

## Sustainability information of the ABP Net Pension scheme

On 10 March 2021 the Sustainable Finance Disclosure Regulation (SFDR) came into effect, this regulation requires ABP to disclose information on sustainability and investments. This ABP pension scheme classifies as an Article 8 product, due to the Sustainable and Responsible Investment Policy (SRI policy). This means that, with this pension scheme, ABP promotes ecological and/or social characteristics (E/S characteristics). More sustainability information about the pension scheme can be found in the sections below.

### Summary

#### **No sustainable investment objectives**

This pension scheme of ABP promotes environmental or social characteristics, but does not have sustainable investments as its objective.

#### **Environmental or social characteristics of the financial product**

The E/S characteristics promoted by this pension scheme are:

- Exclusion policy
- Policy on climate change
- Investments in UN SDG's
- Inclusion policy

By means of these components of the SRI policy, ABP considers principal adverse impacts on sustainability factors and addresses these factors.

#### **Investment strategy**

The investments of this pension scheme must comply with the investment policy and the SRI policy. These are applied to all our investments. We have several investment beliefs that are leading for the establishment and implementation of the strategic investment policy.

The investment policy is described in the actuarial and technical business note. This states in which categories the board wants to invest. The pension scheme promotes the E/S characteristics of the pension scheme on the level of the asset class or by pursuing a broad target across the entire portfolio, such as a reduction target.

Moreover, we apply a policy to assess that investments are made in companies that comply with good governance practices. The ABP Corporate Governance Framework describes our principles and expectations with respect to good corporate governance. As a large investor, we use our influence to promote sustainability and practices of good corporate governance in the companies and the real estate we invest in. We do this by entering into dialogue and communicating our expectations. ABP follows the ABP Stewardship Policy, as applied by our asset manager APG.

#### **Proportion of investments**

The minimum share of investments of this pension scheme promoting E/S characteristics amounts approximately 60%. This is a conservative estimation, including a margin of error. The remaining part of the portfolio doesn't meet the E/S characteristics promoted by this pension scheme, this includes:

- Money market instruments, derivatives and hedge funds; and
- A part of the investments: real estate, private equity and Credits.

#### **Monitoring of environmental or social characteristics**

When monitoring the E/S characteristics of this pension scheme, the relevant sustainability indicator(s) are selected for each characteristic. During the lifetime of the pension scheme, each characteristic is measured to determine if the promoted E/S characteristics are met.

The ABP Board is responsible for implementing internal controls aimed at the correct and complete registration of the pension fund's data. The Board delegated its asset management to APG. APG shows by means of an In Control Statement that it has internal processes under control.

APG uses the 'three lines of defense' model to monitor E/S characteristics. This means that the monitoring is primarily monitored by the portfolio managers themselves. In the second line, identification and management of risks is endorsed. Finally, the internal audit department checks the quality and

effectiveness of the applied control measures. The internal Business Process Manuals (BPMs) APG contains detailed descriptions of the processes, risks and control mechanisms for the implementation processes of each aspect of the responsible investment policy. These descriptions include the monitoring of the sustainability indicators measured under the policies and guidelines.

### **Methodologies**

In order to measure the E/S characteristics of the pension scheme a methodology is set up for each characteristic. These methodologies are described by asset manager APG in the summary descriptions of the various responsible investment policies and approaches that apply to the pension scheme. The summaries can be found on the website of APG. More information on the methodologies is set out in the 'Methodologies'- section (only available in Dutch).

### **Data sources and processing**

To measure the E/S characteristics promoted by the pension scheme, we use data from external data providers such as Sustainalytics, MSCI, ISS, SDI Asset Owner Platform (AOP), GRESB, Baringa and ERM. APG assesses the data quality of each data provider. The internal Business Process Manuals (BPMs) of APG state how data quality is guaranteed, how data is processed and what part of this data (if applicable) is estimated.

The data sources are used for both internal and external reporting of APG as well as publications by ABP. The information in the reports of APG can serve for information purposes, but can also be used as input for investment decisions.

### **Limitations to methodologies and data**

Sustainability-related data is still less mature than regular financial data and qualitative performance assessments are often translated into numeric values. Qualitative performance assessments are often translated into numerical values. Generally, APG recognizes the limitations of the methodologies and data sources for sustainability-related data, including the lack of consistent and transparent measurement methods and (independent) assessment of data, and the limited availability, comparability and quality of data. The methodological and data limitations are further described in BPMs of APG.

### **Due diligence**

We have made clear arrangement with our asset manager on the implementation and execution of our SRI policy, including the application of the six OECD due diligence steps. We use the OECD Guidelines for Institutional Investors as a guideline for the selection, engagement and monitoring of our investments. The implementation guideline describes how our asset manager APG implements these steps. We expect APG to screen the portfolio for any potential negative impact of investments and to prioritize the most severe (based on severity, scope, irreversibility and probability). Where appropriate, we consult with external experts and other stakeholders for additional research and perspective.

### **Engagement policies**

The engagement policy applicable to this pension scheme is explained in the ABP Stewardship Policy, and is applied by our asset manager APG. This policy explains how we apply our responsibilities as a shareholder in listed companies through engagement, monitoring, voting, cooperation with stakeholders and market engagement. The ABP Stewardship Policy elaborates on the governance structure of ABP-APG and is published on our website.

Procedures for the management of sustainability issues in investee companies is primarily discussed in the inclusion policy. For further details on the inclusion policy, please refer to the Summary on addressing inclusion on the website of our asset manager.

### **No designated reference benchmark**

For this pension scheme there is no designated reference benchmark to meet the E/S characteristics that are promoted by this product.