

# Summary of Exclusion approach (corporate and sovereign)

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Change log			
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## Summary of Exclusion approach (corporate and sovereign)

As a fiduciary manager for Dutch pension funds whose goal is to allow their beneficiaries to rely on a good income upon retirement and enjoy that income in a sustainable world, all our investment processes are geared towards ensuring they can deliver on this objective. Our fully integrated Responsible Investment Approach encompasses a comprehensive approach towards making a material positive social, economic and environmental contribution in the real economy by investing responsibly for the long-term.

The specific and varying characteristics of the diversified portfolio of assets we invest in on behalf of our clients require a clear overarching as well as customized approach to integrating responsible investing objectives per asset class. Thereby we can ensure that they all contribute to the fullest extent possible to the overall objective of the Responsible Investment Approach.

This document describes how we implement our clients' Exclusion policy and how it is applied<sup>1</sup> and maintained.

### Corporate Exclusion

APG AM, on behalf of its clients, does not invest in companies involved in:

- Controversial weapons: We do not invest in companies that are involved in the production, sale or distribution of cluster munitions, anti-personnel mines, nuclear, chemical or biological weapons. We define involvement as production, sale and/or distribution of the core weapon system, or components/services of the core weapon system that are considered tailor made (or dedicated) for the weapon or weapons system and essential (key) for the lethal use of the weapons. Regarding nuclear weapons, we exclude companies involved in the production, development, sale and/or distribution of the core weapon system. We also consider companies a) involved in the production, development, sale and/or distribution, b) deriving revenues from components or services that are considered tailor-made (or dedicated) for the weapon or weapon system and components or services that are considered essential (key) for the lethal use of the weapon or weapon system.
- Tobacco production: we define involvement as companies that derive revenues from the production of tobacco products. This relates to companies engaged in manufacturing and producing tobacco products such as cigars, cigarettes, e-cigarettes, beedi, kretek, smokeless tobacco, reconstituted tobacco leaf, snuff, snus, and chewing tobacco. It also includes companies that grow or process raw tobacco leaves.
- APG AM also does not invest in companies which are indirectly involved through corporate ownership in excluded companies, if: a) the company has a stake of more than 20% in an entity that is directly involved in the production, development, sale or distribution of prohibited weapons; or b) more than 50% of the company's capital is held by an entity that is directly involved in the production, development, sale or distribution of prohibited weapons. If the boards of the former and the latter are near-identical, and/ or the parent entity is not listed, a lower threshold of 20% applies.

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<sup>1</sup> The Exclusion policy is implemented across all asset classes within APG AM, both in internal and external strategies.

## Sovereign Bond Exclusion

In addition to the Exclusion policy on corporates, on behalf of or clients, we exclude sovereign bonds issued by countries that are subject to an arms embargo by the UN Security Council and/or European Union. 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 within scope of the Exclusion policy. This includes bonds issued by provinces or municipalities. Bonds issued by quasi-sovereigns, agencies, multilateral and unilateral banks, state-owned enterprises, etc. are not within the scope.



Companies on the exclusion list

**159** 153 22 19  
2019 2018 2017 2016



Countries (government bonds) on the exclusion list

**10** 11 10 10  
2019 2018 2017 2016

## Governance of the Exclusion policy implementation

The APG AM Investment Committee (IC) approves the overarching Implementation approach. The Exclusion list of corporates and sovereign bonds is updated bi-annually, per December 1st and June 1st. The APG AM Global Responsible Investment & Governance team reviews corporate involvement assessments from external research providers as well as primary sources for UN and EU arms embargoes and, based on its proprietary analysis, recommends any necessary changes to the list. Based on this proposal, two months before December or June 1st, the APG AM IC decides on any changes to the Exclusion list to allow for internal APG AM decision making, clients reconfirmation, and adequate ability to sell. Upon approval, the Exclusion list is formally communicated by the Chief Investment Officer to the organization and teams responsible for external managers. Benchmarks are subsequently updated per December and June and the updated Exclusion list is communicated externally and published on APG AM's and our clients' websites.

APG AM publicly discloses the most recent list of excluded companies and sovereign bonds at [www.apg.nl](http://www.apg.nl).

## Insight into impact on risk and return

To measure the extent to which E/S characteristics are met, in 2021, APG AM will start to develop methods to assess the likely impacts of sustainability risks on the returns for its financial products and gain further insight into the impact of the various policy instruments, such as inclusion, exclusion and Sustainable Development Investments, on the ability to meet risk and return targets. Our aim is to be able to measure and monitor any impacts on an ongoing basis, initially for liquid investments and extending it to other asset categories at a later stage.

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