



Investing in sustainability

NEWSLETTER ON RESPONSIBLE OWNERSHIP

No. 2, Volume 3, August 2011

Endorsement of Principles for Investors in Inclusive Finance	3
2011 shareholders' season	5
Voting in the oil industry	7
Will segregation lead to peace?	9
Infrastructure and sustainability	11
Corporate governance: a challenge to investment in state-owned companies - KEPCO as an example	13
Investors underline relevance of good labour relations	15
APG Interactive Responsible Investment Report 2010	17

Endorsement of Principles for Investors in Inclusive Finance

APG has taken an important step in sustainable investment in the field of Inclusive Finance by signing the Principles for Investors in Inclusive Finance. Inclusive Finance refers to access to financial services for a reasonable price in a sustainable manner, for everyone, and is especially targeted on providing these services to the poor. With signature of the Principles, we show that our fiduciary responsibility to our client funds for achieving an attractive return on investment can be combined with a positive impact on society.

HRH Princess Maxima

APG signed the Inclusive Finance Principles on 27 January of this year. These principles, developed under the leadership of Princess Maxima in cooperation with concerned parties from the financial sector, stimulate the transparency and sustainability of financial products for consumers. In signing these principles,

investors commit themselves to protect consumers and honest, transparent, and responsible financial service provision to low income groups.

'How money is invested today is crucial for what the world will look like tomorrow,' HRH Princess Maxima said in her speech on the importance of these Principles. 'We want to create a global norm that puts client needs at the heart of enterprise and financial services. Only in this way will we get the right products at the right price to everyone who needs them today, and in years to come.'

As fiduciary manager of pension assets, APG is an investor in inclusive finance. A well-known example of inclusive finance is micro-credit, in which credit is granted to poor people who had no previous access to credit institutions. 'In signing the Inclusive Finance Principles, APG shows its commitment to making sustainable investments and its fiduciary responsibility to its clients. In this way, APG meets the desire of pension funds in the Netherlands to invest actively in sustainability,' said Eduard van Gelderen, Chief Investment Officer of APG Asset Management.

Specific knowledge

On behalf of its clients, APG invests in micro-lenders





2011 Shareholders' season

In the interests of our clients, where possible, we vote at the shareholder meetings of companies in which we invest. Most shareholder meetings take place in the period from March to May. What happened in the Netherlands and elsewhere this year?

The Dutch 2011 season for meetings of shareholders. The shareholder meetings for almost all Dutch listed companies take place in the months of April and May. One of the main developments from this year onwards is the extension of the term for convening a shareholder meeting from 15 to 42 days (new legislation). This gives shareholders an opportunity to study the agenda for the meeting sufficiently and to enter into a dialogue with companies on any issues if required. It also gives shareholders an opportunity to be well prepared to vote at the shareholder meeting.

Dialogue prior to shareholder meetings

In the Netherlands, in the interests of our clients, we enter into dialogue with as many companies as possible before the meeting of shareholders; alone or together with other shareholders. These dialogues enable APG to obtain greater insight into the agenda items up for vote and to adequately discuss these items with the companies. On behalf of shareholders, the Dutch corporate governance network Eumedion plays an important role in the coordination of this dialogue. In 2011, we opened a dialogue with 16 Dutch companies prior to the shareholder meeting. These talks often concerned the subjects of remuneration policy, appointments to the Supervisory Board and/or Managing Board, and proposed changes in the Articles of Incorporation.

Attendance of shareholder meetings

We aim to be represented at the shareholder meetings of as many AEX listed companies as possible in the Netherlands. This year, we attended the shareholder meetings of Ahold, Wereldhave, Vastned Offices/Industrial, Ahold, Akzo Nobel, Van Lanschot, and Kasbank. Authorization was also issued to other institutional investors to speak at nine shareholders' meetings on behalf of APG and its clients in regards to certain agreed positions.

At Akzo Nobel, we made critical comments concerning the proposed changes in the remuneration policy. Half of the long-term bonus for the Akzo Nobel Managing Board is linked to the company's sustainability performance. Sustainability is an important point for attention, but we did not agree with the way in which the company measured its sustainability performance. At the Ahold shareholders' meeting, APG raised questions on matters including the relationship between the company and trade unions in the US.

Shareholder meetings in the US

In addition to the Netherlands, we also voted at shareholder meetings in 56 other countries, including the US, Germany, and France. This year, American companies were required for the first time to place a 'say-on-pay' proposal on the agenda for voting. This concerns management remuneration and the frequency with which shareholders wish to be able to vote on this remuneration policy: annually, every two years, or every three years. APG takes the view that companies should account for their remuneration policy each year and should request the approval by shareholders on an annual basis.

The percentages below show how APG voted, on behalf of its clients, on the 'say-on-pay' proposal in the US, and on the remuneration of other companies worldwide.

indirectly through funds which invest on our behalf and on behalf of other investors in e.g. a provider of loans for poor people or for small and medium-sized enterprises (SMEs). Thanks to the fund manager, we have the specialized knowledge of local circumstances in emerging markets required for this specific sector. Although we have a limited influence through this indirect approach, we do regularly discuss the application of the Principles in practice with the managers.

Combination of return on investment and sustainability

This type of investment is attractive because a sound return on investment can be combined with positive sustainable development. After all, more people gain access to financial services. The return on the investments is achieved through the sale of the indirect investment in e.g. a SME lender to a bank. The fund manager does this for us. Because we require the manager to invest in the fund with us, it is also in the

fund manager's interest that this takes place efficiently and profitably.

First step

For APG, the signature of the Principles is a first step. We are already working on follow-up steps. We have, for instance, developed a practical reporting methodology that is consistent with existing practices in the sector, in which we expect our managers to report to us on the social impact of the investments. The initial results will be presented in a later edition of Investing in Sustainability. In this way, we contribute to the positive sustainable development of the sector.

Votes cast on the 'say-on-pay' proposal

For	78,5%
Against	21,3%
Abstentions	0,1%
No vote cast	0,1%

Votes cast on remuneration policy

For	72,3%
Against	25%
Abstentions	1,4%
No vote cast	1,3%

Shareholder proposals in Germany

At a number of German companies, various shareholders placed proposals on the agenda that countered management proposals. A shareholder at RWE, for example, proposed against the reappointment of a managing director who was also the Mayor of the city of Dortmund. His many secondary positions raised questions about whether he was able to perform his role as a managing director properly. We therefore voted against the reappointment.

At the Siemens shareholders' meeting, we voted against a proposal of the 'Association of Shareholding Siemens Employees' to amend the company's Articles of Incorporation because we took the view that the Siemens remuneration policy complies with the German Corporate Governance Code. APG was represented at the shareholder meeting and made positive comments on the company's prepared environmental targets. We also asked about the relationship between the company's sustainability performance and the remuneration policy. We emphasized that the company's lobby initiatives should be consistent with environmental and profit targets. Furthermore, we asked Siemens how it ensures that the activities of organizations to which it is affiliated, such as the American Chamber of Commerce, are consistent with Siemens's objectives.

Requests for capital in France

In France, it is customary for companies to place various proposals on the agenda that authorize the company to raise new capital in different ways. For example, many French companies request authorization from the shareholders to issue shares, with or without preferential rights. In the latter case, the company does not first ask existing shareholders if they wish to buy new shares in the company, but offers these directly 'to the market'. This could dilute the position of APG's client in the company, reducing their interests and influence.

With such proposals, we devote particular consideration to the percentage of the total share capital that the company could issue, the company's specific circumstances and the effect on the interests of existing shareholders.

APG takes the view that in order to be nominated for appointment as managing directors, candidates should not have a criminal record. At the French company Foncière des Régions, we made critical comments on the appointment of a managing director who had been convicted in Italy in connection with liquidation fraud at Parmalat.

Voting in the oil industry

The annual general meeting of shareholders is a moment at which investors can literally make their votes count. However, apart from voting, many other methods are needed to realize changes. At the shareholder meetings of Exxon and Conoco Phillips, for example, eight shareholder resolutions were on the agenda, which sometimes won up to 30% of the votes, but never a majority. This nevertheless illustrates the fact that the oil industry faces social and environmental challenges that are relevant for many investors, which provides important support in follow-up talks with companies.

Independent supervision

It is important for investors that independent supervision is assured on the appointment of new supervisory directors. The Supervisory Board must therefore have sufficient knowledge and capacity, including in the field of social

and environmental issues. At Total, we believe that some supervisory directors hold supervisory directorships at too many other companies. In our view, these individuals cannot spend enough time on their positions at Total, which does not benefit the effectiveness of the Board. We therefore voted against reappointment and were supported in this by more than 36% of the other shareholders. One of the supervisory directors announced that she will resign from a number of positions. We therefore voted in favor of her appointment. The support of many investors is critical to realize change, given the narrow majority (about 60%) by which the managing directors are elected. Another factor that plays a role here is that the CEO is also the Supervisory Board Chairman, which could reduce the independence of the supervision. At Exxon, a shareholder resolution for an independent chairman ultimately won more than 31% of the votes.

Safety policy

Following the oil disaster in the Gulf of Mexico, shareholders of Conoco Phillips submitted a resolution to evaluate the company's risk management. We voted in favor of the



resolution because, on behalf of our clients, we consider it important for oil companies to maintain close supervision of their safety and risk management and to communicate transparently on this with shareholders. Nevertheless, about 66% of the investors voted against this. At BP, no shareholder resolutions were placed on the agenda, but investors did express their dissatisfaction regarding the disaster in the Gulf of Mexico. More than 4% voted against the financial statements, for instance, and 11% abstained. We regarded this as an excessive measure. We did vote against the reappointment of the Chairman of the Supervisory Committee for BP's security policy. We also abstained in the vote on the remuneration policy, in view of the safety performance. The CEO did not receive a bonus as a result of the oil disaster, but a large benzene leak at a refinery had no consequences for the bonus of the managing director responsible

We also had a number of meetings with BP on this, at which, on behalf of our clients, we discussed concerns about the safety culture and made concrete recommendations. We now see that some of our points are being adopted. We see further roll-out of these safety plans and ongoing focus on safety as the biggest challenge for the company. It is also important for investors that indicators are developed in order to measure results. Because safety is so closely associated with the performance and strategy of oil companies, we also welcome the fact that Shell, for example, has included safety indicators in its remuneration policy for years now. While Shell uses its position in the Dow Jones Sustainability Index as an indicator, we think this is vague and so we think this be replaced by specific sustainability indicators. Shell has now developed indicators for energy consumption, climatic impact, and water consumption.

Tar sands

There were also resolutions on tar sands on the agenda again this year. At Statoil, there was even a proposal that the company withdraw from tar sands projects entirely. This was supported by only 1.5% of the shareholders, which is understandable, since it would nullify the investments already made. Furthermore, the resolution was so specific that it would have meant that shareholders

were stepping into the management's shoes. Assessment and control of risks and setting out strategic lines remain a task of the management. Transparent communication on this is important, however, in order to monitor the management. At Exxon, we still regard the communication on tar sands as inadequate and therefore discussed this with Exxon and sent a letter with recommendations, together with five other investors. The report that Exxon published this year was a step in the right direction, but still contained too little information to enable assessment of the performance. As in 2010, therefore, we voted in favor of a resolution on tar sands. This was supported by 27% of the investors. In 2010, tar sand resolutions at Shell and BP attracted considerable attention. The resolutions were not adopted, but the companies now communicate more intensively with shareholders. We would like them to apply technologies to reduce emissions of greenhouse gases. We also expect them to develop technologies to clear wastepools and reduce water consumption. The final remaining point for attention is the treatment of the rights of local minorities. Representatives of First Nations, aboriginals in Canada, for example, feel that the industry is ignoring their claims and are trying to enforce a moratorium via the courts. We therefore see an important role for the new panel that must monitor the environmental, safety, and health risks of tar sand production in Canada. Together with 26 other investors, we made recommendations to secure the independence and credibility of all parties on the panel.

Voting is an important part of the responsible investment policy that we put into practice on behalf of our clients and is often part of a broader corporate strategy to improve the environment and social and corporate governance.

Will segregation lead to peace?

After 20 years of conflict in Sudan, the signing of a peace agreement in 1995 appeared to bring an end to a bloody civil war. Under this agreement, the Sudanese population voted in a referendum early this year in favor of dividing Sudan into an autonomous North and South Sudan. However, this milestone provides no guarantee of peace.

Fragile peace

Last month, northern troops attacked the oil-rich border region of Abyei and destroyed large parts of the city. According to the UN, more than 50,000 people fled the area. Peace seems to have been restored for now, after the African Union mediated an agreement between North and South Sudan on a demilitarized border zone. Oil plays a crucial role in the North-South conflict. Most of the oil production (some 500,000 barrels a day) comes from South Sudan. Due to the lack of ports in South Sudan, the oil is exported via pipelines in the North. In the peace agreement, North and South Sudan will share the oil profits. However, there are reports that South



Sudan will discontinue this after independence. This increases the pressure on the North, where the government of President Bashir has already taken austerity measures as a result of falling revenues. For the time being, American sanctions against the oil sector are still in effect for both North and South Sudan. We are closely monitoring any changes in this sanctions regime and the consequences for the sector.

Dual role for oil companies

Despite the consequences of the battle for oil, the oil companies also bring prosperity. Oil companies provide for the necessary revenue for the regime in one of the poorest countries in the world. Sudan ranks 150th among the 182 countries in the Human Development Index. These oil companies build roads and schools and provide employment and revenue for the government. The dual role that oil companies play in the conflict requires the companies to be on guard against becoming part of the conflict and thus sharing the guilt for the violations of the fighting parties. How does a company organize the security of the installations and employees, for example? What are the instructions regarding violence? Companies must avoid becoming involved in human rights violations. A more complex question is how the relationship with a regime led by a president that has been accused of war crimes by the International Criminal Court should be approached.

Dialogue with oil companies

APG has actively worked with the UN Global Compact and the UNPRI on the development of guidelines for companies in conflict zones. This Guidance Tool on Operating in Conflict Zones is also a key factor in the dialogue we conduct on behalf of our clients with companies active in Sudan. Together with an international group of investors, we have conducted talks in recent years with Asian companies (PetroChina/CNPC, Sinopec, ONGC, and Petronas) operating an oil consortium in Sudan. We are also discussing the possibilities that the French company Total is investigating oil production in the South, and we conducted talks with Schlumberger and Petrofac, which are active in Sudan on commission from oil companies. We continue to conduct talks with

oil companies on how they can operate responsibly in this turbulent region.

We require companies to actively communicate on the steps taken to identify and manage risks. The companies must also monitor the impacts of their business activities on the local populations and maintain good relations with them. Dissatisfaction is a threat to stability and can lead to production stoppages. Finally, we request that oil companies show how they make an active contribution to sustainable development in Sudan, for instance by increasing transparency on oil funds that they surrender to the authorities. Transparency on government revenues and expenditure is a first step in establishing a credible and reliable public administration.

Infrastructure and sustainability

On behalf of its clients, APG invests in public and private infrastructure. This is a relatively new investment category for institutional investors, that gained attention around 2005. The attraction of investment in infrastructure is that not only can it generate a suitable financial yield, but it can also be socially useful. Infrastructure is important for the proper functioning of society and for economic development. Examples of facilities in which APG invests are roads, ports, electricity and

gas grids, and schools and hospitals. Infrastructure's distinguishing feature is that investments are made in specific long-term projects with reasonably predictable cash flows and limited market risk. Investments in infrastructure usually take place in a regulated environment and are relatively insensitive to economic fluctuations.

Projects with high sustainability value

On behalf of its clients, APG invests both via externally managed funds and directly in drinking water and sewage projects. Investments in the water sector are of great social importance but are also attractive as financial investments. The projects are long-term and



can generate a constant, predictable revenue flow which is often also adjusted for inflation. This is a good match with what pension funds seek.

The construction of new schools also serves a social purpose. To date, we have primarily found school projects in the UK, because a government guarantee applies there. On an institutional scale, projects of this kind are often relatively small and labor-intensive, but the ultimate return can be above average. Investments are made in modern schools with good facilities, where good education can be provided for decades to come.

No excessive dependence on subsidies

There are growing investment opportunities in the generation of renewable energy, such as wind parks. Projects of this kind can also comply well with the risk and return characteristics sought in the infrastructure sector. For the responsible investment of pension assets, it is important that investment risks are not excessive. At present, for example, APG still regards investments in offshore wind parks as insufficiently tried and tested in practice as a long-term investment. In order to make sound investments in this field, it is important that government policy is consistent and predictable. The source of subsidies must be reliable and projects must not be excessively dependent on subsidies. For example, the Spanish government last year unexpectedly made a dramatic reduction in subsidies for the installation of solar panels, effective retroactively. This had a strong negative effect on investor confidence in this specific sector. Stable and constructive policies are vital to enable further expansion of investments with a high sustainability value.

Corporate governance: a challenge to investment in state-owned companies - KEPCO as an example

'Is good corporate governance too much of a long-term issue to interest investors?'

That was the question that an investor relations manager of KEPCO (Korea Electric Power Co.) put to us at a meeting in April. The KEPCO manager reviewed the recently adopted policy for corporate governance with us, rightly drawing the attention of KEPCO shareholders to this.

The new policy - more questions than answers

The state energy company KEPCO is the owner of the transmission and distribution assets and has control over the power generation assets in the form of a 100% interest in each of the power generation companies. KEPCO therefore has control.

The new policy is directed at improving the 'efficiency' of the system by increasing competition between the power generation companies, and is based on the following three pillars:

- Five power generation companies are designated as 'market-oriented state-owned companies' and must operate more autonomously in relation to the parent company, KEPCO.
- KEPCO may no longer select and assess the CEOs of power generation companies.

- KEPCO's role will be confined to supervising the financial and operational activities in the energy and utility companies.

At the meeting, we discussed the question of how effective the new structure was which governs the relationship between KEPCO and the power generation companies, and reached the following conclusions:

1. The hows and whys of the new policy appear unclear and call for further explanation.
2. KEPCO's sharply weakened supervisory authorization as the parent company represents a potential threat to good corporate governance by KEPCO and its shareholders.

Unclear reasons

We see little reason for this fairly non-transparent governance structure if the objective is efficiency improvement alone. In view of the conditions within which the Korean electricity sector must operate (almost full dependence on imported fuels and heavily regulated supply and demand for energy), every efficiency improvement through competition between power generation companies must arise from better steering of people, management of costs, or sharper procurement.

However, we take the view that the government and KEPCO also had sufficient powers to achieve this in the old structure. As the sole shareholder of the power generation companies, KEPCO would ultimately have to be responsible for the most efficient business operations possible within the subsidiaries. The same applies for the government, as the supervisory authority and policymaker for the sector, and the holder of a majority share of 51% in KEPCO.

New but incomplete policy from the shareholder's point of view

Despite the potentially far-reaching consequences, the new policy provides no clear answer to a crucial question: 'How can KEPCO supervise the financial and operational activities, the future strategy, internal control, and sound corporate governance if its powers as a parent company have been sharply diminished?' This is



Investors underline relevance of good labour relations

Walmart is currently recruiting a new Director of Labour Relations. The job description on its website states that the role of the director is inter alia to “support continued union free workplace.” So why should investors care?

Research shows a positive correlation between good labour relations and financial success. Conclusions from analysis on US companies (Edmans, Journal of Financial Economics, 2010) showed higher employee satisfaction is associated with stronger company (share price) performance. This means that good labour relations are essential for long-term success.

For a retail company in particular, how workers perform on the “shop floor” determines to a large degree how satisfied customers are. Happy consumers are more likely to return and grow sales, and this is conducive to creating shareholder value. In its 2011 CSR report Walmart acknowledges the role of its associates – i.e. employees – in the success of the company. It has developed surveys to monitor employee satisfaction and outlined to investors how it acts on concerns expressed by its associates. However, the range of complaints by workers in Walmart stores suggests that there is still room for improvement.

Walmart has made significant progress in developing a serious programme to sustainability issues over the past two years. But it has yet to bring its approach to labour relations in line with international best practice. A class action on gender discrimination that is currently before the Supreme Court shows that this is of serious concern.

Our pension fund clients and their participants expect their investee companies to operate in line with the UN Global Compact Principles. One of those principles includes the freedom for workers to establish and join organisations of their own choice. Workers should not be prevented in anyway from taking part in collective bargaining. Several investors filed a shareholder proposal at the 2008 AGM requesting that Walmart adopt the standards of the International Labour Organisation (ILO). They withdrew the motion as Walmart was willing to discuss its approach with investors. However, despite lengthy dialogue with investors including Dutch asset managers APG, MN Services and the Swedish AP Funds, Walmart has not yet put this principle into practice. A much broader church of investors actively takes account of how companies manage labour issues. More than 736 (mostly institutional) investors worldwide, as signatories to the UN Principles for Responsible Investment (UNPRI), are committed to taking environmental, social and governance factors into account in their investment process.

As part of its growth strategy Walmart plans to increase the number of medium and small format stores substantially (from 7 currently to 30-40 projected

important from the point of view of KEPCO’s shareholders, with a view to the growing importance of the consolidated results because of the introduction of IFRS accounting standards in 2011.

It was notable that our talks with a number of government officials showed that the interests of KEPCO’s shareholders played no significant role in the policymaking process, while the company is heavily capitalized. Ironically enough, this offers a good opportunity for us, as responsible investors, to make KEPCO and the government aware of:

a The importance of administrative principles;

b The government’s role as a majority shareholder and policymaker in state-owned companies, and

c The importance of involving and communicating with shareholders in the policymaking process.

We will continue talks with KEPCO on this and ensure that the interests of its shareholders are protected.

Good labour relations aid retailers’ success

Talking head

ANNA POT,
JOHN HOWCHIN and
KRIS DOUMA

Walmart is currently recruiting a new director of labour relations. The job description on its website states that the role of the director is inter alia to “support continued union free workplace”. So why should investors care?

Research shows a positive correlation between good labour relations and financial success. Conclusions from analysis on US companies (Edmans, Journal of Financial Economics, 2010) showed higher employee satisfaction is associated with stronger company (share price) performance. This means good labour relations are essential for long-term success.

For a retail company in

particular, how workers perform on the “shop floor” determines to a large degree how satisfied customers are. Happy consumers are more likely to return and increase sales, and this is conducive to creating shareholder value.

In its 2011 corporate social responsibility report, Walmart acknowledges the role of its associates – i.e. employees – in the success of the company. It has developed surveys to monitor employee satisfaction and outlined to investors how it acts on concerns expressed by its associates. However, the range of complaints by workers in Walmart stores suggests there is still room for improvement.

Walmart has made significant progress in developing a serious programme to address sustainability issues over

the past two years. But it has yet to bring its approach to labour relations in line with international best practice. A class action on gender discrimination that is currently before the US Supreme Court shows this is of serious concern.

Higher employee satisfaction is associated with stronger company performance

Our pension fund clients and their participants expect investee companies to operate in line with the United Nations Global Compact Principles. One of those principles includes the freedom for workers to establish and join organisations. Workers should not be prevented

from taking part in collective bargaining.

Several investors filed a shareholder proposal at the 2008 annual general meeting requesting that Walmart adopt the standards of the International Labour Organisation. They withdrew the motion as Walmart was willing to discuss its approach with investors. However, despite lengthy dialogue with investors, including Dutch asset managers APG, MN Services and the Swedish AP Funds, Walmart has not yet put this principle into practice.

A much broader church of investors actively takes account of how companies manage labour issues. More than 736 (mostly institutional) investors worldwide, as signatories to the UN Principles for Responsible Investment (UNPRI), are committed to

taking environmental, social and governance factors into account in their investment process.

As part of its growth strategy, Walmart plans to increase the number of medium and small format stores (from seven to 30-40 in 2012). Competition to enter urban areas, where workforces are usually unionised, is fierce. In light of ongoing lawsuits by individual employees, Walmart risks opposition to its expansion plans in particular in urban areas in the US, as well as in South Africa, where unionisation is the norm.

Other retail companies operating in the US, such as Kroger and Safeway, maintain a labour relations policy that does not obstruct workers’ right to organise themselves. Dutch retail company Ahold also operates in the US. In response to concerns that

Ahold may be restricting union activity, the company has reconfirmed to APG and publicly at its AGM that employees are free to join unions. We will monitor developments.

Retail companies – and their investors – benefit from good relations between management and one of its key stakeholders: employees and their representatives. Therefore, we as investors and the pension funds on whose behalf we invest believe it is essential for investee companies to uphold the right for workers to organise freely.

Anna Pot is senior sustainability specialist at APG Asset Management; John Howchin is secretary general of the Ethical AP Funds; Kris Douma is head of responsible investment at MN Services

in 2012). Competition to enter urban areas, where workforces are usually unionised, is fierce. In light of ongoing lawsuits by individual employees, Walmart risks opposition to its expansion plans in particular in urban areas in the US as well as in South Africa where unionisation is the norm.

Other retail companies operating in the US, like Kroger and Safeway, maintain a labour relations policy that does not obstruct workers' right to organise themselves. Dutch retail company Ahold also operates in the US. In response to concerns that Ahold may be restricting union activity, Ahold has reconfirmed to APG and publicly at its AGM that employees are free to join unions. We will keep an eye on what this means in practice.

Retail companies - and their investors - benefit from good relations between management and one of its key stakeholders: employees and their representatives. Therefore, we as investors and the pension funds on whose behalf we invest believe it is essential for investee companies to uphold the right for workers to organise freely.



APG Interactive Responsible Investment Report 2010

This year, for the first time, APG is publishing our activities concerning responsible investment of our client funds on an interactive website. In 2010, it became even clearer that ESG factors can be of major importance in reducing investment risks and improving the return on investments.

Transparent global map

Various examples at www.apg.nl/verantwoordbeleggen show that environmental and social aspects of business

operations can affect price movements. In order to make the ESG activities transparent, an interactive global map has been made a focal point. This gives you an opportunity to find out more about the ESG activities that APG undertook on behalf of its client funds in 2010, by clicking the various red dots.

Integration

We consider it important to take account of ESG factors in investment decisions, not only because of their financial effects but also from the point of view of social responsibility. APG integrates these ESG factors as broadly and deeply as possible in the overall investment portfolio that it manages on behalf of its clients. This may involve environmental issues, social issues, or matters concerning the governance of companies and the rights of shareholders.



APG policy responsible investment

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



Investing in sustainability

is an APG publication.

Investing in sustainability appears four times a year.

Edited by

Corporate Communication & Branding
APG Asset Management

For questions about Investing in Sustainability please contact Karolien Hulst-Sips, karolien.hulst@apg.nl

Photography

Hollandse Hoogte, iStock en Getty Images

Subscription

Investing in sustainability is distributed free of charge by APG. To subscribe, unsubscribe or report a change of address, just send an email to corporate.communicatie@apg.nl or dial +31 45 579 81 00.

A digital version of Investing in sustainability is available on www.apg.nl.

APG
Postbus 75283
1070 AG Amsterdam
www.apg.nl

