

# Periodic Disclosure for the APC Developed Markets Equity Pool

July 2023



## 5. APG Developed Markets Equity 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 Developed Markets Equity Pool

**Legal entity identifier:** 549300EK1T36E331O54

**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 <b>sustainable investments with an environmental objective:</b> ____% <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 <b>sustainable investments with a social objective:</b> ____%	<input type="checkbox"/> It <b>promoted Environmental/ Social (E/S) characteristics</b> and while it did not have a sustainable investment as its objective, it had a proportion of ____% of sustainable investments <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 <b>did not make any sustainable investments</b>



## 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 characteristics<sup>1</sup>:

### Corporate Exclusion Policy

The Corporate Exclusion Policy applies to this product. The product does not invest in the following, based on the exclusion policy:

- Controversial and nuclear weapons;
- Tobacco.

The exclusion lists have been updated twice a year and communicated with:

- The benchmark provider: MSCI;
- External managers involved in this product;
- APG Internal portfolio managers.

In the reporting year, there were no investments made by the investment product related to companies involved in the production or sales of controversial weapons, nuclear weapons, or tobacco. Hence, the investment product promoted these E/S characteristics entirely during the year.

### Corporate Inclusion Policy

The Corporate Inclusion Policy applies to this product. Via corporate inclusion, the product engages with companies which are not up to standards with the policy. Companies are classified through the following classification order:

- Leaders;
- Laggards.

To invest in a laggard, the portfolio managers have an obligation to engage with the company. The company then turns into a potential improver. When engagement is successful, the company turns into a leader. When engagement is not successful and is not expected to be successful in the future, the company is divested from.

### Carbon footprint reduction target

The product has a carbon footprint reduction target. The target is based on a baseline from 2015. The reduction from this baseline is targeted at 50% due in 2025. The carbon footprint was per year-end **102.91 tCO<sub>2</sub>e/mEUR** is **43%** below the baseline and therefore the target is almost met before 2025.

Furthermore, the product excludes companies which are lagging on climate. These are Energy companies which are lagging the implementation of the Paris Agreement. The companies as part of this ESG policy are also excluded from the reference benchmark.

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

## Sustainable Development Investments<sup>2</sup>

This product actively seeks investments in the investable UN Sustainable Development Goals (SDGs). An ambition has been set for this product to invest 20% of assets under management in Sustainable Development Investments (SDIs) by 2025. The value of the SDI's as percentage of total NAV of the pool was **19.6%**. This was the latest datapoint at Q3-2022. The SDI ambition is therefore almost met, before the targeted date of 2025.

Sustainability Indicators	
Environmental	
Indicator	Metric
PAI # 1	GHG emissions scope 1+2
PAI # 2	Carbon footprint
PAI # 4	Exposure to companies active in the fossil fuel sector
Social	
Indicator	Metric
PAI # 10	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
PAI # 13	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members.
PAI # 14	Share of investments in investee companies involved in the manufacture or selling of 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 Indicators				
Environmental				
Indicator	Metric		Explanation	Outcome
PAI # 1	GHG emissions	Scope 1 GHG emissions	Scope 1 and 2 emissions of the investments in this product are measured and monitored. Scope 3 emissions of the investments in this product are not measured. Reference value: this is the carbon footprint baseline value as the product is steered based on carbon footprint.	The average <b>GHG emission</b> for the portfolio, averaged over four quarters was: <b>68.616 tCO<sub>2e</sub></b> .
		Scope 2 GHG emissions		

<sup>2</sup>Please note that Sustainable Development Investments do not constitute sustainable investments as defined by SFDR.

**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.

PAI # 2	Carbon footprint	Carbon footprint	Based on our carbon footprint target <sup>3</sup> , we measure how much carbon is emitted by companies this product invests in and how much of this is attributable to these companies. Reference value baseline 2015: 181.88	The average <b>Carbon Footprint</b> for the portfolio, averaged over four quarters was: <b>72 tCO<sub>2</sub>e/mEUR</b> .
PAI # 4	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	A number of companies active in the fossil fuel sector will be sold based on the Corporate Inclusion Policy. These concern energy and utility companies that we believe to be lagging on climate change. These companies will be divested and subsequently excluded from the benchmark. Reference value: 0 energy companies lagging on climate in portfolio.	All the <b>Energy</b> companies which are marked as companies <b>lagging on climate</b> have been divested in 2022. This is part of the inclusion policy. For those companies the exposure is <b>0</b> .

3) For more information about the carbon reduction target, please see: <https://apg.nl/en/about-apg/asset-management/responsible-investment/>.

Sustainability Indicators				
Social				
Indicator	Metric		Explanation	Outcome
PAI # 10	Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Based on the Corporate Inclusion Policy this product does not invest in companies involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises. Reference value: 0 UNGC violators in the portfolio.	<b>0</b> companies. All the UNGC violators have been divested in 2022. We have reviewed any UNGC violations twice a year, during the same frequency as the benchmark adjustments. June 1st and December 1st.
PAI # 13	Board Gender Diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	Board gender diversity is addressed through the APG Corporate Governance Framework and Voting Policy <sup>4</sup> . The average ratio of female to male board members in investee companies of this product is addressed in our voting behavior which is based on our expectations around board composition and diversity. Reference value: there is no minimum reference value for this metric. The following policy is used: “To express our expectations around board diversity, APG will vote against or withhold votes from incumbent nominating committee members if the board lacks at least one female and one racially diverse director, and if the board is not at least 30% diverse. If the company does not have a formal nominating committee, APG will vote against or withhold votes from the entire board of directors except new nominees. This policy is applied whenever company disclosures allow ISS to classify the board and ISS DataDesk has such information profiled”	608 votes against management when electing a new board member, because of board diversity concerns.

4) For more information about the APG Corporate Governance Framework and Voting Policy, please see: <https://apg.nl/en/about-apg/asset-management/responsible-investment/>.

PAI # 14	Exposure to controversial weapons.	Share of investments in investee companies involved in the manufacture or sale of controversial weapons	Based on the Corporate Exclusion Policy, this product does not invest in controversial weapons. Reference value: 0 investments in companies active in the sale or production of controversial weapons.	0 companies. All the controversial weapon producers have been excluded from the portfolio and the benchmark. We review any UNGC violations twice a year, during the same frequency as the benchmark adjustments. June 1st and December 1st.
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## How did this financial product consider principal adverse impacts on sustainability factors?

Please see the table titled: "How did the sustainability indicators perform?"



## What were the top investments of this financial product?

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)

#	Largest investments	Sector	% Assets	Country
1	Apple Inc	IT	4%	U.S.
2	Microsoft Corp	IT	3%	U.S.
3	Alphabet Inc	Comm.services	2%	U.S.
4	Amazon.com Inc	Cons. Discr	2%	U.S.
5	Tesla Inc	Cons. Discr	1%	U.S.
6	UnitedHealth Group Inc	Health Care	1%	U.S.
7	Ferguson PLC	Industrials	1%	U.S.
8	West Pharmaceutical Services Inc	Health Care	1%	U.S.

9	Jack Henry & Associates Inc P	IT	1%	U.S.
10	Rollins	Industrials	1%	U.S.



**Asset allocation** describes the share of investments in specific assets.

## What was the proportion of sustainability-related investments?

### What was the asset allocation?

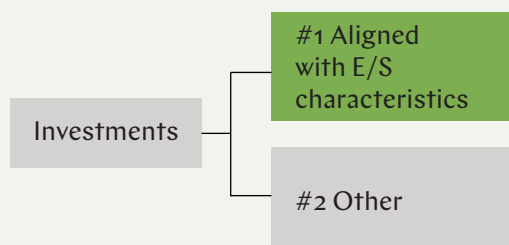
As per year-end 2022:

#### **Sustainability related investments (99%):**

Equities are all sustainability related, as these are all subject to inclusion and exclusion policies.

#### **Other (1%):**

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



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

### In which economic sectors were the investments made?

- Information Technology
- Health Care
- Financials
- Consumer Discretionary



- Industrials
- Consumer Staples
- Communication Services
- Energy
- Materials
- Utilities
- Real Estate



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

Derivatives, ETFs and cash. Safeguards are not applicable for these products.



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

#### **Inclusion**

- Laggards are not invested in by the investment teams
- Laggards are engaged with by the Fundamental teams when risk and return characteristics are attractive;
- When engagement is unsuccessful, the companies are divested from;
- UNGC violators are marked as permanent laggards and are divested from;
- Companies lagging on climate are excluded;
- Companies excluded based on the inclusion policy are added to the exclusion list and communicated with the benchmark provider and the external managers.

#### **Exclusion**

The exclusion list has been updated and takes place twice a year. The list of companies producing tobacco, nuclear, and controversial weapons is then updated and communicated with the benchmark provider and external managers.

#### **SDI ambition**

The product is working 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 its current year. The product will choose an 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.

#### **Carbon footprint**

The product steers towards a lower carbon footprint to meet the long term goal of the product. The current year of the product also contributes to this long term goal. The aim of the product is to lower the carbon footprint without changing risk/return characteristics of the product significantly. Investments are weighted against each other and investments with a lower carbon footprint and with the same risk/return characteristics are preferred as compared to alternative companies with the same risk/return characteristics. This weighting is performed on an ongoing basis throughout the year.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

## How did this financial product perform compared to the reference benchmark?

### How does the reference benchmark differ from a broad market index?

Please see below an overview of the reference benchmark weights, split to sectors as compared to the regular benchmark. The regular benchmark is:

- 83% MSCI World index
- 17% MSCI World Mid Cap index

Sector	Reference benchmark weight product	Regular benchmark MSCI World 83%/ MSCI World Mid Cap 17% (in %)	Difference
Energy	2.80	5.50	2.70-
Materials	5.51	5.25	0.26
Industrials	10.81	11.94	1.13-
Consumer Discretionary	10.49	9.93	0.56
Consumer Staples	7.07	7.31	0.24-
Health Care	14.35	13.59	0.76
Financials	14.97	14.20	0.77
Information Technology	19.99	18.92	1.07
Communication Services	6.43	6.12	0.31
Utilities	3.90	3.72	0.18
Real Estate	3.67	3.51	0.16

### How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?

#### Excluded from the benchmark:

- PAI 10 and PAI 14 are completely excluded in the benchmark;
- PAI 4 is partly incorporated in the benchmark, as Energy companies which are

not aligned with the Paris Agreement are excluded from the benchmark, leaving out a significant part of the Fossil Fuel producers.

**Not excluded from the benchmark:**

- PAI 1, PAI 2 and PAI 13 are not part of our benchmark exclusion procedures, but are promoted within the investment product.

● ***How did this financial product perform compared with the reference benchmark?***

Period	Product performance (annualized EUR)	Benchmark performance (annualized EUR)	Excess return (annualized EUR)
YTD 2022	15.20-	14.00-	1.40-
3 year	6.44	6.80	0.36-
5 year	8.25	8.96	0.71-
Since manager inception	12.21	11.87	0.34

● ***How did this financial product perform compared with the broad market index?***

Period	Product benchmark (annualized EUR)	Broad market index (MSCI World)	Excess return (annualized EUR)
YTD 2022	15.20-	12.51-	2.69-
3 year	6.44	6.94	0.50-
5 year	8.25	8.84	0.59-
Since manager inception	12.21	12.03	0.18