

Periodic Disclosure 2023

APG China Fixed Income Pool



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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 China Fixed Income Pool

Legal entity identifier: 549300SYWIIEOV2L8835

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 include 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 checked="" type="checkbox"/> It promoted Environmental/Social (E/S) characteristics and while it did not have a sustainable investment as its objective, it had a proportion of 0,1% of sustainable investments <ul style="list-style-type: none"> <input checked="" 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 type="checkbox"/> It promoted E/S characteristics, but did not make any sustainable investments



Sustainability indicators

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

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 was applied to this product. The product does not invest in companies involved in the production, sale or distribution of:

- cluster munitions;
- anti-personnel mines;
- nuclear, chemical or biological weapons.

Furthermore, the product does not invest in companies involved in the production of:

- tobacco

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

- The benchmark provider Bloomberg;
- External Managers involved in this product;
- APG Internal portfolio managers.

In the reporting year, there was a breach in the portfolio of the Corporate Exclusion Policy. Between March 20th and March 22nd, the portfolio contained a position in a bond which was on the exclusion list based on involvement in cluster munitions. On the day of the purchase, the breach was detected and the process to sell the position was initiated. Per March 22nd, the position has been sold.

Corporate Inclusion Policy

The Corporate Inclusion Policy was applied to this product. The product invested in companies which are classified under the policy as leaders and has excluded or engaged with companies which are classified as laggards. The sustainability indicator to measure adherence to the Corporate Inclusion Policy is the share of leaders in the product, based on the Corporate Inclusion Policy methodology.

Sustainable Development Investments²

This product actively sought for investments that contributed to the Sustainable Development Goals (SDGs). The sustainability indicator to measure SDIs is the % of investments classified as SDIs versus the overall NAV of this product.

Other environmental and social characteristics promoted by this product are:

Sustainability and social indicators	
Indicator	Metric
PAI # 10	Violation of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
PAI # 14	Exposure to controversial weapons

¹ 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/>.

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

How did the sustainability indicators perform?

Sustainability Indicator	Description	Metric	Observations over reporting period	Observations over prior 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 excluded products are made.	Please see previous question. There has been a temporary holding in a company involved in cluster munition. After the holding had been detected the holding was sold.	There were 0 companies identified in controversial weapons
Corporate Inclusion Policy	This product applies an active engagement policy to engage on key governance topics among which matters related to social and employee, respect for human rights, anti-corruption and anti-bribery.	The sustainability indicator to measure adherence to the Corporate Inclusion Policy is the share of leaders in the product, based on the Corporate Inclusion Policy methodology, and the share of average companies in our engagement universe.	Leader: 15.2% Engaged companies: 84.8%	Leader: 26% Engaged companies: 72.3%
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.	3.3% (Reference date Q4 2023)	6.45% (Reference date Q3 2022)

... and compared to previous periods?

Refer to the table above for a comparison with the previous period. No significant differences exist compared to previous periods.

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

While this product is not committed to make sustainable investments, we are obliged to report on the Taxonomy-aligned investments in this product as the product promotes environmental characteristics. Taxonomy-aligned investments, also qualify as sustainable investments under the SFDR and contribute to one of the environmental objectives specified in the Taxonomy Regulation. The Taxonomy aligned investments in the product contributed to climate change mitigation objective.

At this moment, a methodology to measure sustainable investments is under development.

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.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

For Taxonomy-aligned investments the “do no significant harm test” is vested in the Technical Screening Criteria of the Taxonomy Regulation. All Taxonomy-aligned investments meet these criteria.

How were the indicators for adverse impacts on sustainability factors taken into account?

In addition to the Technical Screening Criteria, the Minimum Safeguards of the Taxonomy Regulation have been applied to ensure that all relevant principal adverse impact indicators are taken into account to assess the do no significant harm test. For more information about the extent to which the sustainable investments with an environmental objective were Taxonomy-aligned see: “*To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?*”

By applying the exclusion policy for this product, it is ensured that the product is not exposed to manufacture or selling of controversial weapons.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

By applying the Minimum Safeguards of the Taxonomy Regulation to the Taxonomy-aligned investments in this product we ensure that these investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights through compliance with the requirement around the Minimum Safeguards for Taxonomy-aligned investments. This means that the Taxonomy-aligned investments in this product have implemented appropriate due diligence and remedy procedures to ensure the alignment with the standards for responsible business conduct mentioned in the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



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

Principal Adverse Sustainability Indicators				
Indicator	Metric		Explanation	Observations/data over the reporting period
PAI # 10	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (EOCD) 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	The requirements under the Corporate Inclusion Policy for this product are based on the UNGC principles. The product cannot invest in issuers not meeting these requirements.	No investments were made in companies that violated the UNGC principles and OECD Guidelines.
PAI # 14	Exposure to controversial weapons	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	Based on the Exclusion Policy, no investments in controversial weapons are made.	There has been a temporary holding in a company involvement in cluster munition. After the holding had been detected the holding was sold.



The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: **2023**.

What were the top investments of this financial product?

#	Largest investments	Sector	Country	% Assets
1	China Development Bank	Financial Institutions	China	28.7%
2	Industrial Bank Co Ltd	Financial Institutions	China	5.7%
3	Shanghai Pudong Development Bank Co Ltd	Financial Institutions	China	3.8%
4	Bank of Communications Co Ltd	Financial Institutions	China	3.1%
5	Wilmar International Ltd	Daily Goods	China	2.8%
6	CITIC Group Corp	Financial Institutions	China	2.8%
7	Zhejiang Seaport Investment & Operation Group Co Ltd	Government, Industrial Companies	China	2.8%
8	China Everbright Bank Co Ltd	Financial Institutions	China	2.8%

The top investments are calculated based on a quarterly average as a percentage of Net Asset Value. The country is the country of domicile.



Asset allocation describes the share of investments in specific assets.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

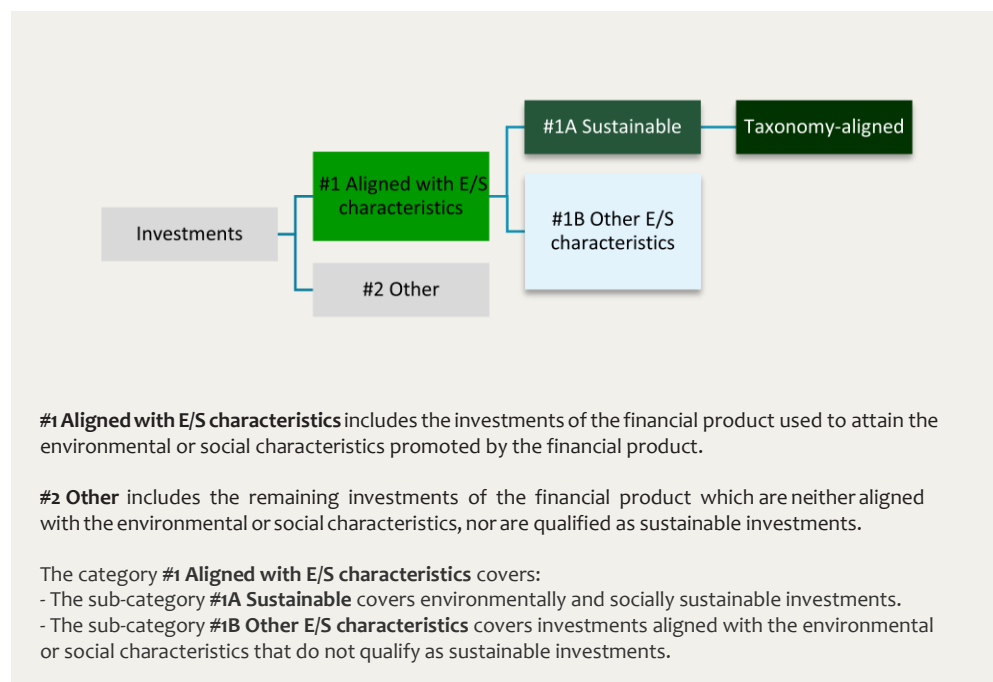
Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

What was the proportion of sustainability-related investments?

● What was the asset allocation?

The asset allocation of this product is split between investments “aligned with E&S characteristics” (100.0%) and “other” (0.0%). The values are calculated based on a quarterly average as a percentage of Net Asset Value.



● **In which economic sectors were the investments made?**

Sector	Subsector	% Assets
Basic Materials		0.6%
Luxurious Goods		2.5%
Telecommunication		0.6%
Daily Goods		3.1%
Energy	Oil, Gas & Consumable Fuels	1.6%
Financial Institutions		63.9%
Government		6.8%
Health Care		1.2%
Industrial Companies		15.6%
Public Utility Companies		4.1%

The sectors are calculated based on a quarterly average as a percentage of Net Asset Value. As required by the SFDR regulation, the subsectors related to fossil fuel are provided.



To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Through its investments, the product contributes to the following environmental objectives as set out in article 9 of the EU Taxonomy:

- Climate change mitigation: 0.1%
- Climate change adaptation: 0.0%

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

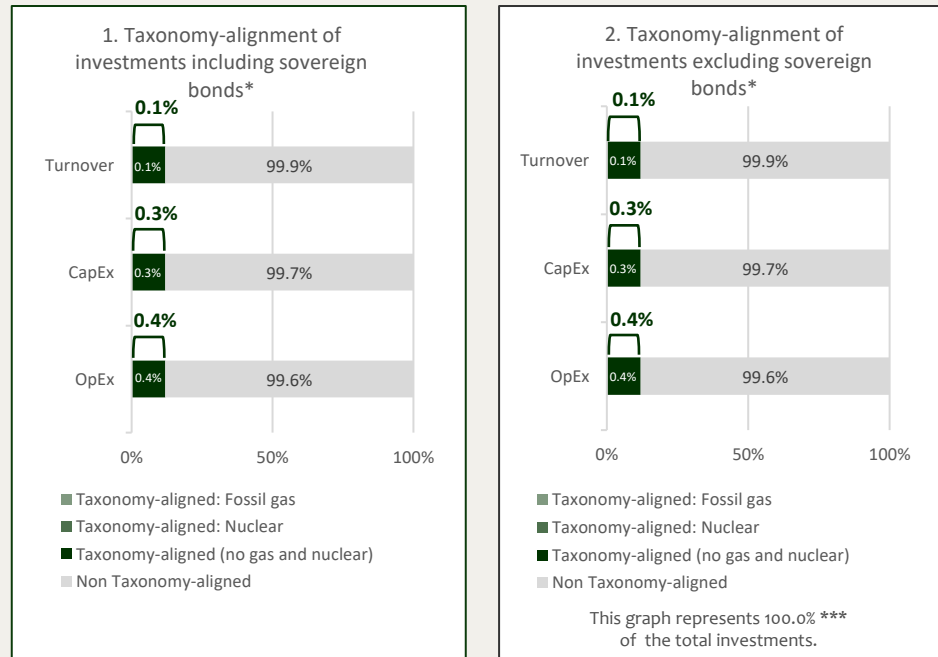
The figures provide the share of taxonomy aligned activities as a share of turnover. The taxonomy-alignment percentages are calculated based on a quarterly average. In limited cases in which the company did not publicly report on their taxonomy-alignment, equivalent information where obtained from a third party data provider. The requirements laid down in Article 3 of Regulation (EU) 2020/852 were neither subject to an assurance provided by an auditor nor reviewed by a third party.

• **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy³?**

- Yes:
- In fossil gas In nuclear energy
- No

³ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds**.



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.
 ** For the purpose of readability, the shaded areas in the graph are zoomed in. The size of these areas therefore no longer matches their relative proportion compared to the total.
 *** For the purpose of these graphs, the sovereign bond exposure is determined based upon the BICS classification Central Banks, Sovereign Governments and Supranationals.

The taxonomy-alignment percentages are calculated based on a quarterly average. In limited cases in which the companies did not publicly report on their taxonomy-alignment, equivalent information were obtained from a third party data provider. The requirements laid down in Article 3 of Regulation (EU) 2020/852 were neither subject to an assurance provided by an auditor nor reviewed by a third party.

What was the share of investments made in transitional and enabling activities?

The product invested 0.1% of its investments in enabling activities and 0.0% in transitional activities.

The figures provide the share of taxonomy aligned transitional and enabling activities as a share of turnover. The taxonomy-alignment percentages are calculated based on a quarterly average. In limited cases in which the companies did not publicly report on their taxonomy-alignment, equivalent information were obtained from a third party data provider. The requirements laid down in Article 3 of Regulation (EU) 2020/852 were neither subject to an assurance provided by an auditor nor reviewed by a third party.

● **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

Not applicable.



What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

Not applicable.



What was the share of socially sustainable investments?

Not applicable.



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?

Inclusion

We evaluate all companies that we can invest in through bonds (the investment universe) based on return, risk, cost and the degree to which they operate sustainably and responsibly. APG AM uses a proprietary method in order to categorize companies as ‘ESG leaders’ and ‘ESG laggards’ on the basis of ESG-criteria. We aim to invest only in companies which are attractive from a return, risk and cost perspective and leading on ESG. Where companies lag behind in terms of ESG performance, we can only invest if we engage with them to improve. Thereby engagement and good stewardship becomes a condition for investing. We call such companies ‘potential improvers’.

Exclusion

We do not invest in manufacturers of weapons that are prohibited by international treaties signed by the Netherlands, tobacco companies, or in companies that manufacture (major components of) nuclear weapons. In the case of government bonds, we do not invest in the bonds of countries on which the UN Security Council or the European Union has imposed a binding arms embargo.



are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under Regulation (EU) 2020/852.

SDI ambition

The product contributed towards a longer term SDI ambition as per 2025 of 20% of AuM. In current year the product was, where possible, working towards that goal without interfering with the risk/return characteristics of the product. When possible the product chose an SDI investment over a non-SDI investment, when risk/return characteristics were aligned between the two investments. These kind of choices have been made during the year for numerous investments.



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?***

Not applicable.

- ***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?***

Not applicable.

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

Not applicable.

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

Not applicable.