

Responsible investment & Stewardship policy

APG Asset Management

December 2018

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Contents

1	Introduction	5
2	Responsible Investing Policy	6
3	Stewardship	8
4	Voting, monitoring & engagement	9
5	Investing Responsibly: Implementation	12

1 Introduction

APG Asset Management (APG) is a fiduciary manager for Dutch pension funds. We invest globally with the aim to enable our clients, on whose behalf we invest, to achieve the highest net return for their beneficiaries while ensuring the pension funds remain strong and future-proof. Part of our mission is to contribute to a sustainable world. APG is an active manager with 80% of our assets under management of approximately 485 billion euros¹ managed in-house across public and private asset classes. One of APG's investment beliefs is that good governance and responsible investment are key.² Responsible investing is enshrined in our clients' strategic investment plans and part of the asset liability management process. The integration of governance and sustainability factors in all asset classes is therefore an important feature of our investment approach, which is designed to:

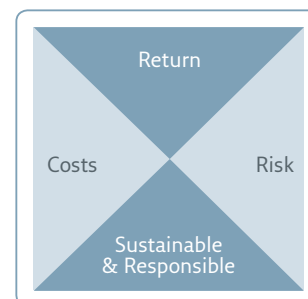
- contribute to risk-adjusted financial returns;
- demonstrate social responsibility and;
- contribute to the integrity of financial markets.

As a leading long term responsible investor we want to enable pension fund beneficiaries to rely on a good income upon retirement and enjoy that income in a sustainable world. All investment policies are geared towards achieving this dual objective. This entails a comprehensive approach towards making a material positive social, economic and environmental contribution in the real economy. We aim to achieve this by understanding and

influencing the entities we invest in and by engaging with policy makers and other stakeholders to help build a sustainable financial system and future. Monitoring, dialogue and engagement with our investments are key features of our stewardship activities, which allow us to make informed investment decisions.

APG has a dedicated team of stewardship and responsible investment professionals, the Global Responsible Investment and Governance (GRIG) team. Our investment teams carry out stewardship responsibilities with regard to their portfolios together with the GRIG team to ensure sustainable returns and create, protect and enhance the economic value of our clients' assets.

This document explains APG's approach to responsible investing and stewardship for all the asset classes APG invests in on behalf of its clients.³ It sets out our responsible investment focus areas and related expectations of companies. From this follows an outline of how we meet our responsibilities as a steward of capital and explains how we vote, monitor and engage with the companies and other entities we invest in on behalf of our clients.



1. September 2018

2. www.apg.nl/en/asset-management/our-beliefs

3. This policy will be regularly reviewed and updated as necessary, based on market trends and public policy developments.

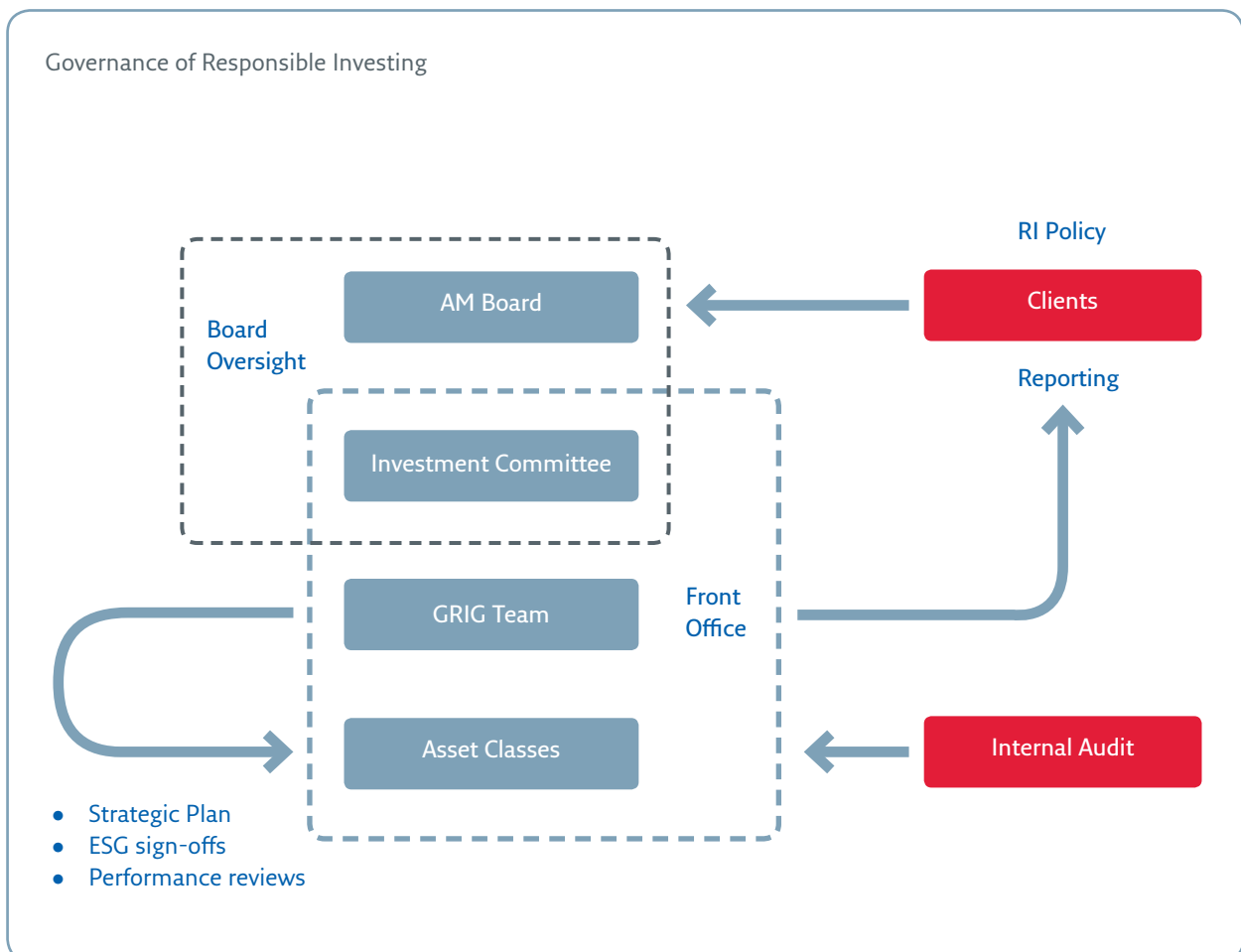
2 Responsible Investment Policy

As a fiduciary of capital, we protect our clients' assets for the long term by investing responsibly and being a good steward of capital. Responsible investing and Stewardship is embedded in APG's governance structure and company culture. This underpins our long-standing track record of successfully implementing a responsible investment policy into all asset classes in which we invest. The Investment Committee chaired by the CIO is the main oversight body and the Managing Director Global Responsible Investing and Governance is also member.

Our responsible investment policy is based on the following eight principles:

1. Responsible investment is an integral part of the investment process at APG.

We take shareholder rights and environmental and social factors into consideration in our investment decisions. Research in the fields of sustainability and shareholder rights can lead to a decision to decline a certain investment offer, to sell the investment, or to increase or reduce the size of the investment.



2. APG enters into dialogue with companies in order to achieve sustainability and good corporate governance.

In meetings with companies we make our standards on sustainability and shareholder rights clear. To emphasize our message, we often cooperate with other investors in this area.

3. APG expects companies to act with respect for the principles of the UN Global Compact, and we will sell the shares we hold if the dialogue does not lead to improvement. Moreover, APG does not invest in products which are banned under Dutch law or international regulations.

This means that we do not invest in companies that are directly involved in the manufacture of landmines, cluster ammunition and their firing systems, or chemical or biological weapons. We also rule out products or services widely regarded as objectionable in the Netherlands. The minimum standards for companies in the fields of human rights, labor standards, the environment and corruption are specified in the UN Global Compact.

4. APG does not invest in sovereign bonds issued by countries that are subject to an arms embargo by the UN Security Council.

An UN Security Council arms embargo indicates that there is serious concern about a country's human rights situation.

5. APG actively exercises our rights as shareholder.

We vote at the shareholders' meetings of the companies in which we invest. We publish our voting behavior and provide explanations of how we voted.

6. APG strongly advocates robust Dutch and international laws and regulations aimed at promoting sustainability and good corporate governance.

We regularly discuss sustainability and shareholder rights with legislators and regulatory bodies. We also contribute to the development of standards aimed at improving the integrity of the financial markets over the long term.

7. APG actively looks for attractive investments that promote sustainability.

APG invests in alternative energy, clean technologies and micro loans, and is always looking for new opportunities to invest in such contributions to sustainability.

8. APG actively propagates our responsible investment policy in order to promote sustainability and corporate governance.

We cooperate with other asset managers and pension funds across the world in order to increase the effect of our responsible investment policy for our clients. We are active in various Dutch and international forms of cooperation. And we communicate extensively about our activities.


3 Stewardship

APG recognizes that the responsible use of investor rights and our role as a steward of capital entrusted to us involves the monitoring of and engagement with the companies in our portfolio as well the exercise of our voting rights at shareholder meetings. APG endorses the ICGN Global Stewardship Principles and complies with the Dutch Stewardship Code. APG's policy on conflicts of interest in relation to our stewardship activities is published on our website.⁴

We strongly believe that effective stewardship benefits companies, investors and the economy as a whole. Therefore we actively engage with our investments on issues which in our view contribute to their ability to create and sustain long-term value. This allows us to better understand the business challenges they are facing and ensure that sustainability risks and opportunities are addressed.

Active investing means that our portfolio managers make investment decisions using their own knowledge of companies and market insights. APG's stewardship and responsible investment function is an integral part of our asset management arm – the Managing Director of the Global Responsible Investment & Governance (GRIG) team reports directly to the Chief Investment Officer and is part of the management team of the investment function. Our investment teams carry out stewardship responsibilities with regard to their portfolios together with the GRIG team to ensure sustainable returns and create, protect and enhance the economic value of our clients' assets. At APG, we have developed our own methodology and also use various external sources and systems to help us prioritize and select focus areas for our stewardship activities and monitor progress and outcomes.

Global Responsible Investment & Governance team



The image shows a world map with three specific locations highlighted with black dots and labeled: New York in North America, Amsterdam in Europe, and Hong Kong in East Asia. The map is rendered in a light blue color.

Local presence in the three regional APG AM offices

Close co-operation with regional investment teams

Exercise of voting rights on behalf of clients in over 70 countries

4. www.apg.nl/en/asset-management/

4 Voting, monitoring and engagement

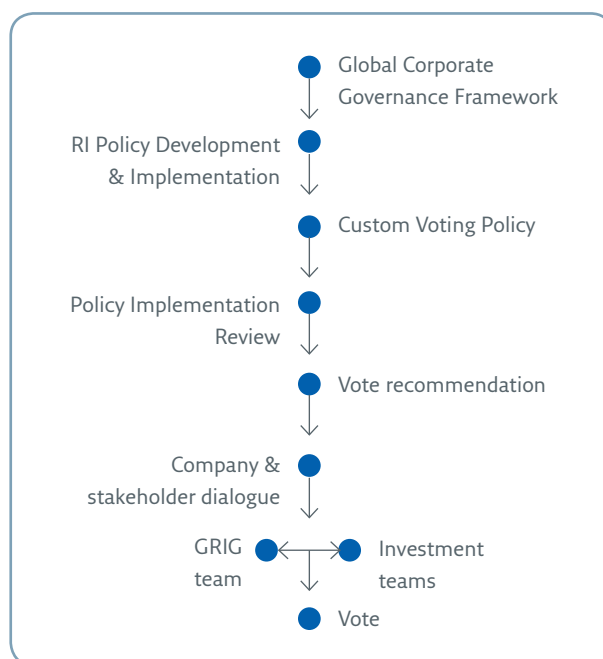
Voting

Exercising voting rights on behalf of our clients is a key element of our stewardship activities and an important link in the chain of accountability between a company and its shareholders. The right to vote at company shareholder meetings is a fundamental part of a well-functioning corporate governance system and APG therefore exercises this right, wherever possible, at all companies in which it invests. Share blocking can prevent us from voting in certain markets. APG's GRIG team oversees and coordinates the exercise of all equity voting rights globally with input from portfolio managers.

APG's voting decisions are based on expectations set out in the APG AM Global Corporate Governance Framework⁵ where we explain our underlying corporate governance principles, how we meet our investor responsibilities, and how we vote on main agenda items at companies' annual general shareholders' meetings. In making voting decisions APG takes into account the specific context and market in which the company operates, such as the provisions set out in national corporate governance codes as well as local laws and regulations, while encouraging the implementation of global best practice corporate governance standards. APG uses an electronic proxy voting platform, which enables us to monitor upcoming annual and extraordinary shareholder meetings, assess the agendas and make timely and well-considered voting decisions. Voting instructions are submitted in line with our Corporate Governance Framework and our detailed voting policy. Combined with research from a proxy voting service provider,⁶ custom APG voting instructions are generated on the platform. We vote all holdings in a company the same way across portfolios, including those held by external managers on our behalf. For companies in which APG holds large stakes, that require special attention, or for cases that involve significant allocation of capital, APG consults with the company, investors and other stakeholders as appropriate. APG may seek input from external managers when voting in markets where those managers have specialist expertise. Our voting decisions reflect our engagement activities with companies. All votes are disclosed in detail on our website shortly after the share-

holder meetings.⁷ We continuously review our voting policy in light of regulatory and market developments.

APG does not lend shares and will not borrow shares for the sole purpose of exercising voting rights on these shares.⁸



Monitoring and engagement

Monitoring of investments is part of our role as a good steward of capital and helps to gain a well-rounded view of how companies are run. In the most basic terms, monitoring comprises all aspects which in our view could impact a company's ability to create long-term value including, but not limited to; strategy, (financial) performance, capital structure, corporate governance, and sustainability risks and opportunities. In first instance we will use company filings and publicly available information to gain an understanding of the company. If we have insufficient information or we have questions or concerns, we will enter into dialogue with the company and seek

5. www.apg.nl/en/asset-management/

6. Institutional Shareholder Services (ISS).

7. www.apg.nl/en/asset-management/responsible-investing

8. APG supports the ICGN policy regarding share lending.

clarification or information and exchange views. This dialogue can help build trust and mutual understanding, which supports the objective of long-term value creation by companies.

Engaging with our portfolio companies is a central element of APG's and its clients' responsible investment approach. Engagement is the process of entering into a dialogue with companies and managers of assets or funds in order to better understand our investments, ascertain their ESG risk profile, and to influence their performance and practices where appropriate. It helps us in improving our knowledge of portfolio investments, in making better investment decisions, and in improving the financial and investment performance of our investees. The essence of our engagement activities is to encourage portfolio investments to uphold certain standards of governance and sustainability. We believe this reduces the risk of sub-optimal capital allocations and creates long-term value, within the investments and across markets. APG expects its investments to demonstrate responsible business practices and to respond in a timely and appropriate manner when a particular behaviour falls short of those standards.

There are multiple triggers for us to initiate an engagement. Primarily, we are guided by investment, market and social responsibility rationales. Our engagement activities are a joint effort between the investment teams and the GRIG team. This enables APG to speak with one voice and make the best use of our collective expertise. In the course of an engagement, we make use of in-house expertise, corporate disclosures, company-specific data provided by our research providers and other external sources such as brokers, NGOs or investor networks. We communicate with other stakeholders relevant to our portfolio companies as needed. In certain markets we become actively involved in the nomination of directors, e.g. by supporting slates of independent board - and statutory auditor board - members at Italian listed companies, and by our membership of nomination committees of Swedish listed companies. If we consider using our shareholder rights to e.g. convene an extraordinary general meeting or to submit a shareholder resolution at a general meeting, we will convey our considerations to the company and attend the

respective general meeting to explain our intentions.

Knowledge management system

We have developed an in-house centralised knowledge management system (KMS) in which we track our engagement with companies as well as other relevant research, financial and ESG information. All teams managing capital market investments and the GRIG team have access to this system which ensures effective sharing of information. For each engagement we document the company's name, the engagement issues, our clearly set objectives, and whether they have been met or if progress has been made. We also document if we are working collaboratively with other investors, as well as any dialogues, meetings, written exchanges and follow-up actions with the company or its stakeholders. The KMS is an engagement monitoring tool that is used on a daily basis by GRIG and the investment teams.

Collaboration

APG is actively involved in multiple investor organizations, networks and initiatives aimed at contributing to good corporate governance standards, long-term investing, and a more sustainable world. Collaborative engagements with other investors can be the most effective way of achieving our objective to advance good governance and sustainability at companies and other entities in our portfolio. Working within these organizations and in collaboration with other investors, we advocate for standards and principles that support long-term investing, and engage with investments to protect and enhance long-term value. To exchange views on responsible investing and contribute to good corporate governance and sustainability we take a more active role in working groups and steering committees of certain platforms and investor groups such as the ICGN, Eumedion, and the Hong Kong Securities Exchange Committee. Moreover we are in active dialogue with other societal stakeholders such as NGOs.

Market engagement

APG regularly engages with regulators and policy makers in various markets on corporate governance standards, corporate disclosures and other topics relevant to our role as global long-term responsible investor.



5 Investing Responsibly: Implementation

Our approach to responsible investing is rooted in national and international regulations. These are, in the first instance, Dutch law and international treaties and conventions the Netherlands has signed. APG's responsible investment approach is based on the OECD Guidelines for Multinational Enterprises⁹ and the ICGN Global Corporate Governance Principles (Revised 2017).¹⁰ 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) concerning human rights, labor rights, corruption and the environment. We employ a variety of means to assess whether companies operate in line with these principles.

For each investment strategy APG has developed a tailored approach to how we implement the responsible investing policy which are set out in specific guidelines. The Inclusion Policy and Exclusion Policy apply across all asset classes. The way we implement our clients' responsible investment policies in alternative asset classes APG invests is explained below.

Real Estate

All new, unlisted real estate investments are expected to take part in the Global Real Estate Sustainability Benchmark (GRESB)¹¹ for the entire period for which an investment is held. This involves an ex ante review and an annual measurement of performance. We require managers that score below average to implement an agreed upon strategy to improve the score to above average. Listed real estate companies are encouraged to participate in GRESB as well.

Infrastructure

GRESB Infra¹² is an independent sustainability measurement tool for infrastructure investments. This offers a picture of the sustainability performance of infrastructure investments and to analyze critical aspects of management, policy, implementation, and performance. All new investments in infrastructure are expected to take part in the GRESB Infra Asset assessment, and if applicable, the GRESB Infra Fund assessment for the entire period for which an investment is held. When necessary, we

engage on health and safety performance with our investments in infrastructure.

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 Standards Board for Alternative Investments (SBAI), 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. For the RI Policy implementation in the selection and monitoring of external private equity managers we developed dedicated Responsible Investment Guidelines for Private Equity asset class in 2013. The ILPA standards for governance guide our investment structuring and fee disclosure requirements. General partners are required to complete APG's ESG Due Diligence Questionnaire, adhere to the APG exclusion policy, have appropriate RI policies in place and be able to meaningfully and regularly communicate to us about firm and portfolio level RI performance – using APG Reporting Template developed with PGGM and Alpinvest. We have developed and are using a PE Manager ESG Assessment Tool for all new PE fund commitments. The tool is in use since January 2017. Sustainable Development Investments (SDIs) are monitored and encouraged and RI conditions set at the commitment stage are tracked. APG actively contributed to all PRI Private Equity ESG guidance in the last 5 years, including the latest Reporting Guidance, the LP DDQ and the IIGCC Climate Change Guidance.

9. www.oecd.org/corporate/mne/

10. http://icgn.flpbks.com/icgn_global_governance_principles/#p=1

11. <https://gresb.com/>

12. <https://gresb.com/gresb-infrastructure/>

Real Assets - Natural Resource Fund

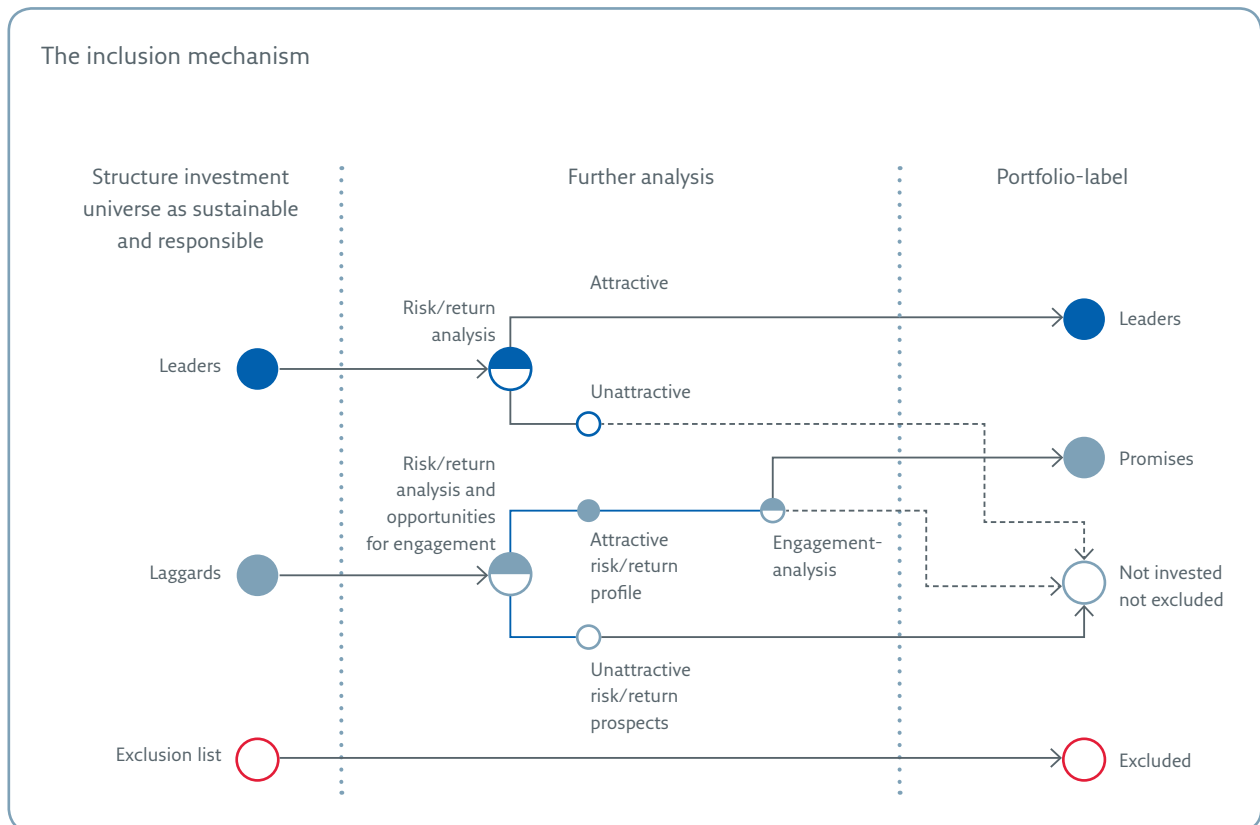
All Natural Resource Fund investments have to comply with the UNGC principles. Investments in emerging markets must additionally demonstrate that they follow the International Finance Corporation (IFC) standards. There may be other standards and requirements, depending on the commodity and fund invested in. APG sends out an ESG questionnaire to all managers each year, and they have to report significant incidents such as serious accidents immediately. We expect managers of agricultural funds to report on the implementation of the Farmland Guidelines.

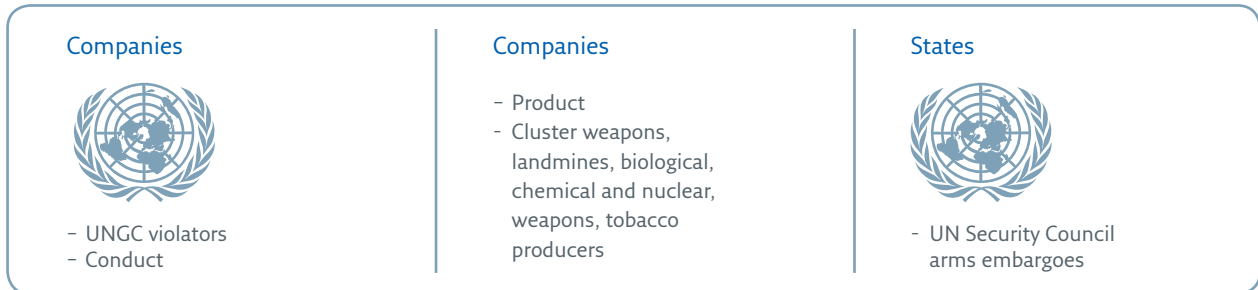
Inclusion policy

We are convinced that investors make better investment decisions if they look structurally at sustainability factors and responsible business practices as this gives them a more comprehensive picture of investment risks and opportunities.

This policy requires that our investment teams actively consider relevant environmental, social and governance factors alongside considerations of return, risk and cost in a portfolio context, leading to informed and well-considered investment decisions for every industry and company we are invested in.

Based on that belief, APG, together with our clients, has developed an industry-leading inclusion policy whereby the investment universe for capital market investments is assessed based on a proprietary methodology and categorized into leaders and laggards. Investments in laggards require engagement in order to improve their sustainability performance. Engagement is therefore one of the cornerstones of the inclusion policy. We aim to invest only in companies that either perform adequately on our chosen sustainability indicators or those that we expect can make progress in these areas.





Since it is the portfolio manager’s responsibility to invest accordingly, he or she has to fully understand the investable entities and is accountable for engagement progress. As a result responsible and sustainable investing is fully embedded in the way we invest and in APG’s culture.

Exclusion policy

We expect companies to act in line with the principles of the UN Global Compact. On a regular basis we screen our equity and bond portfolio and engage with companies we think are in breach of these. Where engagement does not lead to the desired change we can decide to divest. This is a last resort and the result of an intensive process that can take several years and involves clear requirements and deadlines.

In line with our clients policies, APG does not invest in companies involved in the following:

– **Controversial weapons:** This means we do not invest in companies that are involved in the production, sale or distribution of cluster munitions, anti-personnel mines, 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 involved in the production, development, sale and/or distribution of the company is deriving revenues of 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 (i.e. > 0% revenue) 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.

Climate Change

Global climate change is one the greatest challenges of our time. As a long-term investor we are acutely aware of the exposure of companies to the risks and opportunities associated with climate change, either through the physical consequences of global warming and/or through changes in government policy, technology and markets aimed at reducing global warming. It is therefore critical that companies adequately assess and manage climate risks and opportunities as part of their business strategies and risk management. We engage with companies to communicate our expectations and understand how they deal with climate risks and opportunities from a low-carbon transition and how these affect their ability to create sustainable value.

13. www.fsb-tcfd.org/publications/final-recommendations-report/

14. APG is an active supporter of the TCFD Framework and Recommendations.

APG expects companies to provide enhanced corporate disclosure in line with the final recommendations¹³ of the Task Force on Climate-related Financial Disclosures¹⁴ (TCFD) to enable investors to test the robustness of companies' business plans and decision making against a range of climate scenarios, including the Paris Agreement's target of keeping the global temperature rise to well below 2 degrees.¹⁵

We actively measure and manage the carbon footprint of our equity portfolio. Moreover, we are assessing our portfolio's exposure to climate risk and report against the TCFD framework ourselves.

More information about APG's view and activities on climate change can be found on our website.¹⁶

Social

APG expects companies to support and respect the protection of internationally proclaimed human rights and make sure that they are not complicit in human rights abuses.¹⁷ Respect for human rights, the rule of law and strong institutions of governance underpin just and stable societies. From the perspective of a long-term investor, promoting those is conducive to our ability to invest sustainably and be aligned with our social responsibility for pensioners today and in the future. Labour standards are a subset of human rights. The majority of the core labour standards are based on human rights provisions that are listed in the international human rights treaties. The International Labour Organization (ILO) has defined core principles as covered in the ILO's Declaration on Fundamental Principles and Rights at Work (1998) and laid down in eight core conventions.

Human rights

The UN Guiding Principles for Business and Human Rights (2011) lay down the framework for the corporate duty to respect human rights. This is seen as the authoritative framework for companies and also endorsed by the UN Global Compact itself as a means through which companies can ensure that they uphold the UN Global Compact Principles 1 and 2 on human rights.

We expect companies to publish a human rights policy which sets out how the company has considered the potential negative impacts of its activity and its business relationships, and commits it to assessing, addressing and mitigating these. Oversight and management systems should be effective in monitoring human rights performance and providing the right behavioral incentives for staff. Human rights considerations need to be integrated with procurement and production processes to build sustainable relationships with business partners. Effective due diligence identifies risks posed by suppliers, business partners and clients at an early stage. Hence risks can be mitigated and risk exposure reduced. Consultation with potentially affected parties enables the company to establish its social license to operate and address concerns at an early stage. Good stakeholder relationships can mitigate certain risks in accessing new markets, at times even enable access to markets that would otherwise have been avoided on grounds of high risks. Formal channels allowing stakeholders to voice concerns serve as early warning systems to tackle problems before they generate legal penalties, protests or reputational, financial or operational costs.

Labour Rights

APG expects companies to uphold international labour rights, including the freedom of association and the right to collective bargaining, the elimination of forced and child labour and discrimination in respect of employment and occupation.¹⁸ We want employees of companies we invest in to be free to join trade unions and bargain collectively on working conditions. Child labour, forced labour and discrimination on the shop floor are not acceptable. A good personnel policy can enhance the value of an investment.

15. <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

16. www.apg.nl/en/asset-management/responsible-investing

17. UN Global Compact Principle 1 and 2: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

18. UN Global Compact Principle 3, 4, 5, and 6: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

Beyond these core labour standards, human capital practices are key from a company and investor perspective, as is health and safety. Safe and healthy working conditions for employees are essential from an operational perspective but the right to safe and healthy working conditions is also one of the basic rights in the international human rights treaties.¹⁹

Acting in compliance with national legislation and/or ILO standards should help prevent harm to employees, but also legal proceedings and penalties, and provide a safe work environment. A clear assessment of the labour, including health & safety related risks, allows for managing and mitigating them. This should cover own operations and the value chain. A Code of Conduct that is visibly endorsed by the Board is crucial to set the tone and build a company culture that does not tolerate breaches of labour standards. Effective due diligence to identify risks posed by suppliers and business partners at an early stage

is important in order to reduce the potential exposure to labour rights related controversies. Establishing a procedure where employees can express concerns provides an important early warning system. Employee engagement is important to achieve operational traction.

Sustainable Development Investments (SDIs)

The United Nations Sustainable Development Goals (SDGs) were adopted in 2015 to end poverty, protect the planet and ensure prosperity for all. As a long-term responsible investor APG uses the United Nations Sustainable Development Goals as a guideline for investments with a positive influence on people and the environment or a more sustainable economy. For each of the investable SDGs we have developed taxonomies²⁰ that we use to assess and identify investments that contribute to the SDGs. More information about how APG identifies and invests in SDIs can be found on our website.

APG's definition of SDI

'We invest in solutions that contribute to the UN Sustainable Development Goals. These investments meet our financial risk and return requirements and support the generation of positive social and/or environmental impact through their products and services, or at times through acknowledged transformational leadership. We distinguish between investments where impact on the UN Sustainable Development Goals has and those where it has not been measured, and stimulate the latter to report on measurable impacts.'

19. International Convention on Economic Social and Cultural Rights (1966) Article 7.

20. www.apg.nl/pdfs/SDI%20Taxonomies%20website.pdf

External communication

Each year we publish a responsible investment report in Dutch and in English in which we report about the implementation of our stewardship and responsible investment policy. In addition, we have issued more detailed guidance on specific topics related to responsible investing such as corporate governance, remuneration, climate change and SDIs. This is available on our website and should be read in conjunction with this document.



Sustainable Development Investments (SDIs)

Taxonomies

May 2017



APG Remuneration Guidelines to listed European and US companies

1 Introduction

As a large asset manager for pension schemes in the Netherlands, APG Asset Management is invested for its clients in many companies worldwide. Of our total assets under management of approximately 452 billion euros (April 2017) 80% are managed in-house and 60% of that is invested in equities across several investment strategies. The integration of governance and sustainability factors is a key feature of our investment approach. We believe that it contributes to risk-adjusted returns and we see it as an important part of our commitment to our clients to invest responsibly.

In September 2019 we introduced remuneration guidelines to apply to our European portfolio companies. The guidelines were based on discussions we previously had with companies and intended to reflect our investment mind-set and views on the issue of remuneration. The guidelines were well received and have fulfilled our objective that they serve as a framework for discussions around these issues. Recognizing that success, we now introduce updates to reflect some market developments that happened since and at the same time expand the scope to include US listed companies.

Pay for us has an additional dimension beyond corporate governance: the social impact of pay. Irresponsible remuneration practices can cause reputational damage to companies and to their investors. In the long run, if this is not tackled effectively, our concern is that the legitimacy of business itself is eroded. The social impact seems to be concentrated around the two ends of the scale: the high pay awarded to senior executives and the pay levels awarded to the lowest paid employees of a company. Whilst still remaining focused on corporate governance, this updated version of the guidelines take a further step in the direction of recognising the social impact of pay. In the most basic terms, we believe that long-term value creation to shareholders is the added economic value over and above the cost of capital. We believe that pay policies should be set to reflect and support this.

To achieve optimal creation of value over time, we expect boards and their remuneration committees to incentivise management to balance between efficient operation of existing assets and efficient capital allocations and capital growth.

This guidance supplements APG's Corporate Governance Framework¹ and other corporate governance guidelines relevant to listed companies in each market. It should be read in conjunction with our general voting policy and will shape the considerations we apply when voting at general meetings.

¹ <https://www.apg.nl/en/asset-management/responsible-investing>

¹ APG Remuneration Guidelines to listed European and US companies

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