

## **APG fiscal policy**

### **Introduction - APG and taxation**

Every day at APG we work on a topic that millions of people in the Netherlands will eventually come in contact with: pensions. In doing so, APG strives to bring about a pension that is as good as possible in a livable world for all participants, employers and pension funds. Our mission is: “To build your sustainable future together.” Maximizing the value of the pension is the prime objective, but we also work on building a sustainable future, with an eye not just on welfare but also on wellbeing. Because for us, pensions are about people, life and community. So that we, our parents and our children have a good income. Now and later.

As the Netherlands’ biggest pension administrator, APG provides the pensions of 4.7 million participants. APG carries out a variety of services for mainly Dutch pension funds and employers in the following sectors: educational, government, construction, cleaning, housing associations, social employment, medical specialists and architects-offices.

In order to be able to offer an attractive pension, now and later, we invest participants’ pension premiums in a responsible manner.

In our opinion a sustainable tax climate contributes to a livable world. After all, taxes make an essential contribution to the local communities in which we operate and invest.

We believe it is important to point out that Dutch pension funds operate in a complex international environment, in which use is made of investment structures. Under Dutch law pension funds are generally exempt from tax on their investment results, partly because of their social function and the fact that the investment results ultimately goes to pensioners. The pension benefits are finally taxed in the hands of these pensioners. For many OECD countries the same principles apply. In other countries the tax-exempt position of pension funds is not always followed. As a result economic double taxation can arise, which has an adverse effect on the return on the investment and ultimately on the pensioners’ pension.

### **Scope of the tax policy**

APG’s Tax Policy relates to our tax dealings. This concerns APG itself, and also our provision of services to client pension funds, including the provision of pensions and asset management (via individual mandate or by participation in the APG investment pools). This tax policy forms the tax framework within which APG operates and (more specifically) within which the tax policies of our clients are also substantiated and implemented if and when available . APG keeps a close watch to make sure that our clients’ tax policy and APG’s own policy do not conflict with one another and where necessary consults with its clients on such matters.

A sustainable and socially responsible approach to taxation is one of the important elements involved in fulfilling our fiduciary and other responsibilities. This responsible approach to tax finds expression by reference to the following principles:

1. We comply with laws and regulations, in letter and spirit.
2. We take into account the tax position of our customers.
3. We adopt fiscally responsible positions
4. We are transparent vis-à-vis our stakeholders
5. Taxation is part of our Stewardship and Responsible Investment policy
6. We seek dialogue with stakeholders and businesses in which we invest
7. International fiscal initiatives are guiding principles for us

## 8. We maintain robust tax governance (tax risk management)

These principles are further explained hereunder.

### 1. We comply with laws and regulations

In all countries where we are active we comply with the letter and the spirit of the tax legislation and ensure correct, complete and timely payment of tax.

### 2. We take account of our clients' fiscal position

APG invests almost exclusively for Dutch pension fund clients and their participants. Pension funds have a special position in the Netherlands in that they are exempt from corporate income tax. Pension income is taxed in the hands of the participants. It is therefore important to make sure that our investments do not ultimately lead to double taxation for the participants. In this we adopt fiscally responsible positions (see part 3).

### 3. We adopt fiscally responsible positions

In recent years greater attention has been paid to tax evasion and its damaging effects. The use of aggressive tax structures can undermine the effectiveness of the tax system. At the same time we see an increase in complex international tax legislation. This leads to greater legal uncertainty and brings with it risks of paying double tax for our clients.

When making its investments, APG considers returns, risk, costs and sustainability. In this context, in our activities (including investments), we take account of, among other things, the letter and the spirit of the law, we operate transparently and we take account of international fiscal initiatives of the EU, the OECD and others. This also means that we make use of fiscal facilities that have been expressly established in laws and regulations.

Fiscally responsible positions also means that we do not make use of aggressive tax structures. According to international standards, aggressive tax structures are structures that are legal within the letter of the law but in conflict with the spirit of the law. Our investment structures and the transactions we undertake match the economic reality and must be comprehensible, explicable and manageable.

### 4. We are transparent vis-à-vis our stakeholders

We believe it is important to communicate transparently with our stakeholders our vision on taxation, our tax position and tax payments. We therefore publish our tax policy and provide our clients with an insight into the execution of the policy.

We also strive to give our clients an insight into how much tax – direct and indirect – is paid in the investments and the investments held via the investment pools we manage for them.

We tailor the publication of these insights to the needs of our clients .

As well as being transparent toward our clients, we believe it is important to maintain open and honest relations with the tax authorities regardless of the country concerned. Where necessary, we seek agreement with the tax authorities in order to obtain clarity about our fiscal position and that of our clients. At the same time APG is in constant dialogue with the tax authorities on the setting up and functioning of our Tax Control Framework (see section 8).

## **5. Taxation is part of our sustainable and responsible investment policy**

We are convinced that better investment decisions can be made when there is structural attention for sustainability and corporate social responsibility . In all our investments, we pay attention to return, risk, costs and sustainability . We check all ESG criteria in each investment category . We see responsible tax behavior as part of our ESG policy. With every investment, in every investment category we weigh up responsible tax behavior as an integral part of the ESG criteria. For us, ESG criteria are just as important as return, risk and costs. In this way we can take better investment decisions and maximize the sustainable long-term value of our investments.

## **6. We seek dialogue with stakeholders and businesses in which we invest**

### *Dialogue with stakeholders*

We actively seek dialogue with stakeholders about our tax policy and its execution. Our stakeholders include our clients, pension participants, international organizations such as the UN, the EU and the OECD, supervisors and NGOs, but also employees, the board and business partners, such as other asset managers and asset owners.

### *Companies in which we invest*

We assess listed companies on the basis of tax criteria . We do this in order to gain an insight as to whether these companies have a responsible and sustainable approach to taxation. We do this also because we want to know whether the tax approach of these companies entails risks for us as an investor so as to be able to conduct active dialogues with these companies in order to exert influence on their tax behavior.

In the case of unlisted investments, we have more influence on the tax structure in some cases.” . We can give more guidance on compliance with our tax principles if we can exert substantial influence. If we have no influence on the tax structure, we test it against our tax criteria. We take account of the results of this in our investment decision, together with economic considerations, the purpose and scope of tax laws and regulations, reputation, impact on yield, risk, administrative burden, legal requirements, costs and operational manageability, explicability and transparency.

## **7. International fiscal initiatives are guiding principles for us**

Various supranational organizations such as the OECD, the EU and the Global Reporting Initiative develop guidelines to counter aggressive tax planning and increase transparency on tax. We endorse these initiatives, which give us guidance on responsible fiscal behavior. It is important that our investment activities are not undertaken with the objective of a tax benefit as the most or one of the most important benefits. .

In some cases, we make use of bodies (legal entities, associations) to manage investments. We do this for commercial reasons, to limit liability risks and/or administrative costs. These bodies may be established in the Netherlands or abroad. In choosing the place of establishment of these bodies, we act in accordance with the letter and the spirit of the law and the frameworks of international organizations such as the OECD and the EU play a leading role as guides. We assess among other things to see whether the jurisdiction is sufficiently transparent and whether information is exchanged between the tax and other authorities.

## **8. We maintain robust tax governance**

In order to act in accordance with our tax principles we have implemented robust tax governance. An important part of this is our Tax Control Framework (TCF), which refers to our own organization, the pension administration and also to our investment activities and investments. The TCF is part of the broader APG business control framework. The TCF helps to identify and manage tax risks. In this we increasingly use data

analysis. As part of our governance and control, our investment decisions, including their fiscal components, are established so that these fiscal components can be ascertained and checked. The tax department sees to a correct and effective application of the TCF and has the Internal Audit function periodically audit the TCF. The TCF is further developed on a continuous basis.

As part of our good tax governance and responsible fiscal behavior, we believe it is important to keep our employees informed of our tax principles. We therefore share our knowledge and insights regarding our tax principles with them on a regular basis.

The establishment of and compliance with our tax policy falls under the responsibility of the Board of Directors of APG. The Board of Directors will also evaluate this policy periodically and update it if necessary so that it continues to be aligned with our aim, our mission and legislative and regulatory developments.

For the sake of good order: APG Asset Management N.V. is a duly supervised asset management company and as such has autonomous responsibility for the investment process of APG. In executing the investment process, APG Asset Management N.V. or its management takes account of the principles described in this tax policy.

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