>We exclude government bonds issued by countries subject to an arms embargo by the UN Security Council and/or the European Union. With regard to EU arms embargoes, we refer to binding arms embargoes based on a decision of the Council of the EU. All bonds issued by sovereign and sub-sovereign issuers fall within the scope of the Exclusion Policy. These are bonds issued by provinces or municipalities. Bonds issued by quasi-governments, agencies, multilateral and unilateral banks, state-owned enterprises, etc., are not within the scope.</p>

			treaties and conventions, United Nations principles and, where applicable, national law			for which data was available. Data gaps: The reported PAI indicator is based on the assets in investee countries managed by APG AM for which social violations data was available. Investee countries without available data do not contribute to the absolute number. For the relative number, we use the share of investee countries subject to social violations computed from the investee countries with available data.	
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Table 5: Mandatory indicators applicable to investments in sovereigns and supranationals

INDICATORS APPLICABLE TO REAL ESTATE ASSETS

Investments in real estate assets make up 10.5 % (reference year 2022: 10.9 %) of all assets under management based on net-asset value. Therefore, the coverages provided within the following table should be smaller or equal this ratio.

ADVERSE SUSTAINABILITY INDICATOR		METRIC	IMPACT 2023 [Coverage]	IMPACT 2022 [Coverage]	Explanation	ACTIONS TAKEN, AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD
17	Fossil fuels	Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	Listed real estate and Dutch mortgages: 0.1 % [5.1 %] Private real estate:	Listed real estate: 0.3 % [5.1 %] Private real estate and Dutch mortgages:	Calculation: PAI 17 is calculated by aggregating the investments in real estate assets involved in fossil fuels, weighted by the share of the respective investment in the overall investments in real estate GENERAL Based on the nature of our investments in real estate we consider the exposure to fossil fuels through real estate assets in the APG AM portfolio negligible. The APG Standard Data Delivery Sheet (SDDS) has been customized, informed by the INREV ESG SDDS sheet. Going forward this sheet will be used to obtain more granular data for private real estate.

				Negligible exposure	Negligible exposure	assets managed by APG AM. Data gaps: The reported PAI indicator is based on the assets in real estate managed by APG AM for which data on involvement in fossil fuels was available. For real estate investments without available data, we use the share of investments in real estate assets involved in fossil fuels computed from the real estate investments with available data. The coverages are with respect to the complete APG AM portfolio and not restricted to the total share of real estate assets.	
18	Energy efficiency	Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	42.8 % [7.2 %]	38.7 % [5.9 %]	<p>Calculation: PAI 18 is calculated by aggregating the investments in energy inefficient real estate assets weighted by the share of the respective investment in the overall investments in real estate assets managed by APG AM.</p> <p>Data gaps: The reported PAI indicator is based on the real estate assets managed by APG AM for which data on the energy inefficiency was available. For real estate</p>	<p>GENERAL APG AM measures and reports the CO₂-footprint of its real estate portfolio. Our 2030 goal is that on average the real estate portfolio is Paris-aligned based on the CRREM pathways or that a transition plan is in place. For new private investments in real estate, alignment with the CRREM pathways is required and included in legal documentation. In listed real estate, we encourage real estate funds to align with the CRREM pathways and disclose sufficient data for assessment.</p> <p>On behalf of one of our clients APG AM invests in social bonds issued by the Bank Nederlandse Gemeenten (BNG) and the Nederlandse Waterschapsbank (NWB) which provide loans to housing corporations for the construction of new rental homes, investments in neighborhood facilities and making homes more sustainable.</p>

					<p>investments without available data, we use the share of investments in energy inefficient real estate assets computed from the real estate investments with available data. The coverages are with respect to the complete APG AM portfolio and not restricted to the total share of real estate assets.</p> <p>Comments on underlying PAI data: For a large part of the real estate portfolio exposure to inefficient real estate assets is being monitored through CRREM compliance but not in accordance with the prescribed formula. The CRREM pathways are science based and it is assumed that these pathways are more stringent than the formula provided by the SFDR. Further, the formula as prescribed by the SFDR can only be applied to investments in Europe, whilst the product includes investments globally. Finally, the definitions of e.g. NZEB rules are not available in all MS to date. Consequently,</p>	<p>APG AM also invests in direct loans to Dutch housing associations. To this end, an online platform was established in 2019 (called LIST Amsterdam) which links the financing demand of housing corporations to the supply by pension funds. This makes it easier for housing corporations to obtain financing for sustainability, the construction of new homes and investments in livability. The bonds and direct loans for housing associations contribute to SDG 11: Sustainable cities and communities.</p> <p>ENGAGEMENT APG AM is a member of the Global Real Estate Engagement Network⁷ (GREEN) since 2022. The goal is to collectively engage with the real estate sector to reduce its carbon footprint and manage progress against science-based Paris-aligned targets, e.g. the CRREM pathways.</p>
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⁷ [GREEN: Global Real Estate Engagement Network \(green-engagement.org\)](https://green-engagement.org)



						APG is at the position that the CRREM methodology is a more conservative approach. https://www.crrem.org/	
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Table 6: Mandatory indicators applicable to real estate assets

3. Description of policies to identify and prioritize principal adverse impacts of investment decisions on sustainability factors

APG AM makes use of various policies and approaches to identify and prioritize principal adverse impacts. These are tailored to the different investment strategies and financial products we manage on behalf of our clients. APG AM recognizes that different types of investments require specifically designed policies and approaches to identify principal adverse impacts to be effective.

Governance of responsible investment policies

Responsible investing is embedded in APG AM's governance structure and investment decision-making processes. The APG AM Investment Committee (IC), chaired by the Chief Executive Officer, is responsible for investment-related policymaking, decision-making and monitoring, and is the main oversight body which has overall responsibility for defining APG AM's policies and approaches to responsible investment. It is the responsibility of the IC to ascertain that the implementation of the responsible investment policies meets clients' needs and are aligned with APG AM's overall approach to investing.

Based on APG AM's fiduciary model, the Fiduciary Management Responsible Investments team (FMRI-team) advises our pension fund clients on the development of their responsible investment (RI) policies. FMRI acts as an independent strategic advisor to our clients. We provide RI policy advice to clients and provide RI-related input to other advisors within the FM department. In line with client demand, we ensure that RI is embedded in the development of fiduciary mandate advice, investment decisions, and execution reviews, in line with laws and regulations and APG AM's overall fiduciary strategy and vision.

Policies and approaches to identify principal adverse impacts

The way we identify and prioritize adverse impacts on sustainability factors in our investment processes is further described in the following policies and approaches that may apply to different types of investment strategies in the portfolio. Summary descriptions of these policies and approaches are available on the *Sustainability-related disclosures* section on the APG AM website⁸, and include further information about the governance, methodologies and instruments used, and principal adverse impacts they consider.

- In the [Climate Action Plan](#), APG AM describes how we measure the CO₂-footprint of our investments, steer the portfolio towards Net Zero emissions in 2050 or sooner, and invest in solutions that contribute to the transition towards a low-carbon economy.
- In the [Climate Risk Policy](#) we describe how APG AM defines, measures, manages and reports on climate-related risks and opportunities, both at the overall client portfolio level as well as for specific investment strategies. In addition to the existing climate-related goals and policies, we are working on defining an approach, and supporting our clients, to steer the total assets under management to align with the goals of the Paris Agreement by 2030 and to a Net Zero portfolio by 2050.
- The [Corporate Governance & Voting Policy](#) addresses ESG-related issues, including environmental, social, labor rights, human rights, and anti-corruption and anti-bribery through the way we vote on the annual general meetings of the companies in which we invest on behalf of our clients.
- Based on the [Exclusion Approach](#), on behalf of our clients APG AM does not invest in companies involved in controversial weapons, and companies involved in the production of tobacco. In addition to the exclusions applicable to corporates, on behalf of our clients invested in the APG Pools we exclude

⁸ See: [Sustainability-related disclosures | Homepage - Asset Management \(apg.nl\)](#)

sovereign bonds issued by countries that are subject to an arms embargo by the UN Security Council⁹ and/or European Union, and countries that have the 10% lowest scores on Voice & Accountability performance according to the World Bank.¹⁰

- The [Inclusion Approach](#), which we apply on behalf of our clients, is based on the UN Global Compact themes (human rights, labor rights, environment, and anti-corruption) and the OECD Guidelines for investors and companies. The inclusion screening methodology allows us to map companies in our investment universe with the adverse impacts as laid out in the “Description of the principal adverse impacts on sustainability factors” section.¹¹
- Our [Sustainable Development Investments Approach](#) uses the UN Sustainable Development Goals (SDGs) as a guideline for investments with a positive influence on people and the environment or which contribute to a more sustainable economy. We actively seek investments for our clients that contribute to the SDGs and implement the agreed definition, taxonomy and rules to identify current and potential Sustainable Development Investments (SDIs) to meet our clients’ SDI targets and ambitions.

Adaptation of the policies

The APG AM policies and approaches for the identification and prioritization of principal adverse impacts on sustainability factors are regularly reviewed and updated if deemed necessary.

⁹ <https://www.un.org/securitycouncil/sanctions>

¹⁰ Voice and Accountability captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

¹¹ Please note that our methodologies are in constant change as we seek higher and more sustainable standards.



APG AM POLICIES AND APPROACHES TO IDENTIFY AND PRIORITIZE PRINCIPAL ADVERSE IMPACTS

POLICY/ APPROACH	YEAR OF APPROVAL	MAIN DATA SOURCES	LINK TO MANDATORY PAIS
Climate Action Plan	2022	CRREM, ISS ESG, and data derived from internal processes	<p>Mandatory PAIS</p> <ol style="list-style-type: none"> 1. GHG emissions 2. Carbon footprint 3. GHG intensity of investee companies 5. Share of non-renewable energy consumption and production 6. Energy consumption intensity per high impact climate sector 15. GHG intensity 18. Exposure to energy-inefficient real estate assets <p>Additional PAI</p> <ol style="list-style-type: none"> 4. Investments in companies without carbon emission reduction initiatives
Climate Risk Policy	2019	IEA, Notre Dame GAIN, HSBC, 427, Verisk Maplecroft, CDP, and data derived from internal processes	<p>Mandatory PAIS</p> <ol style="list-style-type: none"> 1. GHG emissions 2. Carbon footprint 3. GHG intensity of investee companies 6. Energy consumption per high impact climate sector 15. GHG intensity of investee countries 18. Exposure to energy-inefficient real estate assets <p>Additional PAI</p> <ol style="list-style-type: none"> 4. Investments in companies without carbon emission reduction initiatives
Corporate Governance Framework & Voting Policy	2022	ISS, Transition Pathway Initiative, Corporate Human Rights Benchmark, S&P, Sustainalytics, and data derived from internal processes	<p>Mandatory PAIS</p> <ol style="list-style-type: none"> 1. GHG emissions 2. Carbon footprint 3. GHG intensity of investee companies 13. Board gender diversity <p>Additional PAI</p> <ol style="list-style-type: none"> 4. Investments in companies without carbon emission reduction initiatives
Exclusion Approach	2022	Sustainalytics, ISS, World Bank	<p>Mandatory PAIs</p> <ol style="list-style-type: none"> 14. Exposure to controversial weapons 16. Investee countries subject to social violations

<p>Inclusion Approach</p>	<p>2024</p>	<p>Sustainalytics, MSCI, ISS, Global Coal Exit List (GCEL), Climate Action 100+, Corporate Net Zero Benchmarks, Transition Pathway Initiative (TPI), Urgewald, and data derived from internal processes</p>	<p>Mandatory PAIs</p> <ol style="list-style-type: none"> 1. GHG emissions 2. Carbon footprint 3. GHG intensity of investee companies 4. Exposure to companies active in the fossil fuel sector 5. Share of non-renewable energy consumption and production 6. Energy consumption intensity per high impact climate sector 7. Activities negatively affecting biodiversity-sensitive areas 8. Emissions to water 9. Hazardous waste and radioactive waste ratio 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprise 12. Unadjusted gender pay gap 13. Board gender diversity <p>Additional PAIs</p> <ol style="list-style-type: none"> 9. Lack of a human rights policy 10. Lack of due diligence 16. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery
<p>Sustainable Development Investments</p>	<p>2022</p>	<p>SDI Asset Owner Platform, and data derived from internal processes</p>	<p>Mandatory PAIs</p> <ol style="list-style-type: none"> 1. GHG emissions 2. Carbon footprint 3. GHG intensity of investee companies 4. Exposure to companies active in the fossil fuel sector 5. Share of non-renewable energy consumption and production 6. Energy consumption intensity per high impact climate sector 7. Activities negatively affecting biodiversity-sensitive areas 8. Emissions to water 15. GHG intensity

Table 7: APG AM policies and approaches to identify and prioritize principal adverse impacts

PAI data collection

Sustainability-related data and methodologies are still less mature than those for conventional financial indicators. Generally, we recognize the limitations of existing methodologies and data sources for sustainability-related data, e.g. the lack of consistent and transparent measurement methodologies and data assessment processes, as well as the limited availability, comparability and quality of sustainability data.

At a best effort basis APG AM obtained principal adverse impact data of the investments in the portfolio. The numbers presented in this statement are weighted averages and summations based on the part of the portfolio universe for which we gathered and obtained data. The best efforts are further described below for the Capital Markets Investments and Private Market Investments.

Capital Markets Investments

To obtain the PAI data for the capital markets investments, the main approach has been to select an external data provider. To this end, APG AM has selected ISS ESG to provide data on the most important principal adverse impacts indicators. This was done after an in-depth and extensive assessment of, for example, the coverage of the portfolio, the methodology used, and the quality of the data. APG AM expects that changes to the methodology will be made in following PAI reporting cycles because of further industry standardization, conventions and new insights.

For PAI indicators related to carbon (1-4) and PAI indicators 6, 8 and 9, we have identified outliers in the data from external data providers. For the carbon-related PAIs, it has been decided not to manually adjust or remove these outliers because we believe that the reporting by investee companies of greenhouse gas emissions relative to other PAI indicators is relatively advanced. For indicators 8 and 9, it was decided to subject the largest outliers to a manual, qualitative study because both the coverage and quality of these indicators is still limited. This manual assessment included analysis of public sources, such as company reports. Based on our assessment, outliers have either been removed or corrected. We shared our findings with our third-party data providers.

The regulation requires financial market participants to use the most recent data. Most of the PAI data we use for capital markets investments relates to the year 2022 or earlier, as more recent data is often not available.

Private Markets Investments

For private markets investments the options for obtaining standardized and accurate PAI data from third-party data providers are still quite limited and access to data and reliable estimation models for alternative investments is still a challenge. This is mainly due to the inadequate corporate disclosure levels, and lower levels of transparency at investee company level compared to capital market equivalents. This is inherent to this segment of the market.

Over the course of 2023 and the first half-year of 2024 APG has made efforts to obtaining as much relevant PAI data as possible for the identification and prioritization of the principal adverse impacts in this part of the portfolio. So far, it has only been possible to include alternative investments in the aggregate reporting of the PAI indicators to a limited extent. However, we were able to retrieve more data than last year and more external managers responded to our request for information. We expect the quality of the data to improve in the future, partly due to sector initiatives and regulations. We are committed to making a positive contribution to this. For alternative investments, our efforts to collect PAI data consist primarily of:

- (i) direct outreach to the external managers, using a customized EDCI-template ('ESG Data Convergence Initiative') with a PAI data request tailored to APG AM's and our clients' requirements, and requesting to obtain data from the portfolio;
- (ii) using third-party data providers (such as GRESB Infra);
- (iii) making reasonable assumptions, where it was not possible to obtain PAI data for the 2023 reference period in any other way.

See the overview below for the approach per alternative asset class in our external manager outreach.

INVESTEES COMPANIES	COMMENTS
<ul style="list-style-type: none"> - Real estate 	<p><i>Listed real estate</i> – PAI data obtained via a third-party data provider (ISS), in line with how this data was collected for other listed companies in the capital markets portfolios.</p> <p><i>Direct real estate</i> – PAI indicator 18 data obtained from GRESB which reports data for the previous year in Q4 of the following year. The submitted data points are therefore 2022 numbers. However, these are considered valid estimates for 2023 data since the direct real estate portfolio composition remains relatively stable over time and historically the variance of the energy inputs has not exceeded 10%. In the first half year of 2024, a customized APG Standard Data Delivery Sheet (SDDS, informed by INREV ESG SDDS) has been developed and will be used going forward to collect the necessary PAI data on a quarterly basis.</p>
<ul style="list-style-type: none"> - Alternative credits - Hedge funds - Private equity - Private natural capital 	<p>Outreach to external managers undertaken, using a customized EDCI-template with a PAI data request tailored to APG AM's and our clients' requirements and requesting to obtain data from the underlying portfolio.</p>
<ul style="list-style-type: none"> - Infrastructure 	<p>Outreach to external managers undertaken through the GRESB Infrastructure SFDR Assessment, requesting PAI indicator data from underlying assets.¹²</p>
<ul style="list-style-type: none"> - Mortgages 	<p>Outreach to directly held assets undertaken with a PAI data request tailored to APG AM's and our clients' requirements.</p>

Table 8: Overview of approach per alternative asset classes in external manager outreach

Listed real estate is treated in the same way as other capital market investments (see above). Both listed real estate and direct real estate are included in table 1 in chapter 1 under indicators for investments in real estate assets (PAI 17 and 18).

For PAI 18, to manage transition risk and steer the real estate portfolio towards Net Zero, we collaborate with the Carbon Risk Real Estate Monitor (CRREM). CRREM publishes science-based decarbonization pathways for various property types per country consistent with a 1.5-degree scenario. Our 2030 goal is that on average the real estate portfolio is Paris-aligned based on the CRREM pathways. We apply the CRREM methodology as a proxy for energy-inefficient real estate.

¹² <https://www.gresb.com/nl-en/products/sfdr-reporting/>

DATA SOURCES USED FOR DATA ON PRINCIPAL ADVERSE IMPACTS

INVESTEE COMPANIES		
TOPIC	PAI INDICATOR	PAI DATA SOURCE
Greenhouse gas emissions	GHG emissions	ISS ESG, GRESB, Direct outreach via EDCI template, Upright
	Carbon footprint	ISS ESG, GRESB, Direct outreach via EDCI template, Upright
	GHG intensity of investee companies	ISS ESG, GRESB, Direct outreach via EDCI template, Upright
	Exposure to companies active in the fossil fuel sector	ISS ESG, GRESB, Direct outreach via EDCI template, Upright
	Share of non-renewable energy consumption and production	ISS ESG, GRESB, Direct outreach via EDCI template, Upright
	Energy consumption intensity per high impact climate sector	ISS ESG, GRESB, Direct outreach via EDCI template, Upright
	Investments in companies without carbon emission reduction initiatives (additional PAI)	ISS ESG, GRESB, Direct outreach via EDCI template, Upright
Biodiversity	Activities negatively affecting biodiversity sensitive areas	ISS ESG, GRESB, Direct outreach via EDCI template, Upright
Water	Emissions to water	ISS ESG, GRESB, Direct outreach via EDCI template, Upright
Waste	Hazardous waste ratio	ISS ESG, GRESB, Direct outreach via EDCI template, Upright
Social and employee matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	ISS ESG, GRESB, Direct outreach via EDCI template, Upright
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	ISS ESG, GRESB, Direct outreach via EDCI template, Upright
	Unadjusted gender pay gap	ISS ESG, GRESB, Direct outreach via EDCI template, Upright
	Board gender diversity	ISS ESG, GRESB, Direct outreach via EDCI template, Upright
	Exposure to controversial weapons	ISS ESG, GRESB SFDR, EDCI, Upright
	Lack of a human rights policy (additional PAI)	ISS ESG, GRESB, Direct outreach via EDCI template
	Lack of due diligence (additional PAI)	ISS ESG, GRESB, Direct outreach via EDCI template
Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery (additional PAI)	ISS ESG, GRESB, Direct outreach via EDCI template	
SOVEREIGNS AND SUPRANATIONALS		
TOPIC	PAI INDICATOR	PAI DATA SOURCE
Environmental	GHG intensity	ISS ESG
Social	Investee countries subject to social violations	ISS ESG
REAL ESTATE ASSETS		
TOPIC	PAI INDICATOR	PAI DATA SOURCE
Environmental	Exposure to fossil fuels through real estate assets	ISS ESG, Direct outreach to real estate assets
	Exposure to energy-inefficient real estate assets	GRESB, Direct outreach to real estate assets

Table 9: Data sources used for data on principal adverse impacts

4. Engagement policies

APG AM strongly believes that effective stewardship benefits companies, investors and the economy, and reduces principal adverse impact on sustainability factors. Therefore, we actively engage with our investments on issues which we consider important for an investment's ability to create and sustain long-term value and reduce principal adverse impacts of sustainability factors. Engaging with investee companies and managers allows us to better understand their business challenges and ensures that sustainability risks and opportunities are being addressed. In our [Responsible Investment & Stewardship Policy](#) we explain our approach to responsible investing and stewardship for all asset classes APG AM invests in on behalf of its clients. It sets out our responsible investment focus areas and related expectations to investments, outlines how we meet our responsibilities as a steward of capital and explains how we engage with companies and other entities that we invest in, how we monitor progress and how we vote at annual general shareholder meetings.

Monitoring and engagement

APG AM adheres to the Dutch Stewardship Code, which sets out expectations for asset managers with regard to fulfilling stewardship responsibilities. The Stewardship Code is in line with the SRD, the revised EU shareholder rights directive (2007/36/EC). Monitoring of portfolio investments is part of our role as a steward of capital and contributes to gaining a well-rounded view of how investments are run. In the most basic terms, monitoring comprises all aspects which, in our view, may impact an investment's ability to create long-term value, including (but not limited to); strategy, (financial) performance, capital structure, corporate governance, and sustainability risks and opportunities. In the first instance, we will use company filings and publicly available information to gain an understanding of the company. If we have insufficient information or if we have questions or concerns, we will initiate a dialogue with the company and seek clarification, additional information and/or exchange views. This dialogue can help build trust and mutual understanding, which supports the objective of long-term value creation by investees.

Engaging with our portfolio companies and investments is a central element of APG AM's as well as its clients' responsible investment approach. Engagement contributes to our understanding of portfolio investments and allows us to make better investment decisions and improve the financial and investment performance of our investees. The essence of our engagement activities is to encourage portfolio investments to uphold certain standards of governance and sustainability. We believe this reduces the risk of sub-optimal capital allocation and contributes to creating long-term value, within the investments and across markets. APG AM expects its portfolio investments to demonstrate responsible business practices and to respond in a timely and appropriate manner when they fail to meet these standards.

Link of engagement themes to principal adverse impacts

There are multiple triggers for us to initiate engagement. Primarily, we are guided by investment, market and social responsibility rationales, and the responsible investment focus themes of our clients around climate, biodiversity, human rights, and corporate governance. During an engagement, we make use of in-house expertise, investment disclosures, company-specific data provided by our research providers and other external sources, which may include e.g. brokers, NGOs or investor networks. We communicate with other stakeholders whenever relevant. In certain markets we are actively involved in the nomination of directors, e.g. by supporting slates of independent board – and statutory auditor board – members at Italian listed companies, and by our membership of nomination committees at Swedish listed companies. If we consider using our investor rights to e.g. convene an extraordinary general meeting or to submit a shareholder resolution at a general meeting, we convey our considerations to the company and explain our intentions at the general meeting.

Proxy Voting



Recognizing our rights and responsibilities as stewards and providers of capital to companies, we exercise our voting rights as a shareholder whenever possible. We engage with public companies from the perspective of an equity or debt provider and through entities investing on our behalf in the private market. APG AM is actively involved in a number of investor and multi-stakeholder organizations. We regularly provide input on European and international consultations on corporate governance and sustainability matters and pro-actively provide input to regulatory bodies regarding important matters pertaining to the functioning of the financial system as well as responsible corporate conduct. In the [APG AM Voting Dashboard](#) we disclose all the voting decisions on behalf of our clients.

Market engagement

APG AM regularly engages with regulators, policy makers and other stakeholders in various markets on corporate governance standards, corporate disclosures and other topics relevant to our role as a global long-term responsible investor.

Reporting on engagement

We report on our stewardship and engagement activities over the previous year on the APG AM website.

5. References to international standards

APG AM is actively involved in multiple investor organizations, networks and initiatives to support good corporate governance standards, long-term investing, and a more sustainable world. Within the context of these organizations and in collaboration with other investors, we advocate standards and principles that support long-term investing, and engage with investments to protect and enhance long-term value. To exchange views on responsible investing and contribute to good corporate governance and sustainability we aim to take on a more active role in working groups and steering committees of platforms and investor groups, e.g. ICGN, Eumedion, and the Hong Kong Securities Exchange Committee.

APG AM adheres to the following responsible investment related codes, principles and internationally recognized standards for sustainability due diligence and reporting.

ORGANISATION, STANDARDS/ PRINCIPLES	EXPLANATION	PAI INDICATOR(S) USED TO MEASURE ADHERENCE OR ALIGNMENT WITH THE RESPECTIVE ORGANIZATION/ STANDARD
1 Carbon Disclosure Project (CDP)	APG AM is an active member of CDP and encourages investee companies to disclose environmental data under the project.	1-4, additional climate PAI 4
2 Carbon Risk Real Estate Monitor (CRREM)	APG AM is an active member of CRREM and supports its efforts to be the leading standard for operational de-carbonization of real estate assets.	1-6, 17-18
3 Climate Commitment of the Dutch Financial Sector	APG AM and its clients have signed the Climate Commitment of the Dutch Financial Sector. As part of this commitment, we support our clients in setting updated portfolio targets to reflect alignment with the Paris Agreement.	1-3, additional climate PAI 4
4 Corporate Human Rights Benchmark	APG AM is co-founder of the Corporate Human Rights Benchmark (CHRB). This benchmark provides insight into how companies in relevant sectors determine, prevent and address human rights.	Additional social PAI 7
5 Dutch Stewardship Code	APG AM adheres to the principles of the Dutch Stewardship Code which sets out expectations for asset managers to meet their stewardship responsibilities, and which is closely aligned with the revised EU Shareholder Rights Directive.	There are no PAI indicators used to measure adherence or alignment with this code.
6 ESG Data Convergence Initiative (EDCI)	APG AM is a founding partner and steers reporting of relevant assets towards abiding with the EDCI mandatory metrics.	1-3, 5-6, 13
7 Finance for Biodiversity (FfB) Pledge	APG AM has signed the FfB pledge and committed to collaborating, engaging, assessing own biodiversity impact, setting	7

		targets, and reporting on biodiversity matters by 2024.	
8	Global Real Estate Sustainability Benchmark	APG AM is a founding partner and supports the Real Estate and Infrastructure benchmark for ESG reporting.	1-3, 5-6, 8, 13, 17-18
9	ICGN Global Corporate Governance Principles	APG AM is an active member of the ICGN, and APG AM's responsible investment approach is based on the ICGN Global Corporate Governance Principles.	There are no PAI indicators used to measure adherence or alignment with these principles.
10	ICGN Global Stewardship Principles	APG AM is an active member of the ICGN and endorses the ICGN Global Stewardship Principles.	There are no PAI indicators used to measure adherence or alignment with these principles.
11	ILPA Diversity in Action (DIA)	APG AM is a DIA signatory and committed to enhancing DEI in private equity.	12-13
12	Institutional Investors Group on Climate Change (IIGCC)	APG AM is an active member of the IIGCC and collaborates with other investors to create and implement policies, standards and benchmarks that address corporate climate risks reporting e.g through Climate Action 100+	1-9, additional climate PAI 8
13	Net Zero Investment Framework (NZIF)	APG AM uses the NZIF as a blueprint for our target setting. It is developed by IIGCC, with APG AM being co-lead of the working group.	1-3, 5, 6, 15, 18, additional climate PAI 8
14	OECD Guidelines for Multinational Enterprises	APG AM's responsible investment approach is based on the OECD Guidelines for Multinational Enterprises.	10-11, additional social PAI 9, 10 and 16
15	Partnership for Carbon Accounting Financials (PCAF)	APG AM uses PCAF as a standard for the assessment and disclosure of greenhouse gas emissions associated with financial activities.	1
16	Platform Biodiversity Accounting Financials (PBAF)	APG AM supports this initiative which aims to set a uniform standard for biodiversity foot-printing.	7
17	Principles for Responsible Investment (PRI)	APG AM is a signatory and active member of the PRI and participates in the annual PRI survey.	There are no PAI indicators used to measure adherence or alignment with these principles.
18	Taskforce on Climate-related Financial Disclosures (TCFD)	APG AM follows the framework established by the TCFD and annually reports on what APG AM undertakes to address climate risks and opportunities.	1-3, 5-6, 15, 18
19	Taskforce on Nature-related Financial Disclosure (TNFD)	APG AM is a member of the TNFD forum which aims to develop and deliver a risk management and disclosure framework for organizations to report and act on evolving nature-related risks.	7
20	UN Guiding Principles on Business and Human Rights	APG AM supports the UN Guiding Principles on Business and Human Rights (Principles)	Additional social PAI 10

21	United Nations Global Compact	APG AM is a participant and adheres to its 10 underlying principles.	1-13
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Table 10: Overview of the codes, principles and internationally recognized standards which APG AM adheres to

Methodology for compliance with international standards

To gain insight into adherence to the international standards above, we assess our investments against these standards whereby we use information from independent ESG data providers, such as ISS ESG and Sustainalytics. This means that (potential) investments in companies are assessed for violations of human rights, labor standards, environmental standards and anti-corruption rules. This involves an assessment of the impact of companies’ behavior on society and/or the environment including the severity, scale, irreversibility and likelihood of such violation.

Forward-looking climate scenarios

In our [Climate Risk Policy](#) (2019) and [Climate Action Plan](#) (2022) we describe the forward-looking climate scenarios we use. Deterministic climate scenarios are used in the periodic ALM studies performed for our clients with the aim of evaluating the sensitivity of client portfolios for these deterministic scenarios.

6. Historical comparison

APG AM has changed the calculation method for PAI data in the PAI statement from last year to provide more meaningful insight into the actual adverse impact of our investment decisions on sustainability factors. Under the calculation method for the 2023 PAI statement (reference year 2022), especially for those PAI indicators for which data availability was very low, missing data points were assumed to be nil and the PAI values as a result were biased. Additionally, we have further aligned our PAI data calculation method with broader market practice and regulatory requirements.

The change with the most significant impact on the PAI values in this PAI statement compared to last year's is the way missing PAI data is handled in the calculation of PAI indicators expressed as a weighted-average. In the 2023 PAI statement, the weighted average PAI value was calculated based on the investments covered by the datasets used. If the datasets did not provide data on a specific PAI indicator, the indicator was assumed to be nil. This resulted in values which represented the adverse impacts of a small proportion of the portfolio investments for which data was available, diluted by the "nil"-values for all other investments.

In the 2024 PAI statement (reference year 2023), the weighted-average based on the investments for which data is available for the specific PAI indicator is calculated based on the assumption that the average PAI indicator of those investments for which data is available equals the average of the investments for which data (per PAI indicator) is not available. Additionally, the new calculation method provides more transparency around the PAI data coverage by providing the coverage as a NAV percentage for each PAI indicator. Note that this may introduce inaccuracies of its own, especially if the PAI data for those investments for which it is available, is not representative for the PAI data of the other investments.

Another change made to the calculation method involves further alignment with the regulatory requirement that long- and short-positions should be netted at issuer level and negative outcomes should be set to zero. Furthermore, scope 3 GHG emissions are now included in the calculation of PAI 1 (total emissions), 2, 3, and 15.

In addition to the more significant changes in the PAI data method there are other factors which contribute to differences in the PAI values between 2022 and 2023 such as additional data sources and change in asset allocation.

Overall, the new PAI data calculation method leads to higher PAI indicator values which provide a more meaningful picture of the principal adverse impacts of our investments and no longer distorted by the assumed zero values.