

# **Periodic Disclosure for the APG Developed Markets Active Credits Pool**

July 2023

### 3. APG Developed Markets Active Credits 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 Active Credits Pool

**Legal entity identifier:** 549300AD1LG24YH4F775

**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	
<b>Did this financial product have a sustainable investment objective?</b>	
<input type="checkbox"/> <b>Yes</b>	<input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It made <b>sustainable investments with an environmental objective:</b> ____% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <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 <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <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.

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

This product actively seeks for investments that contribute to the Sustainable Development Goals (SDGs).

Sustainability Indicators	
Environmental	
Indicator	Metric
PAI # 2	Carbon footprint
Social	
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

Other environmental and social characteristics promoted by this product are:

### 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 are made.	There were 0 companies identified in 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 sustainable investments as defined by SFDR.

Corporate Inclusion Policy	This product applies an active engagement policy to engage on key governance topics such as: social and employee matters, 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.	On average in 2022, Issuers with a Leader classification amounted to 87% of the universe on which the Inclusion Policy applies.
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.	24,2% (Reference date Q3 2022) Include average over four quarters



**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 this financial product consider principal adverse impacts on sustainability factors?

Principal Adverse Sustainability Indicators				
Indicator	Metric		Explanation	Outcome
PAI # 2	Carbon Footprint	Carbon Footprint	Based on our carbon footprint method, we measure how much carbon is emitted by companies this product invests in and how much of this is attributable to these companies.	The average Carbon Footprint for the portfolio as per Dec 31st, 2022 is 72 tCO <sub>2</sub> e/mEUR.
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 are missing required policies or procedures under the Inclusion policy, or which have been involved in material controversies as defined in the Inclusion policy (Laggards).	The requirements under the Corporate Inclusion Policy for this product are based on the UNGC principles. The product can not invest in issuers not meeting these requirements unless an engagement process is started to rectify the identified shortcomings.	On average in 2022, Issuers with a Laggard classification amounted to 9% of the universe for which the Inclusion Policy applies, which equals 6% of investments.
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.	No investments in controversial weapons were made.



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?

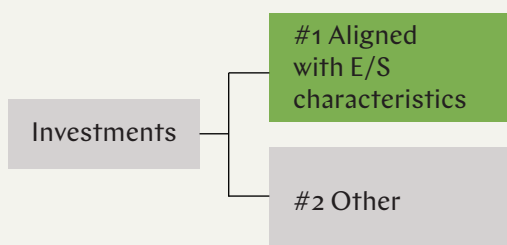
#	Ticker	Name	Exposure (mm)	In % of NAV
1	FN	Fannie Mae	1,345.60	14.7%
2	G2	Ginnie Mae	392.90	4.3%
3	FR	Freddie Mac	199.21	2.2%
4	NR	Vista Mortgages	112.16	1.2%
5	MS	Morgan Stanley	103.31	1.1%
6	EIB	European Investment Bank	102.84	1.1%
7	EU	European Union	94.81	1.0%
8	BAC	Bank of America	92.17	1.0%
9	KFW	Kreditanstalt für Wiederaufbau	88.63	1.0%
10	GS	Goldman Sachs	73.27	0.8%
11	C	Citigroup	71.65	0.8%
12	JPM	JPMorgan	63.21	0.7%
13	CABKSM	Caixa Bank	63.18	0.7%
14	HSBC	HSBC	55.69	0.6%
15	VW	Volkswagen	51.29	0.6%



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

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

● **What was the asset allocation?**



**#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.

#### Aligned with E/S characteristics:

The investments are all aligned with E/S characteristics, as these are all subject to Exclusion policies. The exclusion policy is applicable to 107% of the investments. This percentage is more than 100%, as the market value of the Derivatives is negative (-7%).

The Corporate Inclusion Policy is focused on corporate behavior and is therefore only applicable for corporate issuers, not to structured investments or certain government related entities. In 2022, the Corporate Inclusion Policy applied on average for 65% of our investments.

#### Other:

Derivatives, cash and other products are not subject to the inclusion and exclusion policy. The market value of Derivatives is negative (-7%).

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

#	Economic sector	Exposure (mm)	Average weight % of NAV
1	Banks	2.570	27%
2	Cash & Cash Equivalents	128	1%
3	Communication Services	592	6%
4	Consumer Discretionary	446	5%

5	Consumer Staples	265	3%
6	Energy	333	3%
7	Financials	2.767	29%
8	Government	435	5%
9	Health Care	480	5%
10	Industrials	525	5%
11	Information Technology	188	2%
12	Materials	220	2%
13	Real Estate	191	2%
14	Utilities	626	6%



**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 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.

**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 its current year. 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.

**Carbon footprint**

The product measures the carbon footprint, where 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 in comparison to alternative companies with the same risk / return characteristics. This weighting is performed on an ongoing basis, throughout the year.