Responsible Investing APG

Annual Report

www.apg.nl/responsibleinvesting

2014

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tomorrow is today

Contents

Foreword

Ensuring the money that employees and their employers put aside each month for their pension earns the best possible return at an acceptable risk. That is the goal of the investment policy we implement on behalf of our clients.

As a long-term investor, it is important to us that companies have good environmental and personnel policies and they are well governed. Continuous attention to these environment, social and governance (ESG) factors gives us better insight into opportunities and risks, and contributes to good long-term returns.

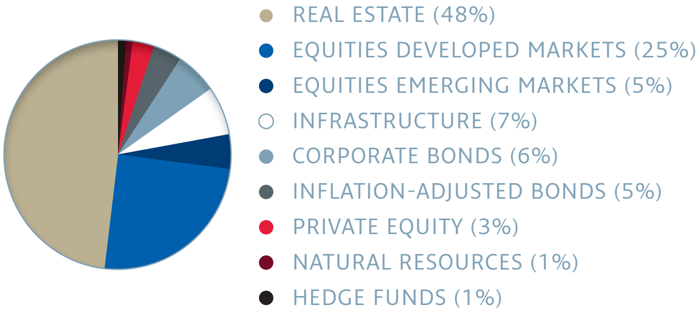
Responsible investing is becoming increasingly important to our clients. Their participants and pensioners attach growing value to the knowledge that their money is invested responsibly. Civil society organizations challenge our clients on this issue with greater frequency.

As a responsible investor, we are a partner for our clients. A partner that not only manages assets, but also provides support in further developing the responsible investment policy and helps in communicating about it. You can read about what steps we took in 2014 in this report.

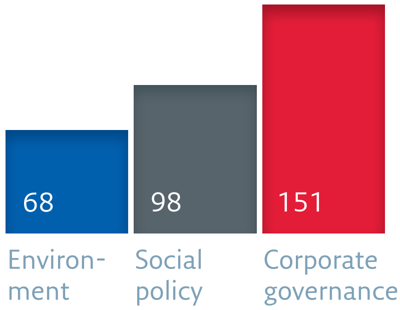
Eduard van Gelderen
CEO APG Asset Management

2014 in figures

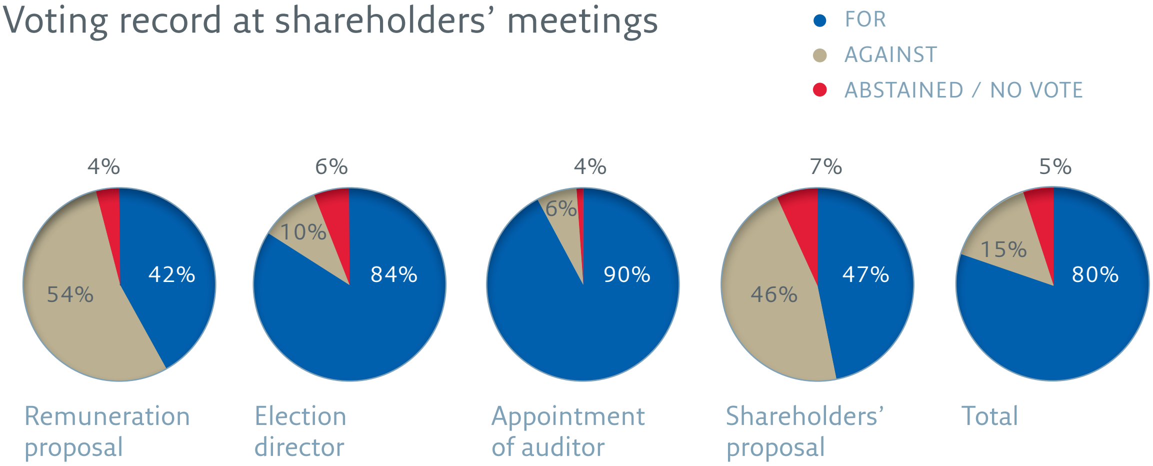
APG High Sustainability Investments



Number of contacts with companies by topic



Voting record at shareholders' meetings



Total assets (start of 2015)

401 BILLION €

Investments in green bonds

356 MILLION €

Listed companies engaged in dialogue on ESG topics

218

Number of companies on our exclusion list

17

APG aims to double investments in renewable energy to

2 BILLION €

Reduction in CO_2 footprint of equity investments

10 PERCENT

High-sustainability investments

31 BILLION €

Number of shareholders' meetings at which APG voted

4,736

1 Our Approach

1.1 Objectives

We invest the pension contributions that the participants of our clients and their employers pay in each month in such a way that they earn the best possible return at an acceptable risk. Investing responsibly helps ensure that participants can receive a good pension now and in the future.

We have three concrete objectives:
- contributing to the risk-adjusted financial returns;
- demonstrating social responsibility;
- contributing to the integrity of financial markets.

Sound investment requires a clear understanding of the opportunities and risks. Our investment decisions are therefore based not just on financial performance and operating processes. It is also important to us that companies have good environmental and social policies and are well governed. These are the so-called environmental, social and governance factors (ESG).

1.2 Clear expectations

Our approach to responsible investing on behalf of our clients is closely aligned with national and international regulations. These are, in the first instance, Dutch law and international treaties and conventions that the Netherlands has signed up to.

We also expect companies and funds we invest in to act in line with the United Nations principles for responsible business practice (UN Global Compact). These concern human rights, labor rights, anti-corruption and the environment.

We employ a variety of means to assess whether companies operate in line with these principles. Doubts can give reason to enter into a dialogue with a company (engagement), focusing on specific improvements. This process of engagement generally takes some time and involves several contacts (e-mails, letters, telephone conversations, meetings). We often work with other investors in order to exercise more influence over the company.

If a company fails to rectify serious shortcomings and there is no prospect of improvement in the near future, we can decide to exclude it. This involves us selling our holding in the company after which we can no longer invest in it. This is a last resort and only used in highly exceptional circumstances, not least because we cannot exercise any further influence over a company once we have sold our stake in it.

The guidelines for multinational enterprises and the principles of corporate governance of the Organization for Economic Cooperation and Development (OECD) as well as the corporate governance principles of the International Corporate Governance Network (IGCN), a network of investors that promotes effective standards of corporate governance, are also important to our approach to responsible investing.

1.3 Returns and responsible investing

We are convinced we can achieve better risk-adjusted financial returns if we include ESG factors in our decisions as a matter of course, as these add to a comprehensive understanding of risks and opportunities.

This view is supported by a meta-study of some 190 academic studies[1] published in 2014, which concluded that investment strategies that looked at ESG factors performed better than similar strategies that did not. Information on ESG performance may sometimes serve as an early warning sign for problems to come, such as bribery or corruption, that can significantly affect the share price. On several occasions, careful monitoring of ESG factors meant we were able to sell (part of our) shares before the

1. “From the stockholder to the stakeholder; how sustainability can drive financial outperformance” Gordon Clark, Andreas Feiner and Michael Viehs examined over 190 different academic studies on sustainability business practices and investing (September 2014).

price fell. We also (partly) disposed of investments after companies had refused to enter into a serious dialogue on issues with potentially serious consequences. Either the regulator was looking into it or because of potential problems with civil society stakeholders. Poor ESG performance also prompted us (in part) not to invest in an unlisted company which soon afterwards encountered serious problems.

The risk of a one-off or a structural fall in the share price may affect individual companies, or all companies in a given (regional) market, for example where the rule of law is not fully adhered to.

A power imbalance on the board is a warning sign. Companies that do not resolve their governance problems will often find that investors fail to respond positively even when the company proposes an essentially promising new strategy. There simply isn't the confidence that this will be implemented successfully.

The ESG rating for investments in the quantitative equity portfolio (the part of the equity portfolio where mathematical models play a major role in investment decisions) that we developed in 2014 gives a better view of the risk of a fall in share price. Internal research underlying that rating has identified a number of environmental and governance factors which indicate if a company is exposed to higher risks.

1.4 Contributing to the integrity of the financial markets

It is important that financial markets function properly and enjoy sufficient public confidence if pension assets are to be invested responsibly for the long term. We must therefore discuss credible and efficient regulation with policymakers and industry organizations.

These discussions focus on the development of standards in different areas. For example, in the past we were involved in drawing up guidelines on the transparency of hedge funds' responsible investment efforts. We also called for reform of the European system of trading in CO_2 emissions rights. We often work with other investors on activities to strengthen the integrity of financial markets, including in collaborative initiatives such as the International Corporate Governance Network (IGCN) and the Principles for Responsible Investment (PRI).

1.5 Report to the PRI

APG accounts for its policy and activities not just through its own reporting but also through an annual report to the Principles for Responsible Investing (PRI).

The PRI is a collaborative network of approximately 1,100 investors and financial institutions that promotes responsible investing. APG's report to the PRI is available for all to read at: www.unpri.org/signatories/signatories/

2 What we do

2.1 Active in-house management of investments

As we actively manage the investment of the majority of our clients' assets in-house, we can give sustainability and corporate governance a prominent role in investment practice.

Active investing means that the roughly 90 portfolio managers of the various portfolios make investment decisions using their own knowledge of companies and market insights rather than merely following market developments (passive).

In 2014, we further increased the percentage of equities managed in-house (70%), in particular in sectors where we have major holdings and sufficient knowledge (fundamental equity investments in the US), and hence direct contact with companies will increase further.

As it is important that our portfolio managers have the most relevant, up-to-date information on sustainability and corporate governance available, we have developed various tools in recent years to assist them in this regard.

Additionally, sustainability and corporate governance specialists assess all proposals for new investments (above a given amount) in unlisted companies and new mandates for external managers. The specialists not only provide a sign-off but are also involved in drawing up the terms in the agreements that form the basis for these new investments.

2.2 Exerting influence

Companies are held to account in various ways if there are concerns about the sustainability of their business or governance. These range from voicing an opinion to a more intensive process aimed at changing behavior. The latter is referred to as "engagement".

Such engagement can take different forms depending on the company, the nature and size of the investment, and the issue at stake. We often engage on several issues at the same time.

Engagements are not just with companies. It is important for pension investors that the authorities and market participants agree on rules that enable the provision of good pensions also in the long term. Well-functioning financial markets and a stable climate that does not pose a threat to the investments are essential in this regard. To stimulate this, APG engages with various parties.

We also exert influence through voting at shareholders' meetings. With the logistical and data support of an external provider, we voted in 2014 on some 48,000 resolutions at 4,736 meetings of listed companies in which we invest. Our voting policy on each agenda item is set out on apg.nl.[2]

2.3 Actively seeking sustainable investments

Our high-sustainability investments almost doubled in 2014. These investments were €15.5 billion at the end of 2013, but had risen to almost €31 billion by the end of 2014. The greatest growth was recorded in sustainable real estate. There was also a sharp increase in green bonds.

High-sustainability investments concern activities that contribute to solutions for climate change, water scarcity, flooding, pollution, loss of habitats or fauna and micro-financing. They also include investments in companies with high ratings in the Access to Medicine Index. This index, which is partly financed by the Dutch and British governments, shows the extent to which pharmaceutical companies contribute to accessible healthcare in countries where average incomes are low.

Only part of this increase in high-sustainability investments could be explained by the increase in value of the entire

2. www.apg.nl/en/apg-as-asset-manager/responsible-investing/voting-behavior

portfolio as there is also a significant increase from 5.5% at the end of 2013 to 7.7% in 2014 when expressed as a percentage of the total assets.

Expressed in euros, the biggest increase was in real estate investments (from €4.7 billion to €14.7 billion). This is a result of the increase in the number of "green stars". These are real estate investments in the highest category in the annual sustainability survey conducted by the Global Real Estate Sustainability Benchmark (GRESB). For many years we have strongly encouraged our real estate investments to develop into green stars.

There has also been sharp growth in the number of green bonds (loans for sustainable projects). Green bonds are relatively new products. Our green bonds include those issued by the European Investment Bank, the development bank of the German state North Rhine-Westphalia and the French energy company GDF Suez.

On January 1, 2014 we held two green bonds with a value of €54 million. By the end of the year, there were twelve with a total value of €356 million. This growth was possible because a relatively large number of bonds that met our requirements, for example in providing a competitive return, were launched. Their greater quantity also improves their marketability. Despite more green bonds being offered, the total available is still fairly limited. This is one of the reasons why green bonds make up only a small fraction of the entire portfolio of corporate bonds (just over 0.5%).

2.4 Background papers and sector frameworks

We prepared a series of background papers and sector frameworks in 2014 to allow our portfolio managers and investment strategists to incorporate responsible investment better in their day-to-day work.

The background papers address the four core themes of the UN Global Compact that underpins our responsible investment policy: human rights, labor rights, anti-corruption and the environment. We also included climate change as a theme.

Each background paper explains the themes in the context of the UN Global Compact, how they are relevant to the investment portfolio, and how portfolio managers can address them in their contacts with companies. Earlier, similar internal papers had been drafted on shale gas and human capital.

The sector frameworks identify the main sustainability and governance risks in 38 industries. The probability that a company would face a given risk and the consequences were considered for each industry. These could be fines or a fall in price as a result of government measures, pressure from civil society organizations or opposition from local communities. The frameworks, which were being completed at the end of 2014, are designed to provide portfolio managers with discussion points and questions they can raise with companies.

2.5 ESG rating for quantitative strategies

In collaboration with the S&G team, the team that manages the quantitative equities strategies developed a model in 2014 for scoring companies in these portfolios on sustainability and corporate governance.

The rating is calculated using data provided by specialized agencies and a computer program developed in-house that employs text mining to identify negative reports about bribery and corruption, for example.

Extensive internal research has shown that companies with a low ESG rating pose higher risks, which are insufficiently compensated for by higher returns. The ESG rating is now being used in the investment process in quantitative equities portfolios.

2.6 More attention for external managers

External managers to whom we have outsourced part of our assets paid more attention to sustainability and good management in 2014.

This appears from the repeat of our 2013 survey, which established these managers' positions in seven different areas of responsible investment. Of the 28 asset managers who took part in both surveys, 18 had improved in one or more areas, seven were unchanged and three did worse than in 2013.

One manager which had no policy at the time of the earlier survey, now had one, and another one had expanded its policy considerably. Three of the eight managers that invest using quantitative models are using new ESG data files or have developed methods for incorporating ESG factors in their models.

The results of this survey were used in the annual evaluations of the external managers to see how they could develop further, and particular attention was given to the managers who performed worse than in 2013.

2.7 Contacts with civil society organizations

APG supported its clients in a variety of ways in contacts with civil society organizations and participants on responsible investment. These focused on investments in Israeli banks and fossil fuel companies.

We additionally had contact with civil society organizations through our own channels. We took part in a panel discussion on the adverse effects of palm oil production, organized by Friends of the Earth in the De Balie debating center in Amsterdam. We also participated in a specialist session of the Social and Economic Council of the Netherlands (SER) which was preparing recommendations on international corporate social responsibility.

In March, ten civil society organizations were invited to our offices to address a group of investors on developing a benchmark that can be used to compare the way companies approach human rights. This benchmark will be developed in 2015.

Civil society organizations from South Korea and Ecuador approached us about shipbuilder Hyundai Heavy Industries and oil company Chevron. They drew attention to unsafe working conditions and environmental pollution. These points were raised in contacts with these companies, but this had not led to any results by the end of 2014.

A human rights organization pointed out that muscle relaxants produced by Mylan, a pharmaceutical company, were possibly being used in executions in the US. The company ignored our calls to stop delivering this product to American prisons where it could be used for lethal injections. We have significantly reduced our holding in this company as this worsened its outlook. We will continue to urge a change in the company's approach.

2.8 Encouraging other parties

APG spoke about sustainability and corporate governance at various symposia and congresses.

Our head of private equity spoke on responsible investing policy at the annual investors' meeting of private equity giant Carlyle in Washington. In London, the sustainability specialist for unlisted investments presented part of a course on integrating responsible investment in the private equity sector attended by about twenty-five pension investors and private equity managers.

APG spoke with banks and pharmaceutical companies in a confidential setting (the European section of the Conference Board) in Zurich on tackling fraud and corruption in their sectors. The importance of good corporate governance was the main message in speeches to Turkish entrepreneurs in Istanbul and a meeting of accountants from over thirty countries, in Amsterdam.

A panel discussion at the annual conference of the London Stock Exchange in Milan looked at building up and maintaining long-term relationships between shareholders and companies. At the annual conference of the International Corporate Governance Network, the then-CEO of APG Asset Management warned of the unintended consequences of new European regulation on the investment policy of long-term investors such as pension funds and their ability to hedge risks.

How APG invests for the long-term was also the message to the annual conference of the PRI, the organization that encourages responsible investment at the initiative of the United Nations, in Montreal.

During a panel discussion on integrated reporting at the World Congress of Accountants in Rome, it was emphasized that companies not only had to report on their financial but also on their social and environmental performance.

2.9 Integration in the investment process

The table on page 9 and 10 gives an overview of the instruments and procedures developed by APG to enable it to ensure that all investment strategies include due attention for ESG factors. Some of these relate to the entire portfolio, while others are tailored to a particular investment strategy.

We expect all investees to operate in line with UN agreements on how companies should deal with human rights, labor rights, anti-corruption and the environment. The exclusion policy also applies to the entire portfolio.[3]

The Country Risk Monitor, developed in collaboration with research firm Sustainalytics, offers portfolio managers insight into sustainability and corporate governance risks in certain countries. Proposals for new investments (above a given amount) in unlisted companies and new mandates for external managers are also assessed by sustainability and corporate governance specialists who not only provide a sign-off but are also involved in drawing up the terms in the agreements that form the basis for these new investments.

3. The exclusion policy is applied to an average of 98% of the assets. Exceptions are externally managed investments which were in the portfolio before the exclusion policy (or parts of it) came into force and investment instruments where there is an exemption, for example for efficient portfolio management (index investments). See the Excluded companies and sovereign bonds section for more information.

How does APG assess the ESG performance of its investments?

Equities, managed in-house	All portfolio managers have access to the ESG dashboard developed in-house, which gives an impression of how a company performs in terms of ESG. The dashboard also displays how we voted at a company, correspondence about ESG factors, and the related discussions that have taken place. The ESG Company Risk Comparison Profile, developed in cooperation with information provider Bloomberg, gives portfolio managers insight into how factors such as the number of serious accidents develop. This model enables the performance of a company to be compared with others in the same industry. The Risk Valuation Model for sustainability and corporate governance provides insight into the extent to which the value of an investment is influenced by risks and opportunities in one of the ESG areas. The Quant sustainability score developed in-house in 2014 makes it simpler to include ESG factors in investment decisions in the large portfolio that is managed mainly using quantitative models.
Equities, external managers	Checks are made on every new mandate awarded to an external manager to ensure that the manager operates in accordance with our responsible investment policy. In 2014, the 28 managers were surveyed for the second successive year concerning the attention they pay to the environment, social issues and corporate governance. This survey will be repeated every year and the findings are discussed with these managers.
Sovereign bonds	We do not invest in sovereign bonds of countries subject to a UN Security Council arms embargo. The Country Risk Monitor is used by the portfolio managers when analyzing the risks and opportunities of investments in emerging markets.
Corporate bonds	All portfolio managers have access to the ESG dashboard, which has been developed in-house by APG and which shows at a glance how a company scores in terms of ESG. Portfolio managers include the sustainability ratings in the investment proposals. A more detailed analysis is made if they are lower than the ratings of comparable companies.
Inflation-linked debt	All investment proposals are assessed by sustainability and corporate governance specialists.
Real estate	All new, unlisted real estate investments are expected to take part in the Global Real Estate Sustainability Benchmark (GRESB) for the entire period for which an investment is held. This involves an ex ante review and an annual measurement of performance. Where necessary, a dialogue is commenced with the aim of improving performance. In 2014, there were over fifty such meetings.

Continued: How does APG assess the ESG performance of its investments?

Infrastructure	In conjunction with other major investors in 2014, there was work on a new independent sustainability measurement tool for infrastructure investments. This will offer a better picture of the sustainability performance of infrastructure investments and the points to be raised in meetings with managers to improve performance.
Hedge funds	All funds for which it is relevant are expected to have a responsible investment policy and to be in a position to implement it. The policy must be submitted or published on the website. Funds that do not have a policy have to draw one up and implement it within an agreed period. We adopt a tailored approach in this regard, with the strategy of the fund largely determining the precise nature of these requirements. Hedge funds are encouraged to join the Hedge Fund Standards Board, which promotes transparency, integrity and good governance.
Private equity	The aim is for private equity managers to have a suitable responsible investment policy. It is also important that they are transparent about their performance in this area. To encourage this, APG has contributed to the creation of the ESG Disclosure Framework for private equity. This framework has been integrated in our own due diligence procedures and monitoring of private equity investments.
Commodities	Commodities funds investing in countries with an elevated ESG risk, for example where the government does not fully function, have to show that they comply with the UN Global Compact principles. Investments in emerging markets must additionally demonstrate that they satisfy the more detailed standards of the International Finance Corporation (IFC). There may be other standards and requirements, depending on the commodity and fund invested in. APG holds annual meetings with every manager operating in high-risk countries and specific locations characterized by elevated risk are also visited regularly. APG sends out a questionnaire to all managers each year, and they have to report significant incidents such as serious accidents immediately. Managers of agricultural funds have to report on the implementation of the Principles for Responsible Investment in Farmland. Procedures have been agreed for investments in futures contracts in commodities to avoid effects that inflate prices.

3 Dialogues with companies and policy makers

APG raised many different topics directly related to responsible investment during its contacts with companies, industry associations and policy makers in 2014. It is not possible in this report to address every subject that was on the agendas. A selection is set out below.

3.1 Responding to climate change

Climate change could have major consequences for the value of our clients' investments. In addition to pushing for clear government policy, we also want companies to develop their own response. We closely monitor the CO_2 emissions of our companies as well as the environmental footprint of our real estate investments.

UN Climate Summit

During the UN Climate Summit in New York, our former CEO announced a doubling of our investments in renewable energy. At the start of 2014, we held about one billion euros of such investments, and the aim is to double this figure within three years. In her speech to the summit, she emphasized that combating the worst forms of climate change requires a doubling of the amount invested worldwide in renewable energy (currently some $250 billion). She also called for a robust global price for CO_2 and an end to fossil fuel subsidies.

Lobbying for European measures

At the UN Climate Summit, the then President of the European Commission, José Manuel Barroso, announced that the EU wanted to reduce CO_2 emissions by 40% by 2030 compared with 1990. In this he echoed the call by some eighty investors, members of the Institutional Investor Group on Climate Change. The IIGCC, of which APG is a member (and board member), had lobbied for this with the various European institutions (Commission, Council and Parliament). The lobby also focused on drastic reform of the European emissions trading system as the current CO_2 price is too low to switch from coal to other cleaner alternatives. No decision on this has yet been taken.

Risk analysis of fossil fuel investments

In 2014, we analyzed the risk exposure of our investments stemming from possible climate action. To avoid the worst effects of climate change, the world will have to use less energy and move from coal and oil to gas and renewable sources. This will particularly affect energy investments, which make up about 10% of our entire portfolio. A fall in the demand for coal and a sharp rise in the CO_2 price could have adverse effects for mining companies and coal-fired power stations. A strong increase in sales of electric cars could have adverse effects for oil companies.

An analysis was carried out to assess the greatest risks if global CO_2 emissions were to peak in 2020 and then decline, which is what climate experts say must happen to limit the average temperature rise to two degrees by the end of the century. The greatest risks for us are in investments that depend strongly on coal. Even before the analysis started we had already begun limiting these investments in coal. We are now considering whether further reductions are required.

The analysis does not indicate that all investments in fossil fuel producers should be disposed of, as called for by a number of civil society groups in 2014. It is not expected that renewable sources of energy will be sufficient to meet the demand for energy, which will continue to rise over the next few years. A change in the energy mix is, however, expected: less coal and oil, more gas and renewable energy.

American oil and gas companies

Following the UN Climate Summit, discussions were held with eight oil and gas companies in Texas on how they were accounting for possible stricter governmental measures to combat climate change. Many companies have barely responded to this as they are assuming that such stricter measures will not be implemented, at least not to an extent that will affect their business model. We do not think this is prudent as new oil investments may not be profitable. Other oil companies in the portfolio have shown that they are responding, for example by focusing more on the extraction of gas. In this respect, European companies seem ahead of those in the US.

There was progress in talks with various oil and gas companies on shale gas extracted by fracking. The hard shale is cracked by injecting large quantities of water, sand and chemicals into the ground, after which the gas it holds can be extracted. One American company, Apache, has announced that it will be using fewer chemicals, and reported a reduction of 47% for 2014 compared with 2012. It also wants to cut back on water and power consumption and the number of truck journeys to and from extraction sites. Encana (also in the US) is working on reducing the amount of water used for fracking.

CO_2 footprint of investments reduced

An analysis of the overall CO_2 footprint of all our equity investments showed that the companies in our equity portfolio emit about 31 million tons of CO_2 per year. We calculated the emissions of each company (using 2013 figures[4]) and our share based on the size of our holdings. Compared with the previous year, our CO_2 footprint fell by almost 10%. The fall is even greater when emissions are measured against assets. In 2013, a million euros in equity investments represented 305 tons of CO_2, compared to 237 tons in 2014. Company-specific results from the survey are raised in contacts with individual companies. Our footprint is comparable with that of our benchmark. APG has not set quantitative targets for a reduction of its CO_2 footprint.

Environmental footprint of real estate improved

Our real estate investments have sharply reduced their CO_2 emissions and also their water and energy consumption. This was shown by the annual GRESB sustainability survey. 77% of our real estate investments now report to GRESB. This includes the ten largest investments which together represent 27% of the real estate portfolio. Our investments did well in the GRESB listing. On average, our real estate scored 56 points on a scale of 100, while the average for GRESB participants was 47. The majority of our unlisted real estate investments that do not report to GRESB are not contractually required to do so as they were already in portfolio before 2009.

There was a sharp reduction in the environmental footprint of our real estate investments compared with 2013. This was achieved by:

- Energy savings equal to the annual electricity consumption of all the residents of the city of Utrecht (579,000 MWh);
- Reduction in greenhouse gases, comparable with the annual emissions of 125,000 cars (312 million kg CO_2);
- Water savings equal to 10,000 Olympic-sized swimming pools (26.7 billion liters).

3.2 Decent working conditions

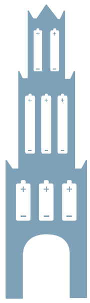
According to the UN Global Compact, employees must be free to join trade unions and bargain collectively on working conditions. There may be no forced labor and child labor is not permitted. A good personnel policy can enhance the value of an investment.

Compensation scheme for work related illnesses

Former employees of Samsung Electronics who had developed leukemia while working in a semi-conductor factory received apologies from their former employer in 2014. The South Korean company also announced it would develop a compensation scheme together with the affected former employees and dependents of those who had since died. Earlier it had set up a new health policy. The work by APG to achieve this started four years ago when it became known that nine former employees of the semi-conductor factory had died and twenty-three others had developed serious illnesses, often leukemia. In subsequent years there was regular contact with the

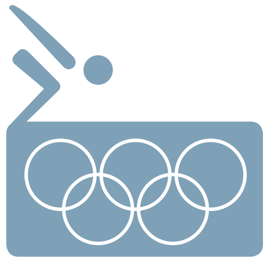
4. As emissions figures were only available at a late stage, the footprint can only be expressed using data for 2013. The footprint for 2013 used figures for 2012.

Reduction in the environmental footprint of our real estate investments



the annual energy consumption of all the residents of the city of Utrecht, 579,000 megawatts

the annual CO_2 emissions of 125,000 cars



the volume of water in 10,000 Olympic-sized swimming pools

company, representatives of the victims, civil society organizations and other investors on this matter.

Soccer World Cup in Qatar

Human rights organization Amnesty International published a report on the poor treatment of workers constructing hotels and other facilities for the 2022 soccer world championships in Qatar. This prompted contacts with Hyundai Engineering & Construction. A subcontractor of this South Korean construction company was alleged to have been employing foreign labor under poor working conditions, housing employees in substandard accommodation, and failing to ensure they had proper residence permits. There was also contact with Vinci, a French construction company, that was doing business with suppliers who made employees work seven days a week, with poor pay for overtime and insufficient attention to safety. Both companies said they had since tackled these issues, which was confirmed by Amnesty International. They also explained their procedures to ensure that subcontractors and suppliers respect employee rights. The Dutch engineering consultancy Arcadis, not named in the Amnesty report, works on construction projects in Qatar and confirmed that it was not involved in breaches of labor rights. By participating in a government commission to develop new regulations, it used its knowledge of health and safety to improve local regulations.

Tackling unsafe working conditions

AvalonBay, an American real estate company, has tightened its working conditions policy. We started a dialogue two years ago after complaints by employees about safety at construction sites where there had been a relatively large number of accidents. This led to the company appointing more managers tasked with ensuring greater safety. AvalonBay is examining the possibility of paying bonuses to managers of sites with fewer accidents and developing a system to give better information on work safety at subcontractors.

No proof was found for accusations by an American labor union that AvalonBay has an anti-union policy under which employees are not free to join a union. AvalonBay said it complied fully with the National Labor Relations Act, which governs relationships between social partners. In a letter, the company emphasized that it believed in the right of employees to organize themselves in a trade union.

Following a number of fatal accidents at Hyundai Heavy Industries (a labor union reported eleven fatal accidents in 2014), we contacted this South Korean shipbuilder and other shipbuilders in Asia who pay too little attention to safety in their yards. They must obey globally recognized standards and be open about their safety record. To increase the pressure, contact was also made with other investors, companies that purchase ships, civil society organizations and the OECD. This has not yet led to concrete results.

A visit to a mine and a titanium factory in China followed the dialogue that was started in 2011 after three fatal accidents. Safety at both locations seems to have improved sufficiently, partly because management appears more aware of the risks.

Portfolio managers responsible for commodities investments engaged with large-scale stock-rearing operations in Australia concerning such matters as protection for cattle herders against accidents. This not only addressed adapted clothing but also the use of methods to subject livestock to the least stress developed by American professor Temple Grandin.

Textile and palm oil production

A sustainability specialist visited seven clothing factories in Bangladesh and Burma to get a better picture of working and safety conditions in textile production in emerging markets. She also spoke to international companies and civil society organizations. The findings will be used in meetings with clothing companies with production sites in emerging markets.

We also visited a large clothing brand in which we invest through a private equity fund. At our request, among others, a fund that invests in several clothing brands will appoint a sustainability officer to ensure that brands that score less well on ESG learn from brands in the same fund that do better.

In discussions with seven large Indonesian palm oil companies we explained the importance of good working conditions, reasonable accommodation and pay, and the need to root out forced labor and child labor. Attention was also given to actions to make production more sustainable by, for example, not clearing valuable forests or burning fields.

Good human resource policy

Talks were held with various companies in the food sector on how they use their personnel policy (or elements of it) to improve business results. Unilever has linked part of its remuneration policy to employee satisfaction. Ahold achieved a better view of employee satisfaction through surveys which, at our request, are now performed around the world. Similar conversations were also held with Kroger (US), Metro (Germany), and Woolworths and Sainsbury's (UK). All these companies were encouraged to be more open about their efforts. Investors can make better comparisons if companies systematically provide information that includes employee satisfaction and staff turnover in their annual reports. Metro and Woolworths already publish much of this data. J Sainsbury said it would do so in its next annual report.

Lemon Tree, a hotel chain, started construction of a hotel in the northern Indian city of Gurgaon that will be run almost entirely by employees with poor hearing, eyesight or mobility. Lemon Tree is a chain of 24 hotels which, since 2007, has had a deliberate policy of assisting people with disabilities to find employment. In this way, the company has an engaged workforce, satisfied customers and a strong brand. At the end of 2014, 11% of the chain's 2,700 staff were people with a disability. Three years ago this was 6%. According to the 2011 census, India has over 20 million disabled people, of whom fewer than 5% have paid work. In Western countries this figure can be ten times higher.

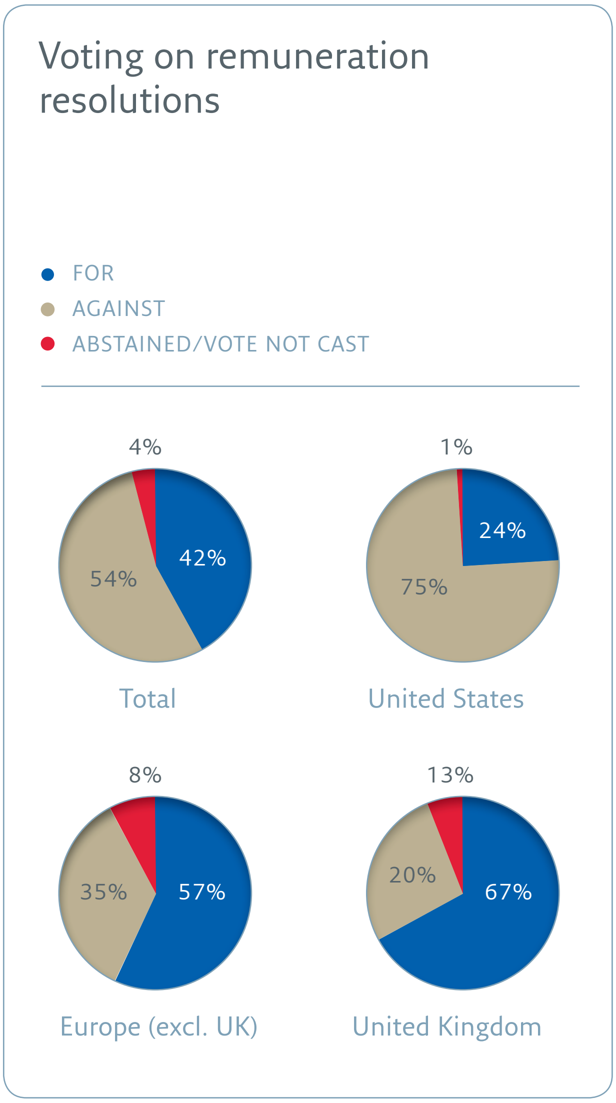
3.3 Well-considered remuneration

In 2014, we voted on over 1,900 remuneration resolutions at more than 1,800 shareholders' meetings. We discussed our revised remuneration guidelines with a large number of companies. We challenged several companies, such as Heineken, BG Group and TGS Nopec individually on their remuneration policies.

At shareholders' meetings, we voted against more than half of all remuneration resolutions as they did not meet our criteria. With a share of 54% of the votes this was slightly higher compared to 2013 (51%). This is mainly due to an increase in the share of American companies in the portfolio of listed companies (2013: 19%, now 23%).

Remuneration resolutions are more often voted against in the United States than in other regions (75%), mainly because of the potential level of remuneration, especially in the case of acquisitions and sales.

Large countries where remuneration resolutions can count on considerably greater approval are: Sweden (84%), Australia (78%) and France (70%). There were nine votes in favor and eight against at the seventeen Dutch shareholders' meetings with remuneration proposals on the agenda.



Clarity for companies

In September, we sent our expanded remuneration guidelines to approximately 100 major companies in the European equity portfolio, explaining that bonuses should not be tied to short-term profits but to long-term value creation for shareholders. Companies must consider linking variable remuneration to social or environmental performance. They must also take account of the relationship between the pay of management and that of other employees. We expect companies to consider this when they present new remuneration resolutions to their shareholders. Where necessary, the new guidelines are raised during meetings between the portfolio managers and companies. This was done at about ten companies in 2014.

Earlier in 2014, we sent a letter on the new European Capital Requirements Directive to about twenty-five banks in the European Union. This Directive states that bonuses which banks grant their employees should not be greater than their fixed pay. Only with the explicit approval of the shareholders may higher bonuses be awarded, up to a maximum of 200% of fixed pay. The letter was a warning to the banks not to use the new Directive as an excuse to increase total pay in order to pay their employees on balance the same amount. While Deutsche Bank sought shareholder approval to increase its fixed pay, it did not, unlike some other banks, submit its new policy to its shareholders for a vote as a separate item. APG expressed its disapproval by voting against the endorsement of the Supervisory Board's actions.

Along with other members of the institutional investors' association Eumedion, we expressed our support for the European Commission's plans to amend the Directive on shareholders' rights to allow shareholders in all EU Member States to have a binding vote on the remuneration policy for directors. Companies will have to listen to their voice. The Directive had not yet been debated by the European Parliament by the end of 2014.

Unclear performance criteria

Heineken's remuneration committee made it easier for directors to receive bonuses by retroactively relaxing ("recalibrating") the criteria. This meant that the CFO and the CEO would still be eligible for remuneration totaling almost €1 million and €2 million, respectively, despite not meeting the pre-agreed targets. Although shareholders were not consulted about relaxing the targets, they could express disapproval of the situation by voting against endorsement of the Supervisory Board's actions.

At the shareholders' meeting of Wereldhave we voted against a special bonus of €50,000 that the CEO would receive in special appreciation for his performance in 2013. We believe that directors should only be rewarded on the basis of actual performance set out in the remuneration policy which the shareholders have approved.

British energy company BG Group revised its CEO's remuneration package. The new executive was to receive a special bonus of over €15 million in shares for performance that was part of his normal duties. The company withdrew the resolution after investors expressed their objections. The new scheme does make a clear link with corporate performance.

AMS, an Austrian manufacturer of sensors, withdrew a remuneration resolution before shareholders could vote on it. The performance criteria in the plans were too vague and could be changed too easily without having to consult the shareholders.

TGS Nopec, a Norwegian company that provides services for the oil and gas industry, also withdrew a remuneration resolution after we expressed criticism. The company wanted to introduce a new system that would have led to directors being granted shares even if there was an overall loss. Although the amounts involved were small, it was against our belief that underperformance should not be rewarded. The company will present a new proposal in 2015.

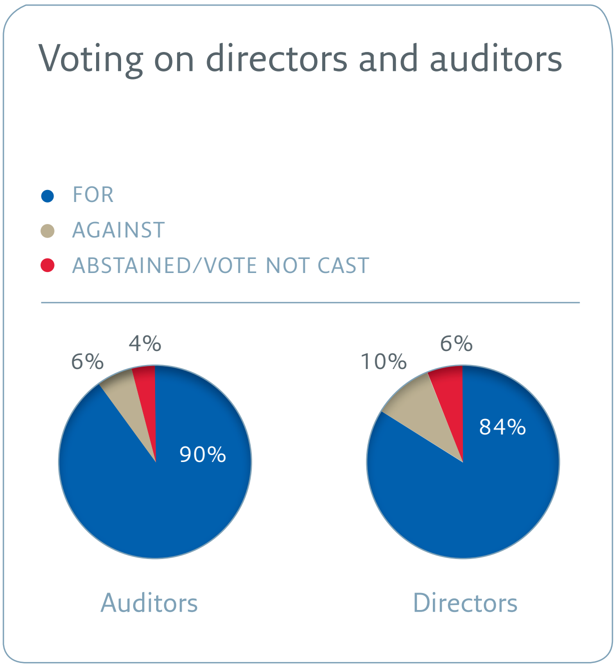
Pernod Ricard, a French wine producer and distiller, will also present revised remuneration proposals in 2015. The company received insufficient support at the shareholders' meeting for its plans to reward directors with share options. The proposal was voted down because the performance criteria were unclear and insufficiently challenging.

3.4 Sound corporate governance

A properly functioning board has a varied composition, includes a clear division of executive and supervisory duties and involves sufficient independent directors who safeguard the interests of the minority shareholders.

The majority of resolutions on appointments and reappointments of directors and auditors were supported at shareholders' meetings in 2014. The percentage of votes in favor of directors was exactly the same in 2014 as in 2013. In 2014, the proposed auditors could count on slightly more support (90%) than a year earlier, when 86% were supported.

As regulations and established governance practice differ considerably between the more than sixty countries in which we invest, it is difficult to draw any general conclusions from the voting percentages for directors



and auditors. In the UK and Canada, for example, all proposed auditors (202 and 187, respectively) were supported as they met our criteria. In Indonesia, which rated worst, only one of the forty-five proposed auditors was supported. The others were voted against because companies provided no or insufficient information on them before the meeting.

Undesirable dual functions

We voted against the appointment of the chairman of Betfair, a British online betting firm. The proposed chief executive of the company had two other chairmanships which together would have taken up too much time to perform his new duties properly. APG follows the Dutch Corporate Governance Code, which states that directors of listed companies may combine no more than five directorships, with chairmanships counting double. While the Dutch code only refers to directorships in the Netherlands, APG also counts positions in other countries. We also voted against the appointment of a director of the British supermarket chain Wm. Morrison, who held too many positions.

Talks were held with several French companies on the need to separate executive and supervisory roles better. France is one of the last European countries that legally allows the positions of CEO and board chairman to be combined, provided that the company issues an explanation. As we believe that it is better to separate these two positions, we vote against these dual appointments at French shareholders' meetings.

Discussions with Orange since 2012 have led to the telecoms company wanting to appoint a "lead independent director." The new office holder will take the place of the chairman if there is the risk of a conflict between the supervisory role and the role as CEO and must also stand up for the rights of (minority) shareholders. Talks were held with car maker Renault to use the succession of the current chairman to separate the positions of chairman and CEO.

In the United States, too, the roles of chairman and CEO are often held by the same person. As this is rarely a matter of debate among American corporates, we do not always vote against if a company proposes one candidate for both positions. However, we raise our reasons why we are opposed to the combination of roles in discussions with companies.

These concerns were again set out in a letter sent to the 22 largest American real estate investments ahead of the season when most shareholders' meetings are held. Companies who want to (re)appoint candidates for the dual position of CEO/chairman were told that we would abstain. The letter also called for greater openness on political donations, stricter rules on redundancy pay, and tighter appointment criteria. Candidates can often be appointed if they receive more votes at the shareholders' meeting than any competitor. We want them to receive at least half of the votes plus one.

Independent directors

For many years, APG has been calling for more independent directors in Japan, which until recently was one of the last countries with no requirements in this area. Since early 2014, there has been a legal requirement to reserve at least one seat on the board for an independent candidate. Companies may avoid this by issuing an explanation. Discussions with seven large Japanese companies were intended to persuade them to appoint independent candidates. Four of them, Aeon Mall (real estate), Nippon Steel (steel), KDDI (telecoms) and SMC (measuring equipment), have since done so.

In South Korea, the head of KB Financial Group said he wanted to include more independent members on his board after we urged this.

A key reason for continuing to stress the need for more independent directors in South Korea and Japan is that companies there pay relatively low dividends while holding large financial reserves. When Hyundai Motor used some $10 billion to purchase land in 2014, we, on behalf of a group of almost 20 investors, challenged the company on its corporate culture. This led to a higher dividend. Electronics giant Samsung also paid a higher dividend after the company had been confronted on this issue.

Thanks to support from APG, 24 independent supervisory directors were appointed to eleven Italian companies. Italian legislation makes it easy to elect independent candidates. A condition is that the minority shareholders who propose them hold a minimum percentage of the issued shares. This percentage is set annually and varies between 0.5% and 4.5%. We have worked for many years with the Italian investors' association, Assogestioni, to have more independent directors in Italian companies.

Talks with Vornado, an American real estate company, are expected to lead to a new board (with two directors stepping down) and greater clarity on the precise role of the lead independent director, who will maintain independent supervision of the chairman who is also the CEO. We want this company to go further and split the dual role of chairman/CEO. Majority voting should also be introduced so that directors can only be appointed if they have the support of a majority of the shareholders.

At our request, Viscofan, a Spanish producer of synthetic sausage casings, withdrew its candidate for the audit committee. The company wanted to appoint a candidate who lacked the necessary independence due to her 15+ year tenure on the board.

Renewal and diversity

Talks with the CEO and the chairman of the board of Siemens gave greater clarity on the renewal of the board. The appointment of two new directors is a step in the right direction. Siemens should go further and ensure that the successor of the current chairman has taken office before 2018.

The chairman of the Supervisory Board of Deutsche EuroShop, who has to retire at the end of his period of office in mid-2015, was asked for greater clarity on his successor. Although the real estate company did not provide this clarity, it has nonetheless appointed a vice-chairman.

APG abstained from endorsing the actions of the CFO of TNT Express as at the time of his departure the financial information he was responsible for had not been audited, and so there was insufficient information to vote in favor.

French transport company Veolia has dropped its view that only directors from French-speaking countries could be appointed. Veolia only wanted directors with French as their mother tongue. We pointed to other French companies which operate well with directors from other countries. The board now includes Czech and Qatari members.

3.5 Combating corruption

The UN Global Compact requires companies to combat fraud and corruption. We expect companies to assess their exposure to the risks of fraud and corruption and to maintain a policy for tackling these risks.

We called on Brazilian oil company Petrobras to appoint a working group to find operational solutions for combating corruption. The reason for this was a large-scale bribery scandal in the construction of refineries in northern Brazil and the US and at a petro-chemical complex near Rio de Janeiro (Comperj). Petrobras' own investigations seem to have delivered inadequate results. The new working group has to report directly to the board and shareholders should also be informed of the results. The working group should set standards for the independence of the company's directors and other key employees. This is very important as Petrobras is largely state-owned. Political considerations may not play a role in company decisions.
APG has meanwhile joined a class action suit against Petrobras, with the aim of securing compensation through the courts for the fall in the share price due to the bribery scandals.

Glencore, a Swiss-British mining company, has joined the International Council on Mining and Metals (ICMM) that is trying to promote sustainability in these industries. It increased diversity by appointing a female director to its board for the first time and has formally announced that it will follow the principles of the UN Global Compact. These actions have been urged in many meetings since the company has been linked with various environmental and bribery scandals for some years.

3.6 Respecting human rights

Under the UN Global Compact, companies must prevent their activities from contributing to violations of human rights. During 2014, APG urged several companies to develop a human rights policy.

MTN, a South African telecoms company, has published a human rights policy. This was needed since it operates under dictatorial regimes in countries such as Syria and Iran. There are now clear rules on how MTN handles requests from governments for information on its customers and tapping its networks. Disclosing customer information is only permitted if there is a judicial order. The company will incorporate human rights considerations more when assessing such orders.

Attempts to persuade security company G4S to set up a clear human rights policy embedded in day-to-day operations are still underway. With over 600,000 staff, G4S is one of the largest employers in the world and deals among other things with security in prisons, refugee camps and asylum seeker centers. In view of the nature of its activities and the environments in which they are performed, the company needs a robust policy which is implemented on the ground. There also need to be grievance mechanisms for employees and other stakeholders monitored by the head office. This will help the company respond to problems at an early stage.

French service provider to the oil and gas sector Schlumberger also was urged to set up a strong human rights policy. The company does not think this is necessary as it already has a code of conduct. We do not consider this code to be robust enough, and the new human rights policy needs to include a grievance mechanism.

Canadian oil and gas company Pacific Rubiales, which operates mainly in South America, has extended its human rights policy and professionalized its grievance mechanism in Colombia. APG will continue to talk to the company on the effectiveness of its procedures and on extending them to other countries.

3.7 All dialogues during 2014

During 2014, our sustainability and corporate governance experts engaged 218 listed companies in dialogues on ESG topics.[5] *Multiple issues were raised with some companies.*

APG's sustainability and corporate governance specialists were in contact with the following companies

Environment *68 companies*	Alstria; Anadarko Petroleum Corporation; Apache; Astra Agro; Atrium RE; AvalonBay Communities; Bakrie Sumatera; BHP; Boston Properties; BP; BW Plantation; CeGeREAL; Centrica; Citycon; CLS HOLDINGS; ConocPhillips; Corio; Derwent London; Deutsche Bank; Devon; Drax; EDF; Equity One; Equity Residential; Exxon; First Resources; GDF Suez; Gecina; Glencore; Golden Agri; Grainger; Great Portland Estates; Hammerson; Health Care REIT; Host Hotels & Resorts; ICADE; Indofood Agri; Kilroy Realty Corporation; Kimco Realty Corporation; Land Securities; Liberty Property Trust; Marathon Oil Corporation; Nestlé; POSCO; Prologis; Regency Centers Corporation; Renault; Repsol; Sampoerna Agro; SEGRO; Shaftesbury; Shell; Simon Property Group; Sponda; Technopolis; Tesla; Total; Transocean; Unibail-Rodamco; Unilever; Unite Group; Value Retail; Ventas; Vesta; Volkswagen; Vornado Realty Trust; Wereldhave; Workspace Group.
Social topics *98 companies*	Ahold; Alstria; Anglo American; Apache; Arcadis; Astra Agro; Atrium RE; AvalonBay Communities; Bakrie Sumatera; Bank Hapoalim; Bank Leumi; Bank of America Corporation; BG Group; BHP; Boston Properties; BP; Brasil Foods; BW Plantation; CeGeREAL; Centrica; Charoen Pokphand Foods; Chevron; Citycon; CLS Holdings; CNOOC; ConocPhillips; Corio; Costco; Danone; Derwent London; Deutsche Bank; Deutsche Telekom; Devon; Drax; EDF; Equity One; Equity Residential; Exxon; First Resources; G4S; Gecina; Glencore; Golden Agri; Grainger; Great Portland Estates; Hammerson; Health Care REIT; Hon Hai Precision/Foxconn; Host Hotels & Resorts; Hyundai Engineering & Construction; ICADE; Indofood Agri; K+S; Kilroy Realty Corporation; Kimco Realty Corporation; Kroger; KT Corp; Land Securities; Larsen & Toubro; Liberty Property Trust; Lonmin; Metro; Mizrahot Tefahot Bank; MTN; Nestlé; Onex Corporation; Pacific Rubiales; POSCO; Prologis; Regency Centers Corporation; Repsol; Sainsbury; Sampoerna Agro; Schlumberger; SEGRO; Shaftesbury; Shell; Siemens; Simon Property Group; Société Générale; Sponda; Technopolis; Total; Transocean; Tullow; Unibail-Rodamco; Unilever; Unite Group; Value Retail; Ventas; Vesta; Vinci; Vornado Realty Trust; Wereldhave; Wood Group; Woolworths; Workspace Group.

5. The twelve unlisted companies that were contacted are not included in this overview.

Corporate governance *151 companies*	Abbott Laboratories; Aegon; Aeon Mall; Airbus Group; Alexandria Real Estate Trust; Alstria; AMS; Apache; Arkema; Asahi Group Holdings; Atrium RE; AXA; Axis Bank; Axis Capital; Bank of America Corporation; Barclays; Barrick Gold; BBVA; Betfair Group; BG Group; BHP; BP; Britvic; Cairn India; Capital & Counties Properties; Centrica; Citigroup; Cobalt International Energy; Compagnie Financière Richemont; ConocPhillips; Corporate Office Properties; Credit Suisse; Derwent London; Deutsche Bank; Deutsche Euroshop; Deutsche Wohnen; Devon; Dexus Property Group; Domtar Corporation; Dr Pepper Snapple Group; DTE Energy; Elementis; E-Mart; ENEL; ENI; Exxon; Gazprom; GDF Suez; GlaxoSmithKline; Glencore; GPT; Grainger; Groupe Eurotunnel; Hammerson; Hana Financials; Hon Hai Precision / Foxconn; HSBC; Hyundai Department Store; Hyundai Heavy Industries; Hyundai Mobis; Hyundai Motor; IBM; ING; Inmarsat; Itau; JP Morgan; K+S; KB Financial Group; KDDI; KEPCO; Kia Motor; KT Corp; KT&G; Land Securities; LG Chemical; LG Display; LG Electronics; LG Household & Health; Lotte Shopping; Mahindra Mahindra; Morrisons; Naver Corp; Nestlé; News Corp.; Nippon Steel; Novartis; Novo Nordisk; Nutreco; ONGC; Orange; Pepsico; Pernod Ricard; Petrobras; Philips; Pirelli & C; POSCO; Post NL; Prudential; Renault; Repsol; Roche; Rotork; Ryanair; SAIL; Sainsbury; Saipem; SAMCO; Samsung Electronics; Samsung Fire & Marine; Samsung Life Insurance; SBM Offshore; SEGRO; Shell; Shinhan Financial Group; Shinsegae; Siemens; SK Hynix; SK Innovation; SK Telecom; SMC; SNC Lavalin; Société Générale; Solvay; Standard Chartered; State Bank of India; Sumimoto Realty; Sun Hung Kai Property; Suzuki Motor; Swiss Life Holdings; Swiss Re; Target Corp.; Tecan; Telefonica; Tesco; TGS Nopec; Time Warner; TNT Express; Total; Transocean; Unicredit; Ventas; Veolia Environnement; Viscofan; Volkswagen; Vornado Realty Trust; Wereldhave; Western Digital; Wm Morrison Supermarkets; Wood Group; Woori Finance Holding; Yahoo Japan.

4 Excluded companies and sovereign bonds

4.1 Excluded companies

APG does not invest in companies that are involved in the production of cluster weapons, anti-personnel (land) mines, and chemical and biological weapons. Breaching the UN Global Compact principles can also lead to exclusion.

Each year, we make a selection of the companies which may be breaching the UN Global Compact agreements. This generally results in a process of engagement which can extend over several years and whose aim is to improve their behavior. It is accompanied by clear demands and time limits. Exclusion is a last resort, and is avoided as far as possible. At the end of 2014, there were five engagements with companies which may be breaching the Global Compact.

Companies that produce nuclear weapons are excluded if they are in contravention of the Non-proliferation Treaty, the international treaty to prevent the spread of nuclear weapons ratified by the Netherlands. Specifically, this means that nuclear weapons may only be produced for and by countries permitted to hold such weapons under the Treaty (the five permanent members of the UN Security Council).

At the end of 2014, we decided to add two new companies to the exclusion list. Motovilikha Plants JSC, a Russian arms company, was excluded because of its involvement in the production of cluster munitions. At the time we had no investments in this company. Larsen & Toubro, an Indian company, was excluded because of its possible involvement in the production of nuclear weapons for a country (India) that may not hold them under the Non-proliferation Treaty. Further to reports on this, the company was approached several times to confirm publicly that it was not involved in this activity. Larsen & Toubro's refusal to do so prompted us to exclude the company. Our investments in Larsen & Toubro were sold at the end of 2014.

At the end of 2014, our exclusion list included the following companies:

Excluded because of UN Global Compact violations

PetroChina	China
TEPCO	Japan
Walmart	United States

Excluded due to involvement in the production of cluster weapons

Aeroteh S.A.	Romania
Alliant Techsystems Inc.	United States
Aryt Industries Ltd.	Israel
Ashot Ashkelon	Israel
China Aerospace International Holdings	China
China Spacesat	China
Hanwha Corporation	South Korea
Motovilikha Plants JSC	Russia
Norinco International Corporation Ltd.	China
Poongsan Corporation	South Korea
Poongsan Holdings Corporation	South Korea
Singapore Technologies Engineering	Singapore
Textron	United States

Excluded because of (possible) involvement in the production of nuclear weapons in contravention of the Non-proliferation Treaty

Larsen & Toubro	India

4.2 Excluded sovereign bonds

We do not invest in sovereign bonds of countries subject to a UN arms embargo. In response to the UN Security Council's decision in 2014 to announce an arms embargo for the Central African Republic, we added this country to the list of countries whose sovereign bonds we will not hold.

At the end of 2014, this list included the names of eleven countries:

Central African Republic
Democratic Republic of Congo
Eritrea
Iraq
Iran
Ivory Coast
Liberia
Libya
North Korea
Sudan
Somalia

5 Outlook for 2015

Much will happen in terms of sustainable development during 2015, including the conclusion of several major international initiatives. At the end of 2015, the United Nations will be organizing a new global climate summit in Paris at which governments will make binding agreements on CO_2 emissions to keep global warming and the associated climate change within limits.

We will do our best to meet our commitment to double our investments in renewable energy (by 2017), which we made during the UN Climate Summit last year. Monitoring the portfolio for risks associated with climate change will have more permanent attention.

2015 will also see the establishment of sustainable development goals by the United Nations. At the same time, proposals will be developed for realizing these goals and steps will be taken to identify how they can be funded. The United Nations Environment Program (UNEP) is furthermore examining which regulations will be needed to move to a sustainable financial system.

APG will contribute to these developments by actively participate in discussions and the thinking about solutions.

We support integrated reporting, with companies providing transparency about how they create sustainable value, now and in the future. This is important in the interest of making informed investment decisions as well as for promoting a sustainable economy.

Our portfolio managers will use the sector frameworks developed in 2014 in their investment decisions and contacts with companies. These identify the main sustainability and corporate governance factors for 38 different industries.

Action for safe working conditions in shipbuilding and more independent directors at large companies in Asia will continue. Companies in Japan and South Korea in particular have large financial reserves while they at the same time pay low dividends. Here, directors need to have greater consideration for shareholders.

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