

# Sustainability as part of the investment process at APG

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# Introduction to APG

- Asset Management for pension funds
- Pension assets of around € 417bn (March 2016) invested in around 80 markets
- More than 20,000 employers and 4.5 million participants
- 30% of all collective pension schemes in the Netherlands
- International network and subsidiaries in NY and HK
- Across asset classes, circa 80% managed in-house
- Within equities, mostly active investment style
- We take a long-term investment view – an average return of approximately 7% for the past 20 years
- Integrating ESG across all asset classes

# Investing sustainably & responsibly

## RI part of APG's mission

"To help achieve a sustainable world, is an inherent part of our investment process"

## RI is one of APG's Investment Beliefs

"...responsible Investment is a way to improve the investment portfolio's risk-return profile and simultaneously contributing to sustainable development."

## Goals of the Responsible Investment Policy

1. To contribute to risk-adjusted returns
2. To demonstrate social responsibility
3. To contribute to the integrity of financial markets



# Integration - across sectors & asset classes

## Sectors

- |                 |                  |
|-----------------|------------------|
| ✓ Autos         | ✓ ICT            |
| ✓ Capital goods | ✓ Infrastructure |
| ✓ Clean Tech    | ✓ Mining         |
| ✓ Consumer      | ✓ Pharma         |
| ✓ Energy        | ✓ Real estate    |
| ✓ Financials    | ✓ Utilities      |

## Asset Classes

- ✓ Listed Equity
- ✓ Fixed Income
- ✓ Private Equity
- ✓ Real Estate
- ✓ Infrastructure
- ✓ Commodities
- ✓ Innovations

# ABP Sets RI Policy and Objectives



**- 25%**

Reduction in CO<sub>2</sub> footprint  
of equity portfolio by 25%  
in 2020



**+ €29 billion**

Investments that contribute to a  
better and cleaner future: from  
€29 billion to €58 billion in 2020



**+ €4 billion**

Including investments  
in renewable energy: from €1  
billion to €5 billion in 2020

# Integration in Global Equities

- Broaden and deepen **analysis of ESG trends** and issues
- Identify **financial relevance** of ESG issues
- Raise **understanding of ESG risks** and opportunities in our portfolio
- **Enhance business intelligence** and investment decisions
- **Tools:** quarterly heat map and issue matrix per sector

# Examples

## Human Capital

- Clearly (to us) of material financial importance:
  - in some sectors
  - in the long-term
- Data allowing portfolio screening
- More data is needed to assess quality of HC management
- Improve screening and support more efficient engagements

## Carbon data

- Of growing importance to investors:
  - Assess risks
  - Investment input
  - Reduction targets
- Data availability is not consistent internationally and for smaller companies
- Future standard developments:
  - Pricing
  - Scope 3
  - Assurance

## Risk reporting

- Has grown in importance in recent years
- Extensive narrative in many cases
- Challenge to investors is how to interpret the data
- Clearer more relevant content needed
- eg assessment of internal controls

# Integrating the pieces

- Non financial information is part of the investment process – investor momentum!
- More and better information is needed in some areas
- Quality narrative reporting is crucial, whether <IR> or equivalent, but important to link to the investment point of view

## INTEGRATED REPORTING <IR>

“We believe the Draft Framework can help facilitate improvements in the quality and influence of corporate reporting, and the functioning of capital markets. ...

We strongly support the Draft Framework’s identification of financial capital providers as the primary audience of integrated reports.” [APG response to IIRC framework]



“Eumedion believes that integrated reporting is a logical and necessary next step in corporate reporting, as environmental, social and governance information already is critical for assessing the performance and prospects of companies, and for the important stewardship role that investors both want and need to exercise.”[Focus Letter 2015]



### A Statement of Shared Beliefs

The International Accounting Standards Board (the Board) and the organisations listed below agree that high-quality, transparent financial reporting is fundamental to building trust in the capital markets and to making investment decisions. Achieving this should be a shared goal of all stakeholders in the capital markets.

The listed organisations acknowledge that as responsible investors they have an important role to play in the achievement of this goal by:

- sharing their views and contributing to the development of standards for financial reporting; and
- having a commitment to working with the Board to ensure that the investor perspective is articulated clearly, and is considered in the standard-setting process.

The Board recognises that this shared goal lies at the heart of the standard-setting process and is essential to fulfil the Board’s role as a global standard-setter. This can only be achieved with the help of insight and experience from the investment community. To meet this aim, the Board commits to continue to seek the views of investors, to consider them carefully, and to give due weight to their views in the standard-setting process.

*While the Board and the listed organisations share a commitment to work together to improve financial reporting, both acknowledge that they may have different views on some of the topics that are discussed.*



# IMPORTANT INFORMATION

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