

Corporate Governance Framework

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Introduction

APG is active in the field of corporate governance because it recognises its rights and responsibilities as a shareholder and (co-)owner of companies and the connection between good governance and risk-adjusted returns.

APG's statement of Investment Principles defines how it invests. Our aim is to enable the pension funds, on whose behalf we invest, to provide an inflation-proof pension at an affordable premium. Our vision is expressed in six investment principles one of which states: We achieve our returns in a responsible manner through a focus on environment, social policy and good governance. Moreover, by including non-financial factors into the investment process, the risk and return profile of our portfolio can be improved.

In this document we set out APG's approach to corporate governance. We start by setting out the framework for responsible ownership (Guidelines) and how this translates into our own policy and its implementation (Approach to Voting). From this follows a brief discussion of our active dialogue with companies (Engagement) and how we incorporate corporate governance within damage recovery (Shareholder Litigation).

1. Guidelines

APG's responsible investment policy (see Annex 1) is based on the OECD Guidelines for Multinational companies and the Global Corporate Governance Principles (Revised 2009) of the International Corporate Governance Network (ICGN). We expect companies to comply with the ten Principles of the UN Global Compact.

The main goals of APG's responsible investment policy are:

- to contribute to risk-adjusted financial return;
- to demonstrate social responsibility;
- to contribute to the integrity of financial markets

Through its corporate governance activities APG seeks to contribute to these three goals, and to achieve this has developed a dedicated voting policy.

APG's dedicated Governance & Sustainability Team centrally controls the exercise of all voting rights.

2. Approach to voting

The right to vote is an essential part of a well-functioning corporate governance system and APG therefore exercises this right, wherever possible, at all companies in which it invests. Voting decisions are primarily based on investment considerations.

APG's portfolio is global and diversified. We invest in ca 4000 companies worldwide. When deciding how to vote, APG takes into account the specific context and market in which the company is domiciled.

The underlying principles of the voting policy are:

- 1. Optimise returns for shareholders** – The most important goal of a company, and therefore of its directors, should be to optimise returns for shareholders in the long term, while taking due account of the interests of other stakeholders.
- 2. Accountability** – The directors of a company must be accountable to its shareholders, and also make themselves available for dialogue with shareholders.
- 3. Transparency** – Shareholders demand full and transparent disclosure from companies to enable them to make well-informed investment decisions, and to effectively exercise their rights and responsibilities as part of the company's system of checks and balances. Companies must disclose operational, financial and governance information in a timely, complete and comprehensible manner, and in accordance with International Financial Reporting Standards (IFRS). This also applies to important information regarding environmental, social and ethical issues that are of strategic relevance to the company because they could have a material impact on the company's long-term performance.
- 4. One share, one vote** – APG supports the principle of 'one share, one vote', which accords equal rights to all shareholders. Where a company, for financial or legal reasons, issues shares with differing rights, the company must define these rights transparently and clearly explain why rights are not equal.
- 5. Informed votes** – We expect companies to make available to shareholders complete materials for general

meetings sufficiently in advance of the meeting. This enables shareholders to make well-informed voting decisions. Companies should enable electronic voting, and take account of all votes, whether cast electronically or in person, in their formal voting results. Such records should be published in detail on the company website. APG's detailed voting policy (Annex 2) will be reviewed regularly to take account of changes in laws and regulations, market developments and experiences gained during the shareholder season.

APG makes use of the electronic voting platform of a proxy voting service provider, and also procures proxy research from different research firms to inform our own analyses and voting decisions.

APG takes a focussed approach to voting. The majority of agenda items are routine and do not require special attention. Therefore we are working with our proxy research provider to implement APG's detailed voting policy for the majority of company meetings. This policy is based on APG's general voting policy and tailor-made so that the votes are always in line with APG's own policy. We can always vote manually and override a vote recommendation.

For those companies which are on the so-called Full Voting List each vote is manually submitted and the Governance & Sustainability team consults with portfolio managers, the company and other investors where appropriate.

APG focuses on a select number of companies:

- All Dutch companies, and
- those where we hold a significant stake, and/or
- have a significant economic exposure, and/or
- require special attention for other reasons.

Many companies are held in more than one fund within our portfolio. We have centralised voting activities in-house to ensure that votes are consistent

across all funds in order to send one single message to companies. APG actively seeks input from external managers when voting in markets where they have specialist expertise.

It is unrealistic to attend all shareholder meetings worldwide, but electronic voting allows us to exercise our voting rights wherever we invest. In markets where electronic voting is not properly facilitated we actively encourage companies and policymakers to rectify this. In the Netherlands APG may attend general meetings of companies either in person or by proxy in co-operation with Eumedion, the Dutch Corporate Governance Organisation, and its investor members.

Impediments to voting

There are impediments to exercising our voting rights which we actively seek to address. This includes the practice of share blocking in certain markets whereby one cannot trade in company shares when voting, or cumbersome share re-registration procedures. APG has been engaging with companies, investors and policy makers alike to change this and as a result we face this issue less frequently.

The proxy voting chain can be optimised further. To date we cannot always be sure that our vote reaches the company correctly or indeed at all. APG is actively working with custodians, companies and investors, as well as policymakers, to address these shortcomings.

Stocklending

Stocklending can be important to ensure sufficient market liquidity. For the companies on our Full Voting List we will always vote all shares that we own and recall any that have been lent out. For all other companies we will have at least 20% of the shares held available for voting. We will also recall shares for meetings not covered by the Full Voting List if circumstances so require. APG supports the policy of the ICGN regarding share lending.

3. Engagement

APG believes in the value that an active dialogue with investee companies can bring to the investment process. Our engagement with companies encompasses environmental, social and governance (ESG) issues. Companies need to be able to demonstrate that they have appropriate corporate governance policies and systems in place that also capture strategically relevant sustainability risks and opportunities. Engagement with companies can be triggered by voting decisions and related matters, or it can be part of an ongoing dialogue in order to closely monitor our investments. In line with our responsible investment policy we may decide to exclude companies that are in breach of the UN Global Compact principles and do not improve following engagement.

APG procures governance research that is not related to general meetings but provides insight on the general governance of a company. This can be useful for investment-related research and engagement. Corporate governance engagement with companies focuses primarily on minority shareholder rights, board composition and remuneration, as well as risk management.

In markets where legal provisions are in place for investors to propose a slate of board candidates (e.g. Italy) or take a seat on the board nomination committee (e.g. Sweden), we make active use of this right where appropriate.

Insider knowledge

APG tries to prevent receiving insider information by all means, unless in rare cases where one has specifically agreed to being made an insider. Our Code of Conduct clearly state that employees must not make use of insider knowledge or disseminate this information further, and must report any potential case of insider information immediately to compliance. Employees are not allowed to trade based on insider information.

Globally, lawsuits may be filed against companies for alleged violations of securities laws. These lawsuits may

4. Shareholder litigation

concern e.g. fraud, deceit, misrepresentation, disregard of disclosure obligations and breach of fiduciary duties. In cases where APG has suffered and has a claim that represents a certain value, and if within its powers, APG will take reasonable steps to pursue and realize such a claim and thus recover damages suffered.

Where possible and appropriate, APG will seek to introduce corporate governance reforms, and under certain circumstances may take an active role in a securities case as a means to improve corporate governance at a company involved in litigation. Corporate governance reforms can thus be made part of a settlement.

5. Cooperation

APG is part of various investor networks such as the International Corporate Governance Network (ICGN), the Global International Governance Network (GIGN), Eumedion and the UN Principles for Responsible Investment (UN PRI). We take an active role in these networks, for example by serving on various committees. Where appropriate we cooperate with other investors in dialogues with companies and regulators.

6. Engagement with the policy-making process

Through our membership organisations and also in our own capacity, APG contributes to the development of the policy and regulatory framework. Improving the integrity of financial markets is one of the stated goals of our responsible investment policy, because broad market orregulatory failures can have a significant impact on our asset allocation and investments.

7. Transparency & disclosure

APG is committed to being transparent and accountable. We publish this voting policy and how we have voted at all companies on our website as soon as possible after the general meeting. On an annual basis we report about our detailed corporate governance and sustainability activities in our Responsible Investment Report.

Annex 1

APG Responsible Investment Policy

1. Responsible investment is integrated into APG's investment process.

We take account of shareholder rights and environmental and social issues in our investment decisions. Our research on sustainability or corporate governance can form the basis for decisions not to make an investment, to sell an investment, or to reduce or increase the size of an investment.

2. APG engages with companies to promote sustainability and good corporate governance.

In our dialogue with companies we make clear what standards we expect in relation to sustainability and shareholder rights. To increase our influence we often work with other investors.

3. APG expects companies to operate in accordance with the UN Global Compact and will divest from companies if engagement does not lead to improvement. APG does not invest in products that are prohibited under Dutch or international law.

This means we do not invest in companies that are directly involved in the production of landmines, cluster munitions or launch systems for these weapons, or of chemical or biological weapons. We also exclude companies involved in products or services that are generally considered in the Netherlands to be objectionable. The UN Global Compact sets out

a minimum framework of standards for corporate practice on human rights, labour rights, the environment and the prevention of corruption.

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

These embargoes are enforcement measures to condemn violations of international law or human rights.

5. APG makes active use of its rights as a shareholder.

We vote at the meetings of companies in which we invest. We publish our voting record and explain our voting decisions.

6. APG works in the Netherlands and internationally to advocate policy and legislation that support sustainability and good corporate governance.

We regularly discuss sustainability and shareholder rights with policy-makers. We also contribute to the development of standards to promote the long-term integrity of financial markets.

7. APG seeks out attractive investments that promote sustainability.

APG invests in renewable energy, clean technology and microfinance and is constantly alert to new opportunities to make investments that contribute to sustainability.

8. APG promotes its responsible investment approach actively in order to encourage sustainability and good corporate governance.

We work with other investment managers and pension funds throughout the world in order to increase the impact of our responsible investment policy on behalf of our clients. We play an active part in numerous investor networks in the Netherlands and internationally. We communicate extensively about our work.

Annex 2

APG Voting Policy

The objective of companies is to generate sustainable shareholder value over the long term. Sustainability implies that the company must manage effectively the governance, social and environmental aspects of its activities as well as the financial. Each company needs over time to generate a return on the capital invested in it over and above the cost of that capital. [...]

Shareholders should act in a responsible way aligned with the company's objective of long-term value creation. Institutional shareholders must recognise their responsibility to generate long term value on behalf of their beneficiaries, the savers and pensioners for whom they are ultimately working.

ICGN Global Corporate Governance Principles: Revised (2009)

A. Introduction

This voting policy should be read in conjunction with the APG Corporate Governance Framework and the APG Responsible Investment Policy which set the framework for this voting policy. This policy applies to listed equities. APG also votes relevant noteholder meetings. Corporate governance pertains to the way a company is run. APG regards good corporate governance as beneficial to the company in generating value for its shareholders in a sustainable way, also taking due account of the interests of other stakeholders. The right to vote is an essential part of a well-functioning corporate governance system and APG therefore exercises this right, where possible, at companies in which it invests.

This document describes the framework that APG uses when exercising its voting rights at shareholder meetings worldwide. When deciding how to vote APG takes into account the specific context and market in which the company operates, such as the provisions as set out in national corporate governance codes as well as local laws and regulations.

APG expects companies to operate in accordance with the best practice provisions and recommendations of the Organisation for Economic Cooperation and Development (OECD) for multinational companies, the Global Corporate Governance Principles Revised (2009) of the International Corporate Governance Network (ICGN) and the ten principles of the United Nations Global Compact.

Voting decisions are primarily based on investment considerations, in consultation with companies, internal and external portfolio managers and other institutional investors to inform our voting decisions. We also use the services of specialist proxy voting firms to support the voting process.

APG's voting policy will be reviewed regularly on the basis of changes in laws and regulations, market developments and experience gained during the shareholder season.

Underlying principles of the voting policy

- 1. Optimising returns for shareholders** – The most important goal of a company and therefore of its directors should be to optimise returns for shareholders in the long term, while taking due account of the interests of other stakeholders.
- 2. Accountability** – The directors of a company must be accountable to its shareholders, and also make themselves available for dialogue with shareholders.
- 3. Transparency** – Shareholders demand full and transparent disclosure from companies to enable them to make well-informed investment decisions, and to exercise effectively their rights and responsibilities as part of the company's system of checks and balances. Companies must disclose operational, financial and governance information in a timely, complete and comprehensible manner, and in accordance with International Financial Reporting Standards (IFRS). This also applies to important information regarding environmental, social and ethical issues that are of strategic relevance to the company because they could have a material impact on the company's long-term performance.
- 4. One share, one vote** – APG supports the principle of 'one share, one vote', which accords equal rights to all shareholders. Where a company for financial or legal reasons issues shares with differing rights, the company must define these rights transparently and clearly explain why rights are not equal.
- 5. Informed votes** – We expect companies to make available to shareholders complete materials for general meetings sufficiently in advance of the meeting. This enables shareholders to make well-informed voting decisions. Companies should enable electronic voting, and take account of all votes, whether cast electronically or in person, in their formal voting results. Such records should be published in detail on the company website.

B. Agenda items which are voted upon

The voting policy set out in this document serves as a framework for exercising voting rights at shareholder meetings. The proposals on the meeting agenda are assessed on a case-by-case basis, taking the principles laid out above as a starting point. Where APG has serious concerns over the sustainability performance of a company it may express its discontent by not supporting routine agenda items, such as the Annual Report & Accounts or the election of directors.

This document describes the APG voting policy regarding the most commonly occurring agenda items, as follows:

1. Board-related agenda items
2. Audit-related agenda items
3. Capital-related agenda items
4. Agenda items relating to the statutes and legal structure of the company
5. Anti-takeover defence mechanisms
6. Proposals by shareholders

B1. Board-related agenda items

1.1 Appointment of executive and non-executive directors

In different jurisdictions different board structures are prevalent. The principal ones are the unitary board composed of both executive and non-executive directors, and the two-tier board structure comprising a non-executive supervisory board and an executive management board. The following principles apply regardless of the structure in place: we look for a well-balanced board that can run the company effectively in the long-term interest of its shareholders and take due account of the interests of other stakeholders. We expect the board to have an appropriate balance between executives and non-executives, and while we expect that a majority of non-executives be independent, we recognise that connected executives can bring value to the board. However, we expect a company to provide appropriate justifications where non-independent directors constitute a majority.

The (supervisory) board is responsible for setting company strategy, with input from the executives, and the CEO is responsible for implementing it with his/her executive team. The non-executive directors should exercise oversight over the executives and bring a fresh external perspective to the board's discussion on company strategy.

Composition of the board

It is essential that individual directors and the board as a whole have the skills, expertise and competencies that are needed to create value for the company and shareholders in a sustainable way, i.e. also addressing strategic environmental and social issues. The board should recruit from the greatest pool of talent and strive for diversity in order to be able to fulfil its role strategically. The board should regularly evaluate its own performance to identify areas for potential improvement. Some companies find it useful to involve external advisors in this process at regular intervals.

Director Election

We expect directors to receive regular training and to stand for re-election at regular intervals and at least every four years. Independent directors who have served for more than 12 years should preferably stand for annual re-election.

Cumulative voting allows shareholders to cast all their votes for one director. We may make use of this practice in order to add minority, dissident or new independent voices to the board where we believe this to be in the interest of the company and its shareholders. In principle we favour majority voting.

Independence of directors

The positions of chairman and chief executive should be separate to avoid a concentration of power and because the roles require different skills.

The chairman should be independent at the time of appointment.

A former executive director should not, in the opinion of APG, be allowed to become chairman of the supervisory board, except in exceptional circumstances.

The unitary Board should be mainly composed of non-executive directors, and a majority of the non-executive directors should be independent. The supervisory board of a company with two governing bodies should be composed of non-executive directors only, of which the majority should be independent.

If the company has a majority shareholder, the majority of non-executive directors should be independent of the majority shareholder(s) in order to protect the interests of minority shareholders.

APG uses the guidelines set out in article 2.4.3. of the ICGN Global Corporate Governance Principles Revised (2009) as a starting point to assess the independence of a non-executive director.

- Is there a family relationship between the non-executive director and one or more members of the senior management of the company?
- Is there an existing business and/or financial relationship between the company and the non-executive director which could influence the latter's independence?
- Does the term of office of an independent non-executive director exceed the maximum term set out in the respective corporate governance code or 12 years?
- Are there direct business ties between a company and its directors? If there is a substantial business relationship between a company and one of its non-executive directors, we do not regard this director as independent;
- Is the non-executive entitled to performance-related pay?
- Are there any potential conflicts of interest through cross-directorships or directorships in closely related industries?
- Is a proposed supervisory board member a former employee of the same company? We would normally expect that a certain period of time has elapsed between a person resigning from an executive role and joining the supervisory board of the same company.

Board committees

We expect the unitary board, or the supervisory board in the two-tier structure, to set up remuneration, nomination and audit committees composed ideally of independent directors only. These committees should aid the full board by making recommendations on issues within their remit. When composing the audit committee, care should be taken that at least one or more members possess recent and relevant financial expertise and knowledge regarding risk management.

At larger companies and those in high impact sectors in particular, we expect that responsibility be allocated at board level for relevant sustainability issues. This could

for example be in the form of a dedicated board member or a board committee.

Voting policy

APG will usually vote in favour of the appointment of candidates who are proposed by the company taking into account the following considerations:

- On the unitary board, a majority of the non-executive directors should be independent. Where this is not the case, we may vote against the re-/ appointment of a non-independent director.
- Where the positions of chairman and chief executive are combined, we may vote against the re-/ appointment of the chair of the nomination committee, or where s/ he is not up for election, against another non-independent director. We recognise that for a transition period there may be good reasons why the roles are combined, but expect a clear justification why this is the case.
- Directors are expected to attend all board meetings in order to ensure the board functions effectively. If a director attends fewer than 75% of relevant meetings and no explanation is given for this absence in the annual report, APG will not support the re-/ appointment.
- Companies should publish the names and curricula vitae of candidates in a timely fashion so that shareholders can make a considered and informed voting decision, also when voting electronically. If insufficient or no information is available at the time of voting, APG will not support the proposed candidates.
- If a nominee has been convicted of a crime, APG will vote against his/ her re-/ appointment. If legal proceedings are taken against a director of a company, we may not support his/ her re-/ appointment as a director at this and/ or another company.
- In principle, we take into account his/ her performance at this and/ or other companies when deciding on the re-/ election of a director.
- Companies must aim for complete transparency

regarding the sponsorship of their directors' extracurricular activities, for example through charitable or political donations. Where a company regularly sponsors the activities of a director, and/or does not publish the amounts involved, APG is concerned that the independence of the director in question may be affected. On these grounds, APG could consider not supporting the re-/ appointment of the director.

- Restatements of the annual report and accounts raise doubts about supervision and risk management. If a material restatement of the figures occurs that suggests a failure of internal controls, APG will vote against the appointment or re-appointment of the directors on the audit committee. In addition, we expect the company to explain the reasons for the restatement and, in case of major a restatement, why the individual directors and the supervisory board as a whole did not fulfil their oversight duties properly.
- In countries where shareholders do not have the opportunity to vote on the remuneration report and APG is dissatisfied with the remuneration policy, we may consider voting against the appointment or re-appointment of the chairman of the remuneration committee. If concerns regarding the company's remuneration policy persist for several years, APG may also consider voting against the appointment or re-appointment of the other members of the remuneration committee.

1.2 Granting discharge to directors

Granting discharge does not necessarily mean that shareholders approve the strategy devised and implemented by directors. The legal implications of granting discharge to directors vary by jurisdiction throughout Europe. If granting discharge would have far-reaching implications for the legal position of APG and there are doubts about the company's strategy, APG will refrain from voting.

Related Party Transactions

The existence of a fully independent audit committee is of particular importance where companies are involved in related party transactions that represent significant risks to minority shareholders. Such transactions should always be carried out at arm's length, preferably after shareholders have had the opportunity to approve them, and be fully disclosed.

Voting Policy

If the annual accounts are not yet final, it is unlikely that discharge will be granted to the supervisory board members and other directors. We may also refrain from granting discharge in order to express our dissatisfaction with aspects of the company's strategy. This does not necessarily mean we do not have faith in the management or the supervisory board.

When deciding on granting discharge to supervisory board members and other directors, APG also takes the following criteria into account:

- Are there any legal proceedings against the company or any of its directors?
- Has the board adequately communicated and executed the strategy for the previous financial year, and set future strategy?
- Has the board been responsive to shareholder dialogue?
- Has the company been involved in related party transactions to the (significant) detriment of minority shareholders?

1.3 Remuneration of directors

Remuneration is one of the tools to ensure that management delivers against company strategy by defining specific targets. The remuneration policy should be structured in a way that it aligns management and shareholder interests, reflects the risks a company is taking and stimulates superior performance. It should contain fixed and variable elements, and the latter should be based on clear performance targets. When variable remuneration is awarded, we prefer directors to receive shares rather than options. We expect that the board considers whether it is appropriate to include other factors that can have an impact on long-term company value, such as sustainability matters, and explains the conclusion that it has reached. All criteria that are part of the remuneration policy must be measurable, relevant to the company and transparent. APG does not support targets linked to rankings in sustainability indexes. We expect companies to have clawback provisions in place.

The executive remuneration policy must be in line with the general remuneration policy for all employees of the company. This means, amongst other things, that if a company is forced by economic circumstances to freeze employee salaries, the development of senior management remuneration should show a similar trend.

The company should set out clearly in its annual report its approach to remuneration, covering the policy and its structure, details of targets and performance against those when making awards.

Voting policy

APG will generally vote in favour of a company's remuneration policy. Reasons for not supporting the remuneration policy include, but are not limited to:

- The company does not disclose its remuneration policy in a timely fashion.
- The policy does not contain a good balance between fixed and variable components, and between short

and long-term incentives;

- The company has not set out clear targets for determining the variable components;
- In many cases, the remuneration committee has discretionary power in determining short and long-term bonuses. Where discretionary judgment is applied, this must be justified in the company's annual report. If we find the justification insufficient and/or unconvincing, we may not support the remuneration policy;
- Bonus payments appear not to be in line with company performance;
- The company reprices share options;
- Severance pay exceeds one time annual pay.

B2. Audit-related agenda items

2.1. Annual accounts and the auditor's report

The annual report and accounts are the most important source of information for investors to gain a clear picture of a company's financial performance. Investors and shareholders must be able to rely on the auditor's report regarding the accuracy and completeness of these reports.

It is vital that investors be informed about all factors which may potentially affect the management, risk profile and risk management of the company. Companies must inter alia provide clear insight into current and future strategy; how strategic, operational, financial and compliance risks are managed; and how companies address key social, environmental and ethical issues. We strongly encourage companies to provide an interlinked account of a company's financial, social, environmental and governance performance targeted at investors and regulators. In addition we expect companies to publish further information to satisfy the needs of civil society stakeholders.

Companies should avoid making donations to political parties or organisations closely associated with political parties. In markets where this is common practice we expect companies to disclose their policy and the amounts involved. Charitable donations can help build stakeholder relationships, but a company should have a clear policy in place to avoid potential conflicts of interests and publish its donation record.

Voting policy

APG will usually vote in favour of the annual report and accounts unless:

- The annual report and accounts and the auditor's report are not available at the time of voting;
- The external auditor does not issue an unqualified audit opinion on the annual results or the relevant audit procedures;
- There is a material restatement of accounts.

2.2. Appointment of the auditors

The auditors play an important role in guaranteeing the integrity and transparency of the financial information a company provides. The appointment of the auditors and the proposal by the board to approve their remuneration are standard items on the agenda.

Voting policy

APG will generally vote in favour of the appointment of auditors and the proposal that the board/supervisory board determine their remuneration unless:

- There is serious doubt as to the independence and quality of the auditor selection procedure by the supervisory board;
- There is, in the two-tier structure, a strong impression that the supervisory board has left the actual selection of and agreements with the auditors to the management board and its members;
- There is reason to believe that the explicit wishes of the shareholders as expressed to the audit committee regarding the selection process and the contents of the engagement letter have been ignored without good reason;
- There is serious doubt about the veracity of the financial data presented and/or the quality of the audit work that has been or will be performed;
- The non-audit related work by the same audit firm costs more than the audit fees, which raises questions about the independence of the auditors and possible conflicts of interests;
- There are doubts as to the quality and integrity of the auditor who has been engaged (for example due to concerns expressed by the regulator);
- The appointment carries excessive restrictions regarding the legal liability of the auditor.

B3. Capital-related agenda items

3.1 Issuing new shares

Companies issue new shares in order to raise fresh capital from investors. This may be in order to finance possible acquisitions or to reduce its debt position. A company can issue shares with or without pre-emption rights. Pre-emption rights ensure that the stakes of existing shareholders are not diluted.

Voting Policy

APG will consider the following criteria when deciding whether to approve a share issue:

- **Authority and delegation** – APG expects an explanation of the request to issue new shares. In addition, the company should explain the conditions and circumstances under which this delegated authority will be exercised. This explanation must at least include the maximum number of shares to be issued, the duration of the authority, and how the exercise price will be determined. Companies must request separate authorities for the issuance of different share classes.
- **The maximum number of shares to be issued and the duration of the authority** – Permission to issue shares with pre-emption rights may only be granted for up to 20% of the placed share capital. If the requested issue exceeds 20%, the company must give a justification. Although we are aware that local laws and regulations may permit a larger issuance, we expect companies to limit their requests. This also applies to the time period for which authority is requested. Preferably this authority should not exceed 18 months, and as a maximum 24 months.
- **Pre-emption rights** – Where pre-emption rights are disappplied, the authority to issue shares should be limited to a maximum of 10% of the issued share capital of the company.

3.2 Share buybacks

Although APG is aware that local legislation and regulation may vary, APG will not normally support buyback programmes that request authority to purchase more than 10% of issued shares.

If companies repurchase shares, they must ensure that all shareholders receive equal financial treatment.

B4. Agenda items related to the statutes or legal structure

We will normally vote against amendments of the statutes that aim to limit existing shareholders' rights.

As a rule, we expect each amendment to be submitted to a separate vote.

We will in principle not support combined proposals if any of the individual amendments would negatively affect our position as shareholder (minority shareholder or otherwise).

B5. Implementing defence mechanisms

In general, APG will reject a company's request to implement defence mechanisms aimed at blocking possible changes to the control structure of the company. APG acknowledges that a defence mechanism can be beneficial for a company and its shareholders where it gives management some time to assess different options.

Implementing defence mechanisms must not cause the board to neglect the wishes of the majority of shareholders for an unlimited period of time. We will assess every case individually and will normally only support defence mechanisms where the time limit (less than six months) and the circumstances under which a defence mechanism can be triggered are clearly defined.

Voting Policy

APG will in general only consent to the issue of defensive preference shares if they are issued:

- As a temporary, necessary and proportionate protection against a concrete threat to the continuity of the company or its strategy, or a concrete threat to the interests of the company, its shareholders, employees and other stakeholders of the company, and after careful consideration of these interests;
- To a legal entity whose management is independent of the company;
- Up to a maximum not exceeding 100% of the nominal amount of already issued shares;
- With the aim of giving the board the time to enter into constructive negotiations with the bidder, to explore possible alternatives, to inform the company's shareholders or to protect the continuity of the company or company strategy and the interests mentioned in the first point above.

B6. Shareholder proposals

APG actively votes on shareholder proposals. We carefully consider every proposal and support proposals we believe are in the interest of the company and its shareholders.

APG supports proposals if we believe that they help address significant social and environmental issues that can be material to a company. APG's responsible investment policy stipulates that we expect companies to abide by the provisions of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. Therefore, APG will support shareholder proposals aimed at ensuring companies operate in accordance with these guidelines. In general, APG supports resolutions that seek to generate greater transparency and accountability about how companies address key environmental and social issues, and/or bring corporate governance into line with best practices.

C. Limitations concerning the exercise of voting rights

Investment decisions and corporate governance involve a balance between liquidity and control.

APG strives to vote at all general shareholder meetings of companies in which it owns shares. This does not mean that we can always exercise the voting rights attached to all the shares we own in a company.

1. Blocking of shares

In general, APG does not vote at shareholder meetings in countries where shares are blocked during a period of time around the general shareholders meeting, except for key large holdings. This is to avoid liquidity constraints. APG opposes the blocking of shares and actively engages with supervisory authorities and other institutional investors in their efforts to end the practice of blocking shares. We believe blocking of shares is detrimental to an effective and liquid market.

2. National barriers

In certain countries, it is difficult for foreign investors to vote as a result of proxy voting rules or requirements (of companies) that shares be registered in order to be allowed to vote. In some markets it is uncertain whether proxy votes will be counted at the shareholders meeting.

3. Share lending

As part of regular business operations, some shares may be lent out. If necessary, we will recall these shares to exercise our full voting rights. APG always retains at least 20% of the total holding in a specific company for voting purposes. APG supports the policy of the ICGN regarding share lending.

D. Disclosure

APG strives to be as transparent as possible in its voting behaviour. APG discloses all its holdings worldwide on a quarterly basis. All APG votes cast at shareholder meetings are published on our website as soon as possible after each meeting. In our annual Responsible Investment Report we discuss our voting and engagement activities with companies and regulators in more detail.

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Further information:

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