

Summary of the remuneration policy of APG Asset Management

March 2023

Date March 31, 2023
Approved by
Owner APG AM
Version 1



Summary of the remuneration policy of APG Asset Management

Scope

APG Asset Management NV (APG AM) operates within the framework of the remuneration policy of APG Groep NV, its shareholder. The Remuneration Policy of APG AM (“Remuneration Policy APG AM”) applies to all employees of APG AM, however, specific local rules are included in the remuneration policies of APG AM’s subsidiaries based in New York, Hong Kong and Beijing. These local remuneration policies fall within the framework set by the Remuneration Policy APG AM and are approved by APG AM. The Remuneration Policy APG AM is compliant with applicable laws and regulations and in line with the wider asset management remuneration market. Below we describe various aspects of the Remuneration Policy APG AM.

Responsibility for and application of the Remuneration Policy APG AM

The Remuneration Policy APG AM is approved by the APG AM Supervisory Board. The local remuneration policies are approved by the APG AM Management Board, as shareholder of the foreign subsidiaries.

The APG AM Management Board is responsible for applying the APG AM Remuneration Policy after approval, where applicable, of the APG AM Supervisory Board with the advice of the APG AM Remuneration Committee (a committee of the APG AM Supervisory Board) and, where applicable, the shareholder. Furthermore, foreign subsidiaries of APG AM require prior approval from the APG AM Management Board regarding application of certain elements of their local policy. The APG AM Supervisory Board is responsible for supervising, monitoring and evaluating the execution of the APG AM Remuneration Policy. Where considered appropriate, the APG AM Management Board and/or APG AM Supervisory Board can request the advice of the Review Committee Remuneration in exercising their responsibilities.

The Review Committee Remuneration consists of the Heads of Compliance, Legal, Operational Risk, Investment Risk and Human Resources. Among its other responsibilities, the Review Committee Remuneration is involved in review of the risk analyses and selection criteria of Identified Staff, as well as the assessment process to determine whether the deferred part of the variable remuneration of Identified Staff should be paid out. The internal auditor, who is not a member of the Review Remuneration Committee, carries out periodical independent audits into the design, implementation, and application of the policy.

Principles of the Remuneration Policy

APG AM has a prudent and sound remuneration policy that is aligned with our clients' interests, our strategy, our risk appetite and our core values.

The Remuneration Policy APG AM is based on the following principles and objectives:

- to provide for a market competitive remuneration to attract and retain talent;
- to stimulate employees to act in our clients' best interests and to prevent potential conduct of business and conflict of interest risks, adversely affecting the interests of clients;
- to contribute to sound risk management by discouraging short-term behavior and taking undesirable risks;
- to ensure consistency between the remuneration policy and environmental, social and governance investment risks and sustainable investment objectives;
- to ensure equal treatment of our employees, including between men and women.

Remuneration components

All APG AM employees receive a remuneration package depending on their position, experience and competencies commensurate with the local labor market and cost of living. Total reward consists of fixed remuneration elements and discretionary variable remuneration elements, although the mix and level of these remuneration components may vary per location.

Fixed remuneration

The fixed remuneration components can include:

- a base salary depending on position, experience and competencies according to the local APG AM salary ranges and with reference to relevant local benchmarks;
- a pension scheme arrangement;
- an individual, temporary labor market allowance, awarded upon discretion of APG AM, to ensure market competitiveness;
- additional secondary benefits in line with local labor markets.

Variable remuneration

In the Netherlands, only employees with a direct link to investment results, are eligible for variable remuneration. Board members of APG AM do not receive variable remuneration. Outside the Netherlands, most staff is eligible for discretionary variable remuneration.

A maximum ratio between fixed and variable remuneration has been determined for every position that qualifies for variable remuneration. The ratio depends on the position and location

of the employee; for example, APG AM's foreign offices can apply a higher ratio than is used in the Netherlands. Also, as a general rule, for investment staff a higher ratio applies than for non-investment staff, if applicable.

The difference in ratios reflects the fact that variable remuneration represents a larger component of total remuneration in the local labor market.

In accordance with applicable legal requirements, APG AM does not pay guaranteed variable remuneration or retention bonuses. Sign-on bonuses are awarded occasionally, commensurate with the local market.

Variable remuneration budget

The APG AM Management Board approves the variable remuneration budgets. To the extent that the variable remuneration budget allows, each employee's variable remuneration will be determined at the discretion of APG AM, taking into account the employee's performance, based on pre-determined targets and the employee's behavior.

Performance management Investment staff

At the start of each year, individual and collective targets are determined for all APG AM investment staff. Targets for investment professionals are based on the global target framework, which includes the APG AM's corporate targets and is reviewed and approved annually by the APG AM Management Board. All targets should not encourage excessive risk-taking.

Following relevant policies, targets for investment staff consist of 50% quantitative (return and excess return) and 50% qualitative targets and include amongst others sustainability targets. The quantitative targets (both individual and collective) are mainly based on risk-adjusted excess returns over a five year period, aligning the longer term performance horizons of APG AM and our clients. The qualitative collective targets are aligned with APG AM's corporate targets which also link to our clients' objectives. The qualitative individual targets are related to sustainability, strategy, development of skills and capabilities and values and behavior. Sustainability targets as part of the qualitative targets are set to ensure that:

- APG AM actively considers sustainability risks and the potential negative impact on the value of investments before making investment decisions;
 - facilitation of the implementation of relevant ESG risk-related factors consistent with APG AM's sustainability risk policy and the Responsible Investment policies of our clients.
- Performance management non-investment staff

Performance management non-investment staff

Also for non-investment staff eligible for variable remuneration¹, which includes monitoring and control functions and other support staff, targets are set at the start of the year. These targets are predominantly non-financial in nature. Furthermore, these targets are predominantly function and/or responsibility specific and include APG AM's corporate targets, development of skills and capabilities and values and behavior.

Deferral

For positions that qualify as Identified Staff, a deferral scheme is in place. Impact of this scheme depends on the position at hand and the amount of variable remuneration awarded. If deferral applies, half of the variable remuneration awarded is paid in the year following the performance year, while the other half is paid in three equal installments of one year following a re-evaluation of the performance. Also, part of the variable remuneration for investment staff in New York (not qualifying as Identified Staff) is deferred according to similar timelines. Furthermore, a long-term incentive plan for investment managers of a specific investment team include a deferral system.

Financial Instruments

Within APG AM, variable remuneration is awarded and paid in cash. Only for the long-term incentive plan for investment managers of a specific investment team as referred to above, a percentage of the variable remuneration is converted to financial instruments which are deferred and vests if the investments linked to the awards meet or exceed certain agreed upon targets.

Severance payments

Severance pay is not paid in the event employees voluntarily leave the company and severance pay for daily policymakers is capped at the equivalent of one year of total fixed remuneration. Board members are not eligible for a severance payment in the event of dismissal due to a failure of the institution, as defined by law.

¹ In the Netherlands, only employees with a direct link to investment results are eligible for variable remuneration.

Identified Staff

Identified Staff is defined as employees who can have a material impact on the risk profile of APG AM and/or the funds or segregated accounts it manages. The following rules apply in addition to the existing rules as set out above and will prevail in the event of inconsistencies:

- The fixed remuneration is sufficient to guarantee that APG AM can attract qualified and experienced Identified Staff;
- A deferral scheme applies to individual variable remuneration for Identified Staff;
- Individual variable remuneration for Identified Staff requires the approval of the APG AM Management Board;
- Ex ante and ex post re-assessment processes (including malus and claw back) are in place to (re)assess whether there are circumstances that do not justify payment of deferred variable remuneration of Identified Staff or justify claw back.

Ex ante, and ex post re-assessment processes

Within APG AM, ex ante adjustment and ex post (re)assessment (after award, vesting or payment of variable remuneration including malus and claw back) of performance is applied based on parameters included in internal policies. Ex ante assessment and malus is applied to Identified Staff. The claw back applies to all (former) employees of APG AM. The Review Committee Remuneration advises the APG AM Management Board on the decision whether the deferred part of the variable remuneration of Identified Staff should be paid.

Risk Analysis

APG AM carries out regular risk analyses to determine whether the APG AM Remuneration Policy, and the approach to variable remuneration, in particular, could potentially lead to adverse remuneration incentives, despite the various controls that are in place.

Risk control measures

The most important risk control measures are:

- In the Netherlands, only employees with a direct link to investment results, are eligible for variable remuneration;
- A maximum variable remuneration (based on a maximum ratio between fixed and variable remuneration) has been determined for every position that qualifies for variable remuneration;

- Positions that are eligible for a maximum variable remuneration equal to a certain ratio of annual fixed remuneration require prior approval of the APG AM Management Board;
- Variable remuneration is awarded based on realized pre-agreed performance targets comprised of at least 50% non-financial performance targets;
- Variable remuneration will not be awarded if no performance targets have been timely agreed and recorded;
- Ex ante and ex post re-assessment processes including malus and claw back are in place;
- A deferral scheme applies to individual variable remuneration for Identified Staff;
- The total amount of variable remuneration to be paid in any year may not adversely affect the healthy financial position of APG AM, its subsidiaries and/or the investment institutions managed by APG AM;
- The budgets for variable remuneration are annually approved by the Management Board;
- In accordance with our governance, the shareholder, upon the advice of the APG AM Supervisory Board, approves the remuneration of the high earners, as defined in our policy, and the APG AM Supervisory Board supervises the remuneration of the heads of control staff. APG AM, in its capacity as shareholder of its subsidiaries, approves the remuneration of the local statutory board members;
- Internal Audit audits the application of the APG AM Remuneration Policy and the policies of the foreign subsidiaries regularly;
- APG AM complies with the applicable annual reporting and any additional disclosure requirements on remuneration.

Remuneration of the APG AM Management Board and APG AM Supervisory Board members

Upon the proposal of the APG AM Supervisory Board, the shareholder determines the individual remuneration of the members of the APG AM Management Board. The shareholder also determines the remuneration of the members of the APG AM Supervisory Board. The APG AM Management Board members and APG AM Supervisory Board are not eligible for variable remuneration.

Details on application of the APG AM Remuneration Policy over the preceding financial year

Details on the application of the APG AM Remuneration Policy over the preceding financial year can be found in the annual report of APG Groep NV, published on APG's website:

<https://apg.nl/en/about-apg/annual-report-2022/>.

Details disclosed in the annual report of the investment funds managed by APG AM contain information about the remuneration of employees who qualify as Identified Staff.