

SFDR - Information on the integration of sustainability risks in the remuneration policies

The SFDR (Article 5) requires financial market participants and financial advisors to demonstrate and disclose how their remuneration policy is consistent with integrating sustainability risks. APG Asset Management has adopted a remuneration policy that enables us to attract and retain qualified employees with integrity. The remuneration policy is set-up to prevent excessive sustainability risks. The possible risks associated with variable remuneration are mitigated by a policy that is based on objectives related to responsible investing.

The variable remuneration is based on objectives related to responsible investing which form an integral part of their incentive structures and performance reviews. This means that employees are expected to contribute to identifying sustainability risks in order to be able to avoid them negatively impacting the investment return, and to implementing the clients' policies.

The responsible investment policies of APG AM are based on eight principles, one of which is that responsible investment is an integral part of the investment process. Investment teams integrate sustainability considerations in the valuation models of their investments.

The remuneration policies ensure consistency between the remuneration policies and environmental, social and governance investment risks and sustainable investment objectives of APG AM and our clients. In line with the SFDR, sustainability targets are set to ensure:

- 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.

At the start of each year, individual and collective targets are determined for all APG AM investment staff. Targets for investment staff 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 including sustainability risks. Following relevant policies, targets for investment staff consist of 50% quantitative and 50% qualitative targets.

Responsible investment is fully incorporated in the performance targets that are set for employees with a direct link to investment results that are eligible for variable remuneration. Responsible investment targets are reflected in individual and collective qualitative performance targets. All investment staff who are eligible for variable remuneration have sustainability goals in the form of targets on responsible investments. In aggregate, responsible investment targets make up a substantial part of overall variable remuneration.

The collective qualitative targets include a responsible investment scorecard; Global targets on carbon / CO₂ reduction are set annually and a target is incorporated for APG own reductions: halving CO₂-emissions of business/air travel and commuting by 2030. The realization is calculated by Business Control to assure objectivity.

The individual qualitative target framework includes a collection of possible responsible investment targets which has a weight of 50% of the individual qualitative targets. The foremost objective is to deliver on client specific RI ambitions. Relevant targets are customized and set to reflect the function and role of the individual. These targets are focused on several aspects of responsible investments: policy & process, product development and tooling & evidence.