

Mandatory Website Disclosure APG Emerging Market Debt Pool

January 2025

APG Emerging Market Debt Pool

Mandatory website sections

a) 'Summary'

Investment strategy

The purpose of the APG Emerging Market Debt Pool is primarily to provide access to emerging market debt investments, mainly consisting of sovereign and quasi-sovereign debt securities (both in hard and local currency). In addition, the manager will endeavour to maximize the return relative to the benchmark in a cost efficient manner while complying with the applicable investment restrictions.

Good governance practices are not applicable to this Pool.

No sustainable investment objective

This Pool promotes environmental and social (E/S) characteristics but does not have sustainable investments as its objective.

Proportion of investments

The E/S characteristics apply to all investments in this product, with the exception of derivatives and cash.

Environmental and/or social characteristics

The Pool promotes the following E/S characteristics:

1. Exclusion Policy
2. Contribution to the United Nations Sustainable Development Goals (SDGs)
3. ESG-integration

Monitoring and methodologies for E/S characteristics

The monitoring and methodologies used to measure the attainment of the E/S characteristics vary per characteristic as summarized below:

1. Exclusion Policy: monitoring by semi-annual update of the Exclusion list and publication on clients' websites.
2. Contribution to the SDGs: identification of SDIs by portfolio management based on the SDI Taxonomy & Guidance, and monitoring on SDI dashboard.
3. ESG-integration: Inclusion classifications are systematically evaluated and validated every six months in so-called Major Revisions. The Inclusion policy applies to the quasi-sovereign investments and corporate issuers in this Pool, meaning that for corporate issuers, the investment team checks the Inclusion classifications of issuers before participating in new issuances or purchasing bonds in secondary markets. The Pool only invests in issuers which meet our minimum ESG-criteria.

Data sources and processing

The collection and processing of data is done in multiple ways. It often requires the collection of data from a variety of sources, both internal and external. Integrating different sources into a consistent dataset can be

complicated, especially when it comes to different data formats. In general, processes are automated as much as possible to reduce operational risks. The use of estimated data is limited and does not affect how the E/S characteristics promoted by the Pool are met.

Limitations to methodologies and data

Sustainability-related data is still less mature than regular financial data and qualitative performance assessments are often translated into numeric values. Generally, we recognize the limitations of the methodologies and data sources for sustainability-related data such as the lack of consistent and transparent measurement methodologies and data assessment processes, and the limited availability, comparability and quality of data.

Due diligence

The first line Operational Due Diligence (ODD) function is responsible for the ODD activities in relation to external mandates. The first line ODD function comprises the PMs and ODD Team, with the former having ultimate responsibility for the external mandates they manage on behalf of clients.

Engagement policies

The EMD team engages with sovereigns in certain areas, such as encouraging the development of a green bond framework or specific RI-dedicated issuances, such as for example blue and green bonds.

Designated reference benchmark

Not applicable.

b) 'No sustainable investment objective'

This Pool promotes environmental and/or social characteristics but does not have sustainable investments as its objective.

c) 'Environmental or social characteristics of the financial product'

This Pool promotes the following E/S characteristics:

1. Exclusion Policy
2. Contribution to the United Nations Sustainable Development Goals (SDGs)
3. ESG-integration

d) 'Investment strategy'

The purpose of the Pool is primarily to provide access to emerging market debt investments, mainly consisting of sovereign and quasi-sovereign debt securities (both in hard and local currency). In addition, the manager will seek to maximize the return relative to the benchmark in a cost efficient manner while complying with the applicable investment restrictions.

The Pool has a strong focus on generating stable (excess) returns with diversification in terms of investment strategies and return drivers as a key component. Assessing concentration risk is an important part of the overall risk management, especially drawdown risk.

Important drivers of excess returns are: country selection, currency selection, duration positioning, sector allocation and issue selection.

Fundamental analysis is at the heart of the top-down asset class and bottom-up country research, and quantitative tools are used to support our qualitative assessment.

All the E/S characteristics this Pool promotes are binding elements of the investment strategy.
Good governance practices are not applicable to this Pool.

e) 'Proportion of investments'

The vast majority of investments included in this Pool are classified as “#1 Aligned with E/S characteristics”.

This Pool adheres to the Sovereign Exclusion Policy. This Pool invests partly in green, social and sustainability bonds which contribute to the Sustainable Development Goals (SDGs).

The Sustainable Development Investments (SDIs) approach applies to all investments (excluding derivatives and cash). The percentage of SDIs is calculated against the total value of the portfolio.

f) 'Monitoring of environmental or social characteristics'

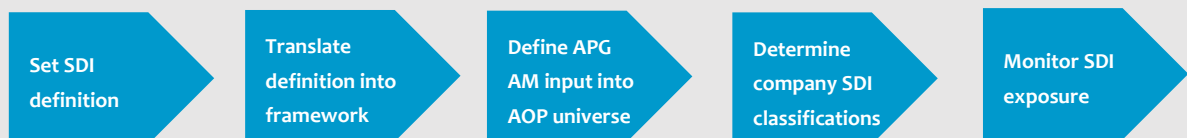
The E/S characteristics this Pool promotes and the sustainability indicators used to measure the attainment thereof are described below:

1. Exclusions

The Exclusion list is updated every 6 months (per 1 December and 1 June). The Responsible Investment Execution team reviews corporate involvement assessments of external research providers and, based on its proprietary analysis, recommends any necessary changes to the Exclusion list. Based on this proposal, two months before December or June 1st, the Responsible Investment Committee (RIC) decides on any changes to the Exclusion list to allow for internal decision making, client reconfirmation, and adequate ability to sell. Upon approval, the Exclusion list is formally communicated by the CIO to the organization and teams responsible for external managers. Relevant benchmarks are subsequently updated per December and June and the updated Exclusion list is published on clients' websites.

2. Contribution to the United Nations Sustainable Development Goals (SDGs)

Investment teams identify investments which qualify as Sustainable Development Investments (SDIs) according to the SDI Taxonomy & Guidance. The SDI methodology was established by a multidisciplinary team, with representatives from the investments teams, legal, risk and fiduciary management. APG AM's Responsible Investment Board approves the SDI methodology, which is re-assessed at least once a year. The end-to-end process regarding SDIs looks as follows:



This end-to-end SDI process contains the following elements:

- Setting an SDI definition and translating it into the assessment framework;
- Classifying SDIs (companies/assets) either using externally or internally generated data;
- Monitoring and Reporting of SDI exposure.

Once the SDI classification is confirmed, the investment teams will implement the SDI classification in their portfolios as part of their general portfolio management activities.

The methodology applied in determining whether a company can be classified as an SDI consists of several steps as further described in the [SDI AOP Taxonomy and Guidance](#).

To monitor progress against SDI ambitions, investment teams have access to an SDI dashboard which provides an overview of the latest (and historic) SDI exposure. In addition to the teams being able to monitor their SDI exposure directly themselves the Responsible Investment Committee also monitors progress against the ambitions at a total and asset class level and, if deemed necessary, provides an update to the Management teams of the investments.

3. ESG-integration

The list of Inclusion classifications is input to (a) the list of securities delivered to the index provider, and (b) the list of securities delivered to internal investment teams/ external managers to determine which companies they can invest in. Inclusion classifications are systematically evaluated and validated every six months in so-called Major Revisions. The Inclusion policy applies to the quasi-sovereign investments and corporate issuers in this Pool, meaning that for those issuers, the investment team checks the Inclusion classifications before participating in new issuances or purchasing bonds in secondary markets, and will engage with issuers that do not meet the minimum ESG-criteria. The Pool only invest in companies that meet our minimum ESG-criteria on:

- a. Climate
- b. Nature, Circularity & Biodiversity
- c. Human & Labour rights
- d. Business Integrity, and
- e. Investor Alignment

g) 'Methodologies for environmental or social characteristics'

1. Exclusions

The Pool does not invest in countries that are involved in certain (undesirable) activities. This relates to:

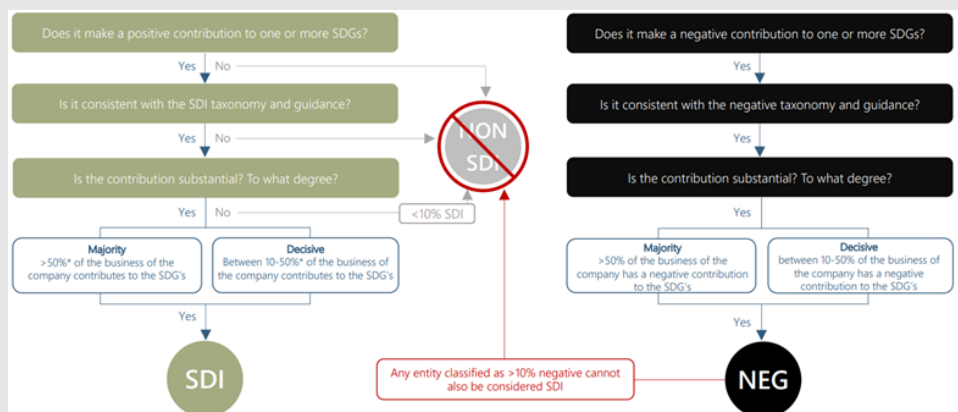
- Exposure to investments in bonds of countries subject to a binding UN and/or EU arms embargo.

Regarding EU arms embargoes we refer to binding arms embargoes that are based on an EU Council Decision. All bonds from sovereign and sub-sovereign issuers are in scope of sovereign exclusions. This includes bonds issued by provinces or municipalities. Bonds issued by quasi-sovereigns, agencies, multilateral and unilateral banks, state-owned enterprises, etc. are not in scope.

2. Contribution to Sustainable Development Goals

Portfolio managers assess if the products and services of investments contribute to the achievement of the Sustainable Development Goals (SDGs), such as sustainable energy, safe and sustainable cities, decent work and economic growth, and health and well-being. The assessment by portfolio managers of Sustainable Development Investments (SDIs) is based on the methodology as set out in the SDI AOP Taxonomy and Guidance.

The SDI methodology was established by a multidisciplinary team, with representatives from the investments teams, legal, risk and fiduciary management. When companies contribute to these goals with their products and services, our investments in those companies are considered to be Sustainable Development Investments (SDIs).



3. ESG-integration

The list of Inclusion classifications is input to (a) the list of securities delivered to the index provider, and (b) the list of securities delivered to internal investment teams/ external managers to determine which companies they can invest in. Inclusion classifications are systematically evaluated and validated every six months in so-called Major Revisions. The Inclusion policy applies to the quasi-sovereign investments and corporate issuers in this Pool, meaning that for those issuers, the investment team checks the Inclusion classifications before participating in new issuances or purchasing bonds in secondary markets. The Pool only invest in companies that meet our minimum ESG-criteria on:

- a. Climate
- b. Nature, Circularity & Biodiversity
- c. Human & Labour rights
- d. Business Integrity, and
- e. Investor Alignment

h) 'Data sources and processing'

To attain the E/S characteristics promoted by this Pool we use data from different sources. The table below shows the sources and limitations per data source.

E/S characteristic	Data source	Data limitations
Exclusion	Proprietary research, Sustainalytics, ISS ESG	Negligible.
Contribution to SDGs	SDI: SDI-Asset Owner Platform	Limitations in coverage, quality and consistency of the data. The data is made accessible with a delay.
ESG-integration	Sustainalytics, MSCI, ISS, Global Coal Exit List (GCEL)	Limitations in coverage, quality and consistency of the data. The data is made accessible with a delay.

Measures taken to ensure data quality

Before data vendors are selected, several aspects are checked, including the data quality of the vendor, methodologies used, coverage and completeness of data. During the reporting process, sanity checks are performed to ensure data quality and completeness before incorporation in sustainability disclosures. Data providers are assessed annually.

Data Processing

The collection and processing of data is done in multiple ways. It often requires the collection of data from a variety of sources, both internal and external. Integrating different sources into a consistent dataset can be complicated, especially when it comes to different data formats. In general, processes are automated as much as possible to reduce operational risks.

Proportion of data that is estimated

The proportion of data that is estimated is limited and does not affect how the E/S characteristics promoted by the Pool are met.

i) 'Limitations to methodologies and data'

Sustainability-related data is still less mature than regular financial data and qualitative performance assessments are often translated into numeric values. Generally, we recognize the limitations of the methodologies and data sources for sustainability-related data such as the lack of consistent and transparent measurement methodologies and data assessment processes, and the limited availability, comparability and quality of data.

The limitations to the methodologies used to attain the E/S characteristics promoted by the Pool are described in section h: data sources and processing. Such limitations do not affect how the E/S characteristics promoted by the financial product are met.

j) 'Due diligence'

The first line Operational Due Diligence (ODD) function is responsible for the ODD activities in relation to external mandates. The first line ODD function comprises the PMs and ODD Team, with the former having ultimate responsibility for the external mandates they manage on behalf of clients. The most important steps while carrying out an ODD are:

- Trigger: new investment proposal, a scheduled periodic ODD, or an ad hoc request.
- Carry out a 'financial economic crime due diligence (FEC DD) by the ODD Desk on external party.
- Prepare and submit a due diligence questionnaire and additional information.
- Conduct profound desk research to assess the organizational set-up of the external party.
- Prepare an ODD agenda and have ODD interviews with senior management of the external party.
- Draft an ODD report based on insights gained via prior steps.
- If the report was drafted by portfolio managers, a peer review will be carried out by a specialist of the 1st line ODD Desk to ensure quality and a consistent approach across asset classes.
- Finalize the ODD report.

Further sustainability-related due diligence processes which apply to this Pool involve those described in the RI Implementation Guidelines for the asset classes invested in by this Pool, and the internal Business Process Manuals for the applicable RI policies. These set out the sustainability-related due diligence and monitoring processes and tools for the underlying assets.

k) 'Engagement policies'

The EMD team invests mostly in sovereign bonds, for which the scope of engagement and potential influence is typically narrower than with corporates. However, the EMD team does engage or start a dialogue with sovereigns in certain areas, such as encouraging the development of a green bond framework or specific RI-dedicated

issuances, such as for example blue and green bonds. Additionally, the EMD team also engages with other industry stakeholders and participants on the matter of RI and Impact investments.

I) 'Designated reference benchmark'

Not applicable.