

Periodic Disclosure for the APG Alternative Credit Pools

July 2023



1. APG Alternative Credit Pool

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

Product name: APG Alternative Credit Pool

Legal entity identifier: 549300BUPUURJJBXUZ38

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

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

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



To what extent were the environmental and/or social characteristics promoted by this financial product met?

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

Corporate Exclusion Policy

The Corporate Exclusion Policy applies to this product.

Sustainable Development Investments²

The exposure to companies which contribute to the UN Sustainable Development Goals (SDGs) is measured for this product.

UNGC Principles

Investments in this product adhere to the UN Global Compact Principles (Human Rights, Labor, Environment and Anti-Bribery). APG expects General Partners to agree to take into account the UN Global Compact Principles in legal documentation when making investments. This requirement applies to most investments. There are some legacy investments to which the requirement did not apply.

ESG Integration and Transparency

This product promotes ESG integration and reporting by external managers in their investment processes.

ESG Integration

This product assesses ESG integration, through diligence and ongoing engagement with managers. Progress is tracked in our ESG Tracking tool and updated on an ongoing basis. This product engages with external managers to ensure that they behave consistently with their RI policy and agreed-upon ESG fund terms; to address identified gaps in their ESG practices; and to discuss other topics that may arise which, in our view, contribute to their ability to create and sustain long-term value. This product completes a Planet RI scorecard for each external manager on an annual basis.

ESG Transparency

This product requires annual reporting by external managers on ESG integration through completing an annual APG ESG questionnaire. This requirement applies to most investments. There are some legacy investments to which the requirement did not apply.

1) For more information about the Sovereign Exclusion Policy, Corporate Inclusion Policy and the Sustainable Development Investments approach, please see: <https://apg.nl/en/about-apg/asset-management/responsible-investment/>.

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

PRI Signatories

This product encourages external managers to become signatories to the UN Principles for Responsible Investing.

Identification of Severe ESG Incidents

This product uses an external service provider platform to identify severe ESG incidents. Also, this product requires the external managers to report any controversies or material incidents relating to ESG. The external managers are also requested to provide information on any corrective action that has been taken in respect thereof, following up with regular updates until the incident has been resolved.

Principal Adverse Sustainability Indicator	
Indicator	Metric
PAI # 10	Violation of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
PAI # 11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
PAI # 14	Exposure to controversial weapons

How did the sustainability indicators perform?

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

Sustainability Indicator	Description	Metric	Observations over reporting period
Corporate Exclusion Policy	The sustainability indicator to measure adherence to the Exclusion Policy is the absence of excluded products/ companies in this financial product.	Based on the Exclusion Policy, no investments in controversial weapons or other excluded products/ companies are made.	All managers have confirmed implementation of the latest exclusion policy, which includes no controversial weapons.
Sustainable Development Investments	The exposure to companies which contribute to the UN Sustainable Development Goals (SDGs) is measured for this product.	The sustainability indicator to measure SDIs is the % of investments classified as SDIs versus the overall NAV of this product.	3.6% of NAV This number is the average % over the first 3 quarters of 2022.

Sustainability Indicator	Description	Metric	Observations over reporting period
UNGC Principles	Investments in this product adhere to the UN Global Compact Principles (Human Rights, Labor, Environment and Anti-Bribery). APG expects General Partners to agree to take into account the UN Global Compact Principles in legal documentation when making investments. This requirement applies to most investments. There are some legacy investments to which the requirement did not apply.	The sustainability indicator to measure this E/S characteristic is the share of managers who agreed to take into account the UN Global Compact Principles when making investments.	95% of funds have agreed to take into account the UN Global Compact Principles in legal documentation when making investments. There is one legacy investment (5% of NAV) where this does not apply.
ESG Integration	This product assesses ESG integration by managers through diligence and ongoing engagement with managers. Progress is tracked in our ESG Tracking tool and updated on an ongoing basis. This product engages with external managers to ensure that they behave consistently with their RI policy and agreed-upon ESG fund terms; to address identified gaps in their ESG practices; and to discuss other topics that may arise which in our view contribute to their ability to create and sustain long-term value. This product completes a Planet RI scorecard for each external manager on an annual basis.	The sustainability indicator to measure attainment of this E/S characteristic is whether the managers have complied with conditions and recommendations from the investment approval and how the external managers have been scored in the annual Planet RI scorecard.	The conditions from the investment proposals have been met for 89% of funds. There are legacy funds where the conditions were not applicable (11% of total funds). We are engaging with managers on the recommendations from the investment proposals. In 2022, we have developed a Planet RI scorecard for all funds in the product (scale 0-5). 25% of funds were rated 4 and higher. 31% of funds were rated between 3 and 4. There are recent funds initiated at the end of 2022 where the scorecard was not conducted (16% of total funds).

Sustainability Indicator	Description	Metric	Observations over reporting period
ESG Transparency	This product requires annual reporting by external managers on ESG integration through completing an annual APG ESG questionnaire. This requirement applies to most investments. There are some legacy investments to which the requirement did not apply.	The sustainability indicator to measure the attainment of this E/S characteristic is the percentage of managers reporting to us on ESG.	47% of the funds reported on ESG in 2022. 21% of the funds are due to report on 2022 in 2023. The remaining funds were initiated at the end of 2022 (and are expected to report in 2023) or are legacy investments (where the ESG reporting was not applicable at that point in time).
PRI Signatories	This product encourages external managers to become signatories to the UN Principles for Responsible Investing.	The sustainability indicator to measure this E/S characteristic is the share of managers who are signatories to the UN Principles for Responsible Investing.	100% of the managers
Identification of severe ESG incidents	This product uses an external service provider platform to identify severe ESG incidents. Also, this product requires the external managers to report any controversies or material incidents relating to ESG. The external managers are also requested to provide information on any corrective action that has been taken in respect thereof, following up with regular updates until the incident has been resolved.	On a quarterly basis this product reports the aggregated number of severe incidents to the clients.	The clients of this product have been notified on the aggregated number of severe & very severe incidents on a quarterly basis in 2022.



How did this financial product consider principal adverse impacts on sustainability factors?

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

Principal Adverse Sustainability Indicator	Description	Consideration	Observations over reporting period
PAI # 10	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.	Companies are monitored using a third party data provider for violations of the Global Compact and OECD Guidelines.	There was one company identified in violation of the UN Global Compact and /or OECD Guidelines (0.3% = value of conflicting company / total NAV) as of Q3 2022

PAI # 11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Based on legal documentation (i.e. side letter provisions) external managers have agreed to take into account the UN Global Compact Principles in connection with each portfolio investment, subject to its fiduciary obligations to the partnership and its obligations under the express terms of the partnership agreement. This requirement applies to most investments. There are some legacy investments to which the requirement did not apply.	We have been monitoring the external managers on compliance mechanisms during the reporting year. No investments were made over the period for which this obligation was waived.
PAI # 14	Exposure to controversial weapons	Based on the Corporate Exclusion Policy, no investments in controversial weapons are made.	No investments in controversial weapons were made i.e., 0% exposure.



The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 2022 (average four quarters)

What were the top investments of this financial product?

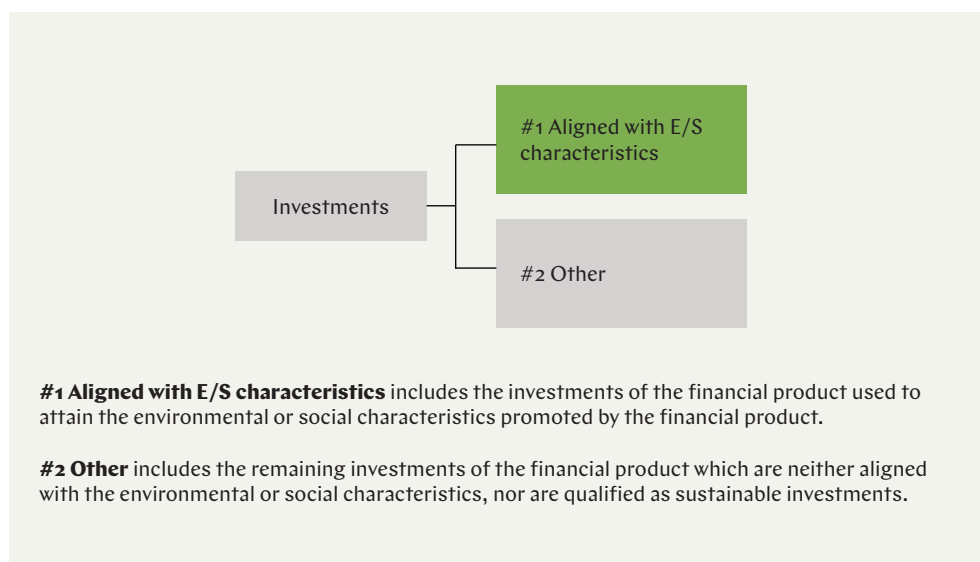
#	Largest Investment	Sector	In % of NAV	Country
1	Ares European Credits Strategies Fund III (A)	Various	11%	Europe
2	Fasanara Investments III S.A., SICAV-RAIF	Various	10%	Global
3	Schroder Distressed Mortgage Opportunities	Various	10%	United States
4	APG Alternative Structured Credits EU	Various	9%	Europe
5	LCM Partners CO Ib SLP	Various	8%	Europe
6	Owl Rock Opportunistic Fund, L.P.	Various	7%	United States



Asset allocation describes the share of investments in specific assets.

What was the proportion of sustainability-related investments?

● **What was the asset allocation?**



Aligned with E/S characteristics (100%):

The investments are all aligned with E/S characteristics, as these are all subject to exclusion policies.

Other (0% , average of last 4 quarters):

Derivatives, cash and other products are not subject to the inclusion and exclusion policy.

In which economic sectors were the investments made?

Table below reflects sectoral composition based on fair market value as of a specific date (Q3 2022). The composition may materially change from period to period due to new investments made, realizations in the portfolio, and mark to market adjustments.

#	Economic sector	% of Net Asset Value
1	Financials ³	58%
2	Consumer Discretionary	10%
3	Information Technology	9%
4	Industrials	8%
5	Real Estate	6%
6	Health Care	5%
7	Communication Services	2%
8	Consumer Staples	1%

Values as of Q3 2022. Exposures below 1% of NAV are not included.

³) This includes securitizations, mortgage loans and other (consumer/SME) loans



What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

Investments in “other” are related to derivative exposure. Derivatives are only used for efficient portfolio management and risk management purposes in accordance with the Dutch Pension Act (Pensioenwet). Safeguards are not applicable for these products.



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

Exclusion

Companies on the exclusion list were not invested in. Companies engaged in the tobacco nuclear and cluster munition business were excluded.

SDI ambition

The product contributes towards a longer term SDI ambition as per 2025 of 20% of AuM. Where possible, the goal is to work towards not interfering with the risk/return characteristics of the product, in the current year the product is. The product will choose a SDI investment over a non-SDI investment when possible and when risk/return characteristics are aligned between the two investments. These kinds of choices have been made during the year for numerous investments.

Other

Other binding requirements were in place to (for fund investments as of 2020):

- Provide APG with ESG reporting;
- Take into account the UN Global Compact Principles;
- Report material ESG incidents to APG.