

# Description of sustainability risk aspects within Remuneration policy

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## Description of sustainability risk aspects within remuneration policy

The Sustainable Finance Disclosure Regulation (EU/2019/2088) prescribes APG Asset Management N.V. (hereafter: APG AM) to explain how its remuneration policy is consistent with the integration of sustainability risks. In this context 'sustainability risks' refer to environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

While the current APG AM Remuneration Policy does not include specific reference to, or explicit alignment with, sustainability risks, in practice these have been firmly embedded by means of variable remuneration for most employees that are eligible for variable remuneration. This will be reflected in APG AM's Remuneration Policy.

In general, within APG AM we follow a controlled and prudent remuneration policy that enables us to attract and retain qualified employees with integrity. APG AM's executive board does not receive any variable remuneration (bonus). Employees that are eligible for variable remuneration are employees with a direct impact on the investment result, for example the portfolio management staff.

Sustainability risks, are part of the variable remuneration of APG AM's employees that are eligible for variable remuneration. The variable remuneration is based on objectives related to responsible investing which form an integral part of their incentive structures and performance reviews. This means that employees are expected to contribute to identifying sustainability risks in order to be able to avoid them negatively impacting the investment return, and to implementing the clients' policies. Their contribution will be considered as part of their variable remuneration.

The specific sustainability risk related objectives contribute to APG AM's strategic goals to be a long-term responsible investor. Based on the objectives, per investment team, targets are set. These targets relate to sustainability measures which are fundamental to APG AM's efforts to contribute to a more sustainable world, such as the implementation and integration of the Responsible Investment Policies of our clients, among which the Inclusion and exclusion policy, and more specifically to sustainability risk related targets such as carbon reduction, transition themes, phase-outs, and investing in Sustainable Development Investments (e.g. SDG 7 to ensure access to affordable, reliable, sustainable and modern energy for all). Furthermore, investment teams are expected to integrate sustainability considerations in the valuation models of their investments.

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