Report

Sustainable and Responsible Investment 2015

ABP

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Foreword

This is ABP's 2015 responsible investment report in which ABP reports to participants, employers and others interested in responsible investment by the fund.

2015 was an important year for us, since we decided on an ambitious enhancement of our responsible and sustainable investment policy. Participants expect us to be making a contribution to a better world. Responses and surveys have shown that it is important for participants that their ABP is a sustainable and responsible fund. Our pursuit of sustainability is also in line with promising developments underway around the world such as the United Nations' Sustainable Development Goals and agreements reached at the Climate Summit in Paris.

Statistics show that young civil servants and teachers who started their first job last year will on average live to be 81 if they are men and 83 if they are women. These new participants in our fund started paying monthly pension contributions in 2015. If the statistics are correct, it is likely that they will still be around to enjoy them in 2075. Some will be enjoying life for much longer. A few will see the 22nd century.

Our first duty as a pension fund is to ensure a good pension for our 2.8 million participants from young to old. This is a huge responsibility, certainly at a time when the coverage ratio is much lower than required. It is also important that our participants can enjoy their pensions in a viable world. Now as well as in 2075 and thereafter. We want to contribute to that. This is a key reason why we stated explicitly in ABP's Vision for 2020 that we want to be a sustainable pension fund. We do not only want to use our pension assets of €351 billion to earn a good return, we also want to generate that return in a sustainable and socially responsible way. We believe that returns and sustainability go hand in hand.

Academic research is increasingly showing that responsible investment need not be at the expense of returns or incur higher risk. This is our experience too. Monitoring the way companies treat people and the environment and how they are governed does not conflict with our role of managing the pension assets prudently for our participants. Indeed, in the 21st century we see it as our solemn duty to be properly aware of this.

At the end of 2015, we presented our new responsible investment policy under the motto: ABP with an ambitious approach on the way to 2020. At the heart of this is that, together with our investment organisation APG, we are aiming for complete integration of our targets for sustainability and responsible business practices with targets for returns. We are making specific decisions on where we want to invest (inclusion): companies which set a good example. We will also exert even more influence for improvement (engagement): companies which want to catch up. We have given ourselves until 2020 to introduce this new policy since, given the size of our pension assets, it cannot be done overnight. >>

(Photo: Hans Withoos)

ABP wants to be transparent and accountable. To this end, we are in dialogue with the participants and talking to civil-society organisations.

Drs. Corien Wortmann-Kool
Chairman Stichting Pensioenfond ABP

Much of the work in 2016 and later years will involve the implementation of the new policy at APG in all asset classes.

ABP wants to be transparent and accountable. To this end we are in dialogue with the participants and talking to civil-society organisations. Each year, we report on policy, progress in implementing the new policy and the results and challenges.

Our new policy includes a concrete objective for 2020 to contribute to reducing climate change: cutting the CO2 footprint of our equities portfolio by 25% between 2016 and 2020. We want to increase our investments in renewable energy to €5 billion and in total we want to double our investments in solutions to social and environmental problems to €58 billion by 2020. We also want to invest an additional €1 billion by 2020 in our participants' areas of involvement: education and communications infrastructure, preferably in the Netherlands.

The new policy builds on what we and APG started eight years ago. Using the four pillars of the UN Global Compact – human rights, labour rights, corruption and the environment – we hold the companies we invest in accountable for responsible and sustainable operations.

In 2015, we had noticeable successes in Japan with the introduction of the corporate governance code we had called for and a significant increase in the number of non-executive directors, something previously unknown in Japanese companies. We increased the pressure on fossil fuel companies for better reporting on how they are responding to the energy transition to a more sustainable economy and the risks they face as a result of climate change. It was also a successful year for our real estate investments since they achieved savings in electricity equal to the power consumption of all the homes in the province of Groningen.

Each year we will repeat the 2015 survey in which we asked our participants about parts of our policy and we will use the results to develop our policy. In this way, we want to ensure that it is not only in line with what our current pensioners expect of us but also with the expectations of the pensioners in the year 2075.

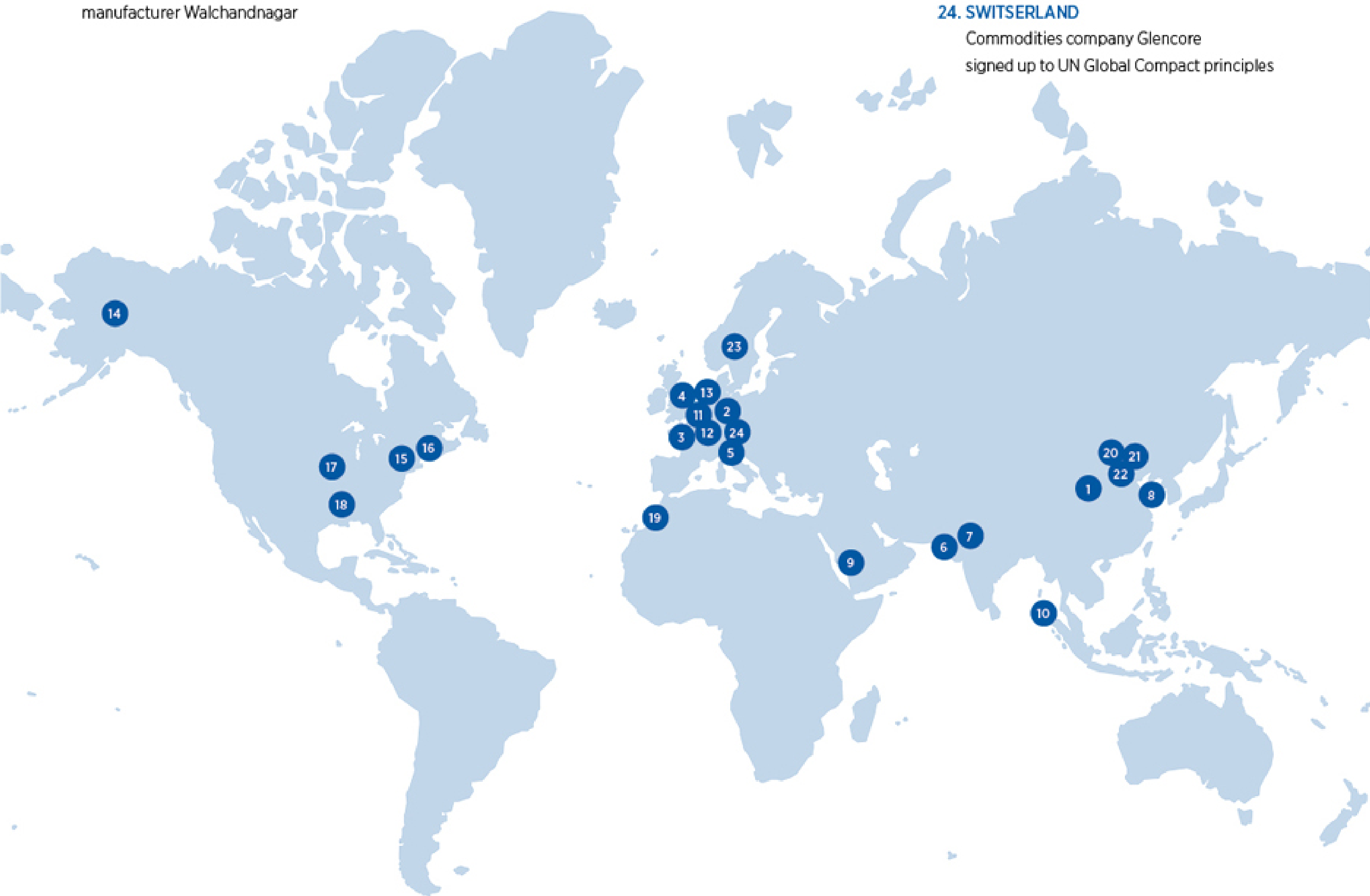
Corien Wortmann-Kool

Chairman of Stichting Pensioenfonds ABP

Investing responsibly around the world

We invest our assets of €351 billion in over 4,000 listed companies in more than sixty countries and have holdings in about 7,000 others through private-equity funds. We also hold sovereign bonds of many countries. Responsible investment is a global responsibility. The map below gives an impression of our activities in various locations in 2015. They are set out in greater detail in the report.

1. **CHINA**
   Asked wind energy company Longyuan to sell its coal activities
2. **GERMANY**
   Volkswagen needs a new culture and a change of management
3. **FRANCE (PARIS)**
   Presented a CO2 budget for investors at the Climate Summit
4. **UNITED KINGDOM (LONDON)**
   New institution to supervise quality of green loans
5. **ITALY**
   Objecting to double voting rights at 100 companies
6. **INDIA**
   Exclusion of nuclear weapons manufacturer Walchandnagar
7. **INDIA**
   Lemon Tree hotel chain wins award for staff policy
8. **JAPAN**
   Proposals for ending nuclear energy were ill-timed
9. **YEMEN**
   Yemen is the twelfth country on our exclusion list
10. **MALAYSIA**
    Explained our approach at a corporate governance conference
11. **NETHERLANDS**
    Over 10,000 participants asked for a cutback in fossil energy investments
12. **NETHERLANDS**
    Sold shares in cable company Altice before price collapsed
13. **NETHERLANDS**
    New investment policy imposes higher standards for companies
14. **UNITED STATES**
    Visited site in the Arctic where Shell wanted to drill for oil
15. **UNITED STATES**
    Supply of muscle relaxants for executions prompted sale of shares
16. **UNITED STATES**
    GRESB Infra set up to create sustainable infrastructure
17. **UNITED STATES**
    Companies allow shareholders to nominate directors
18. **UNITED STATES**
    Oil company Cobalt published first sustainability report
19. **WESTERN SAHARA**
    Oil company Total explained how it does business in disputed territory
20. **SOUTH KOREA**
    Hyundai Motor alters management structure
21. **SOUTH KOREA**
    Landmine manufacturer S&T Dynamics placed on exclusion list
22. **SOUTH KOREA**
    Parliament heard our objections against Samsung merger
23. **SWEDEN**
    Asked forty companies to allow individual elections of directors
24. **SWITZERLAND**
    Commodities company Glencore signed up to UN Global Compact principles



About this report

What we do as a responsible investor is important for different groups of people and organisations and so we want to be as transparent as possible.

We account, in an annual report, for our main activities in the past calendar year,[1] addressing the following target groups:

- Participants
- Employers' and employees' organisations
- Interest groups
- Rule setters and regulators

How we learn about our target groups

For our last responsible investment report, we asked our target groups for the first time what subjects they wanted to read about. At the end of 2015, we presented them with the themes in that report and asked them to set out their priorities for this report. They were also able to choose from a list of issues that put us in the news in 2015.[2] Participants, pensioners and former participants could indicate their preferences in an extensive survey we held in 2015 into support for our new policy. Finally, all members of the Board of Trustees could make an individual selection of themes and issues they think are important and should be reported on. The results of these surveys have prompted a slight change in emphasis compared with the last report.

How we reflect their preferences

Since our target groups say they regard human rights as the most important topic, this theme has a more prominent place in the section on how we encourage companies towards sustainability and better governance.

Given the significance that the target groups and members of the Board of Trustees attach to the relationship between responsible investment and returns, we address this in several places in this report. We consider more extensively than last year what we have done to strengthen our position as shareholder in the section on our contacts with companies. There is also greater attention to how we conduct our private equity investments and we provide a link to the statement of all our listed investments which is something that participants want.

The subject of dialogue with governments and rule setters, which had a lower priority with members of the Board of Trustees and target groups, occupies a less prominent place than in the last report. There is also less attention paid to the subject of bonuses.

Reporting guidelines

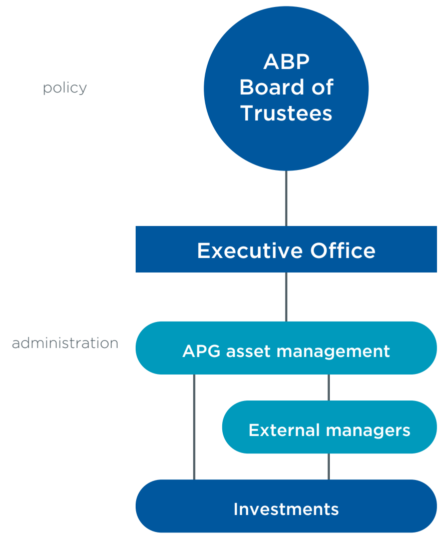
This report is based on the G4 principles of the Global Reporting Initiative (GRI) that are relevant to a report on responsible investment. These principles contain guidelines on the content of the report and the quality of the reporting. We also apply our own guidelines for establishing the CO2 footprint of our equity investments and for calculating the high-sustainability investments. The details are considered in the section Responsible and sustainable investment practices.

Action by our investment organisation

Our investment policy (and, therefore, the responsible investment policy) is set by the Board of Trustees, which takes substantive decisions. The policy is implemented by APG Asset Management,[3] which manages our pension assets. APG has outsourced some management to external managers. Unless explicitly stated otherwise, where this report refers to implementation this is performed by APG.

Dutch version prevails

In the event of discrepancies between different versions of the ABP Sustainable and responsible investment report 2015, the Dutch version shall prevail.



[3] APG Asset Management is part of APG Groep. We own 92% of APG Groep.

Responsible investment policy

We have had a responsible investment policy since 2007. Initially, the emphasis was on excluding companies involved in the manufacture of prohibited weapons or breaches of the United Nations principles for responsible business practices (the UN Global Compact).

Later, there was greater emphasis on structural attention to sustainability (environmental and social factors) and good governance in investment decisions.[4] This arose chiefly from the idea that these factors affect the risk in investments and so the returns. We have developed tools and procedures in line with the features of the various asset classes we invest our pension assets in, that provide good inside into this.

An important part of our approach to responsible investment was also the discussions (engagements) with companies to encourage sustainability or better governance and with governments to ensure that regulation promotes this. To make this more effective, we are cooperating more with other pension funds and large asset managers. We exercise our voting rights at the shareholders' meetings of almost all of the listed companies we invest in.

We operated in this way in 2015. At the same time, we have examined opportunities to raise our approach to responsible investment to a higher level. In the autumn, we decided on a significant enhancement of policy that will be put into practice over the coming five years.

From ABP's Vision for 2020 to the new policy

The new policy arises from the medium-term vision we adopted in 2014. In ABP's Vision for 2020, we promise our participants that we will achieve the returns required to pay current and future pensions in a responsible and sustainable manner. We also want to use the influence afforded us by the volume of our pension assets for a more sustainable world.

We started translating this vision into a new policy in the autumn of 2014 with a theme session for the Board of Trustees on the practicalities of responsible investment.

A working group of five members of the Board of Trustees then held seven meetings to discuss further enhancement in line with ABP's Vision for 2020.

Reducing CO_2 footprint

More high sustainability investments

Extra investments in renewable energy

Investing in education and commu-nication

Safe working conditions

Respecting human rights

Eradicating child labour

There was a study of the literature and talks with large pension funds in Sweden and the United Kingdom which, like us, are international leaders in responsible investment, and with specialists in our own investment organisation. This confirmed our conviction that investing in companies which operate responsibly and sustainably is the right choice for a pension fund that feels responsibility for both the returns for its participants and for the society they are part of.

In the summer of 2015, our Accountability Body, with 48 representatives of participants, pensioners and employers, stated that the new policy must be consistent and have the support of stakeholders. Its implementation must be communicated transparently. The pursuit of the best possible return for paying pensions may not be put at risk. This emphasised subjects that the Board of Trustees itself regarded as very important.

A participants' survey was held before the Board of Trustees gave its final agreement to the working group's plans. This showed clear support for responsible and sustainable investing.[5] After the summer, the full Board of Trustees agreed to the proposed policy. The Accountability Body issued a favourable recommendation in November.

Our chairman presented the new policy to the Dutch media at a press conference and repeated the main points of the presentation to just under 200 employees of our investment organisation, including investment staff from the offices in New York and Hong Kong.

Heart of the new policy

We want to achieve the investment returns required to meet our obligations as a pension fund by investing in a responsible and sustainable way. We will do this by fully integrating sustainability and criteria for responsible business practices in our investment decisions. The question of whether an investment is sustainable and responsible will be addressed separately for each investment, as will the question of whether it is attractive given the expected return, risk and costs.

Investing in sustainable and responsible companies

By 2020 we want to be able to explain how each individual investment meets our vision of responsible investment. Specifically, this means that we only want shares and bonds of companies with a good record on human rights, labour rights, corruption and the environment.

We will only invest in companies which fall short of this but which are attractive in terms of return and risk, if at the same time we start an engagement to bring them to the desired level. We will not enter into such an engagement unless we think that a company wants and will actually be able to achieve that level.

In the next few years we will also reassess all companies in the current portfolio (equities and corporate bonds) against these criteria. This is expected to lead to a reduction in the number of companies we invest in.

Alongside this policy focusing on 'inclusion' of sustainable and responsible companies, the old exclusion policy is still in place. Neither companies involved in the manufacture of controversial weapons or serious breaches of the UN Global Compact nor sovereign bonds of governments subject to an arms embargo imposed by the United Nations Security Council will be eligible for investment.

Measurable targets

Our responsible investment policy has had three objectives for some years, and these remain in place in our new policy:

1. Contribution to the financial return (in relation to risk)
2. Demonstrating that we accept our social responsibility
3. Contributing to the integrity of financial markets

As a result of our new policy, we have added a number of measurable targets to what we want to have achieved by 2020. They relate to the sustainability of our entire investment portfolio and thematic priorities.

Targets for the sustainability of the portfolio

Reducing CO2 footprint

Reducing the CO2 footprint of our equities portfolio by 25%[6].

High sustainability investments

Doubling our high sustainability investments (HSIs[7]) from €29 billion to €58 billion.

Thematic priorities

We have selected a number of themes which will receive additional attention in the period to 2020 to be in line with our participants' areas of involvement and/or subjects that interest them. We will engage with companies and standard setters on these focus themes of safety, education and strengthening the economic structure. Our investment organisation is actively seeking investments that make a demonstrably positive contribution in these fields.

This gives the following specific ambitions for 2020:[8]

Renewable energy

Increase our investments in renewable energy to €5 billion[9].

Education and communication

More investment in educational real estate and infrastructure and communications infrastructure (€1 billion).

Safe working conditions

Clothing and textile companies we invest in ensure safe working conditions throughout the production chain.

Shipbuilding companies we invest in publish a policy for safe working conditions applicable throughout the chain.

At least half of our infrastructure investments report to GRESB Infra[10] annually on safety, health and the environment.

Respecting human rights

ICT, textiles, clothing and energy companies we invest in publish a human rights policy.

Eradicating child labour

Cocoa companies we invest in eradicate child labour in their production chains.

Transparent and accountable

We believe transparency is an essential part of a responsible investment strategy. We have several ways of discussing how we invest with participants and pensioners. Each year we will survey a representative sample of our participants to find out the themes that are important to them and incorporate the results in the annual evaluation and development of the policy. We also see an ongoing, open dialogue with our participants as a way of creating the greatest possible support for our policy.

We treat signals concerning companies we invest in from civil-society organisations (or individuals) seriously and tell them what we have done with their information. We ask participants and civil-society organisations what they want us to report on in our annual responsible and sustainable investment report. We will use position papers to explain investment themes which have raised questions with some of our stakeholders and/or are important to our investment practice (more about this in: Communications).

Working with other investors

We are convinced that we can achieve more when implementing our policy if we collaborate with like-minded institutional investors. Consequently, we are cooperating more, nationally and internationally, when engaging with individual companies and with standard setters. With other pension funds, we are pursuing greater uniformity of the concepts we use for responsible investment.

Return and risks of the new policy

Adding sustainability and responsible business practices as separate points for consideration in investment decisions does not mean that the traditional criteria (cost, return and risk) have become less important. Our investment organisation has performed extensive analyses and studied the results of analyses by others. These show that in the past seven years the returns of companies which pay great attention to sustainability and good governance have not lagged behind those of companies which do less. Nor do they involve greater risk as investments. Our investment organisation therefore, has the same return targets as it would have had without this new policy.

Sound implementation of this new policy requires limited additional investment in people and information systems. We expect this will be repaid as we identify more attractive sustainable investments and through better insight into risk.

Responsible and sustainable investing

Until recently we referred to 'responsible' investment but we have now opted for the term 'responsible and sustainable'. According to the dictionary, responsible means 'involving decision and accountability'. Sustainable includes 'without causing damage to the environment', 'able to be maintained at a certain rate or level'. These definitions are significant to our investment policy. Although there is some overlap between them, we can best classify the way we draw the environment, social policy and good business practices into our new investment policy by the combination 'responsible and sustainable'.

Ambitions accelerate sustainability

Our participants' invested pension assets are about half of what the entire population of the Netherlands earns in a year (gross domestic product). As we impose standards on all our investments, we can influence the conduct of thousands of companies around the world and contribute to a more responsible and sustainable economy in a large number of countries.

There are limits to how much we can invest in solutions for the social and environmental challenges that the world has to tackle (the HSIs). There is only a limited range of this type of investments that is also attractive in terms of return and risk. The total of €58 billion that we want to achieve by 2020 is, therefore, a major step forward compared with the €29 billion we had in the portfolio in early 2015. To ensure that the range of this type of HSI grows, we will encourage new forms of investment with policymakers and other stakeholders, such as the Nederlandse Investeringsinstelling.

Our other ambitions will also ensure a clear acceleration of the sustainability of our portfolio. The €5 billion we want to have invested in renewable energy by 2020 means a fivefold increase compared with 2014, by which time it had already taken almost 10 years to build up this renewable energy portfolio of some €1 billion.

Communications

Dialogue with participants and civil society organisations on how we invest is a key part of our investment policy and we conducted it in different ways in 2015.

An important element of our new policy is to intensify the dialogue further.

Participants on responsible investment

About three-quarters (71%) of our participants, pensioners and former participants are confident that we are investing their pension assets in a sustainable and responsible way. This was shown by a representative survey into support for our new policy, held in September. At the same time, participants' awareness of how we invest was poor with over a third of the 948 respondents having no idea at all. Only one in six said they were reasonably aware. 3% said they were fully aware.

Despite this limited knowledge, a majority agreed with parts of our approach. For example, 60% thought it logical that we exercise influence at shareholders' meetings and by cooperating with other investors (3% disagreed). A large majority also understood that we discuss greater sustainability with companies. There are, however, large groups who think we should move more quickly to exclude companies if they are involved in corruption, child labour or breaches of human rights. Groups of participants regard investments in the weapons industry, fur trade and gambling as controversial. The exclusion of complete industries presents a difficult dilemma, partly because there is no consensus among the participants and we have a clear, statutory fiduciary duty. In 2016 we will issue a publication on how we deal with these dilemmas.

Part of the new investment policy is that we hold an annual survey of participants and incorporate the results as we develop the policy.

Meetings and newsletters

We explained the new policy in the Pensioen Update which was sent to all 2.8 million participants, pensioners and former participants in the autumn. There is also information on abp.nl, including press releases,[11] which, more than previously, look at individual companies we invest in. Our digital newsletter regularly features responsible investment. Responsible investment was one of the subjects raised during the pensioners' meetings we organised in five different towns in December, during which about 350 pensioners received an explanation of the new policy and were able to discuss it with members of the Board of Trustees.[12]

We discussed investments in fossil fuel companies with concerned participants (Photo: Nichon Glerum)

We believe it is important to discuss how we invest with participants and civil-society organisations

We explained how we are helping to combat climate change in our first position paper

Vice-chairman José Meijer receives a petition from ABP Fossielvrij (Photo: Nichon Glerum)

Climate change and fossil fuel

The subject we, as a responsible investor, communicated on most with participants and civil-society organisations in 2015 was climate change. Generally this concerned our investments in companies heavily involved in fossil fuels such as coal, oil and natural gas.

In March, our vice-chairman José Meijer received a petition with 10,500 signatures from participants and others which called on us to stop investing in companies involved with the extraction, production and sale of fossil fuels and to sell our investments in coal, shale gas and tar-sand companies within two years. The petition was organised by ABP Fossielvrij, a group of participants greatly concerned about climate change. When the petition was handed over during a public meeting in debating centre Pakhuis de Zwijger in Amsterdam, Meijer explained that we are also concerned about climate change but think we can achieve more by continuing to invest in these companies and engaging them on greater sustainability. If we were to sell our equities, other investors would take our place and we would lose our influence. We have subsequently met delegations from ABP Fossielvrij on several occasions and also cooperated with a VPRO television documentary Tegenlicht about the group. We set out our position in a letter to some hundreds of participants who wrote to express their concerns about our energy investments.

Position papers explain investment policy

We explained what we are doing to combat climate change in our first position paper, published on abp.nl in December. We set out clearly (in Dutch and English) how much we have invested in different sources of energy and how we expect companies and governments to act jointly to tackle CO_2 emissions. The position paper has a technical annex with background information. As part of the new policy, we will issue two position papers each year on key themes in our investment practices and/or that raise questions with our stakeholders. In 2015, the television programme Zwarte Zwanen showed that there was still a lack of clarity about how Dutch pension funds deal with investments in, for example, private equity. We see it as our responsibility to provide greater clarity on this.


The debate with participants in the Pakhuis de Zwijger (Photo: Nichon Glerum)

Three-quarters of our participants are confident that we are investing their assets responsibly

Listening to civil-society organisations

We used research by a human rights organisation in our talks with a pharmaceutical manufacturer, Mylan, which was said to be supplying muscle relaxants used in executions in prisons in the United States (see for more information: Encouraging companies towards more sustainability). We also spoke to peace campaigners about their research into investments in weapons manufacturers, with a development organisation on land rights and with a workplace safety organisation about the safety of Asian shipyards. We had contact with environmental and wildlife organisations about palm-oil companies, bio-diversity and climate change. There was consultation with research organisations on the OECD guidelines for multi-national enterprises and investing in fossil fuels.

Limits to openness

We were asked to announce publicly how we would vote on certain agenda items ahead of the shareholders' meetings of oil company Chevron and of Australia and New Zealand Banking Group. This request was sent in the form of a standard email by just under 300 people through the campaign group Vote your pension. We explained to them that ABP announces its voting on abp.nl after shareholders' meetings. In principle, we do not disclose in advance as we want to be able to adjust our vote until the last moment.

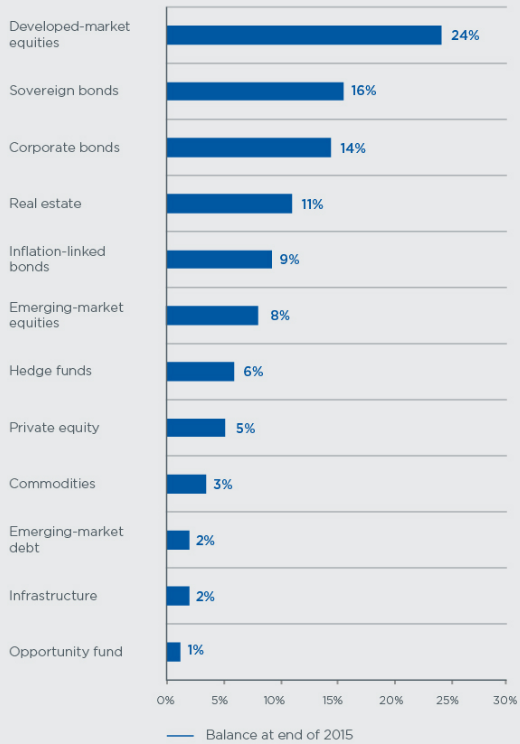
Responsible and sustainable investment practices

This section addresses the way we approach sustainability within asset classes, starting with the main developments in 2015.

We end by listing how we monitor the sustainability performance of the asset classes.

We invest our participants' pension assets in equities, bonds (loans), real estate, infrastructure, private equity, hedge funds and commodities. These asset classes are often allocated to different portfolios, each of which has its own investment strategy. Responsible investment is part of each strategy but is not always implemented in the same way.

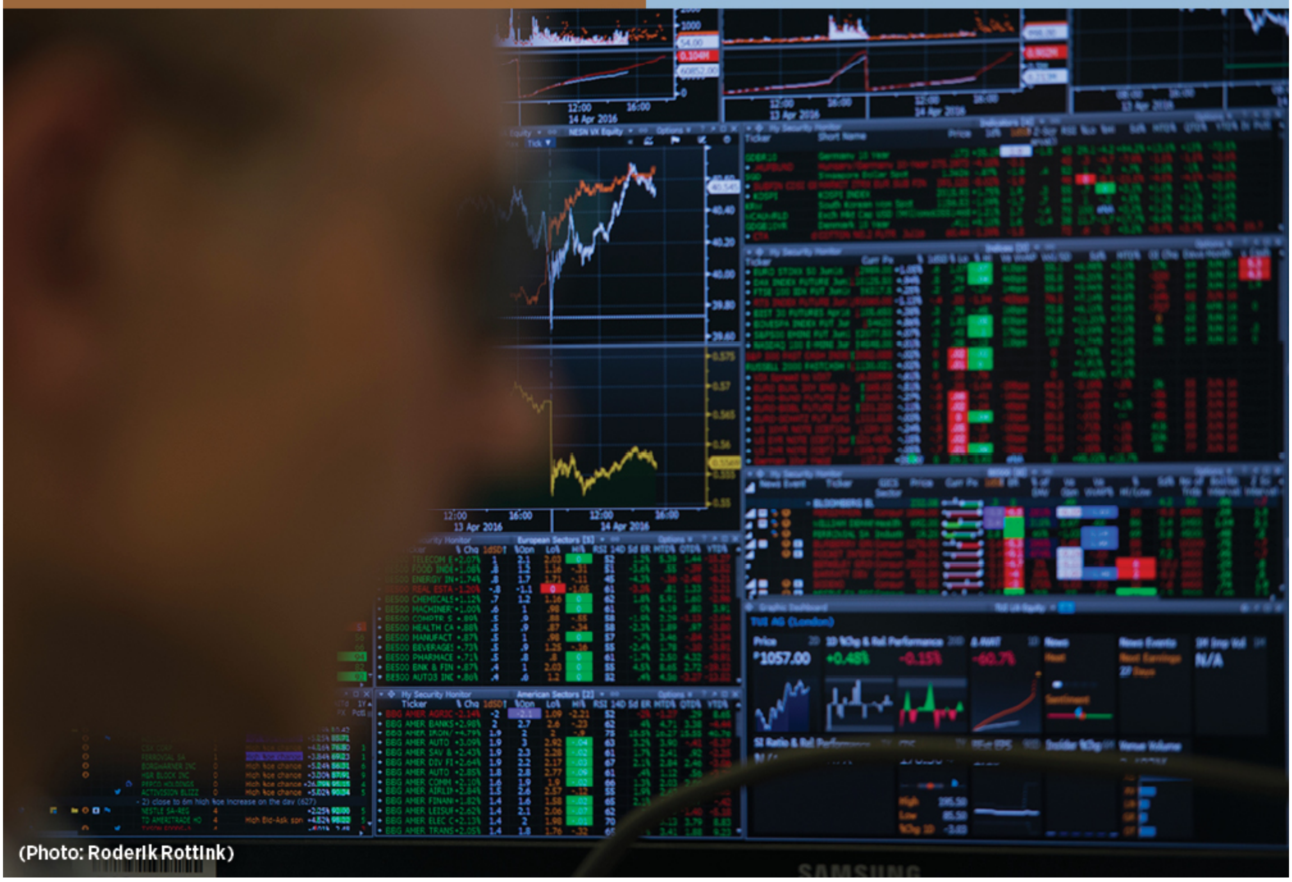
Allocation of ABP's assets (€351 billion)




(Photo: Roderik Rottink)

We want to have €58 billion of sustainable investments by 2020

Our green bonds doubled to almost €800 million


(Photo: Roderik Rottink)

Clarity on private-equity investments

New private-equity funds we invest in have to report more structurally on the sustainability and governance performance of all the companies in their portfolios. In 2015 we, along with AlpInvest (the company that manages a large portion of our private-equity investments) and pension administrator PGGM, presented a special reporting framework for this which sets out targets (KPIs) on subjects such as health and safety, bribery and corruption. This new framework will give ABP, which, as a 'limited partner' in a private-equity fund, has no direct contact with companies in that fund, greater clarity on how sustainably and responsibly those companies are performing. Up to now, the managers of the funds (the general partners) have mainly presented individual examples. To ensure that other investors can use this framework, it has been offered to the PRI which promotes responsible investment worldwide.

We have worked with other investors[13] on a new due diligence questionnaire to obtain good advance information on a private-equity fund's sustainability and good governance performance. From 2016, we will be using it before we invest in a fund.

Increase in sustainable investments

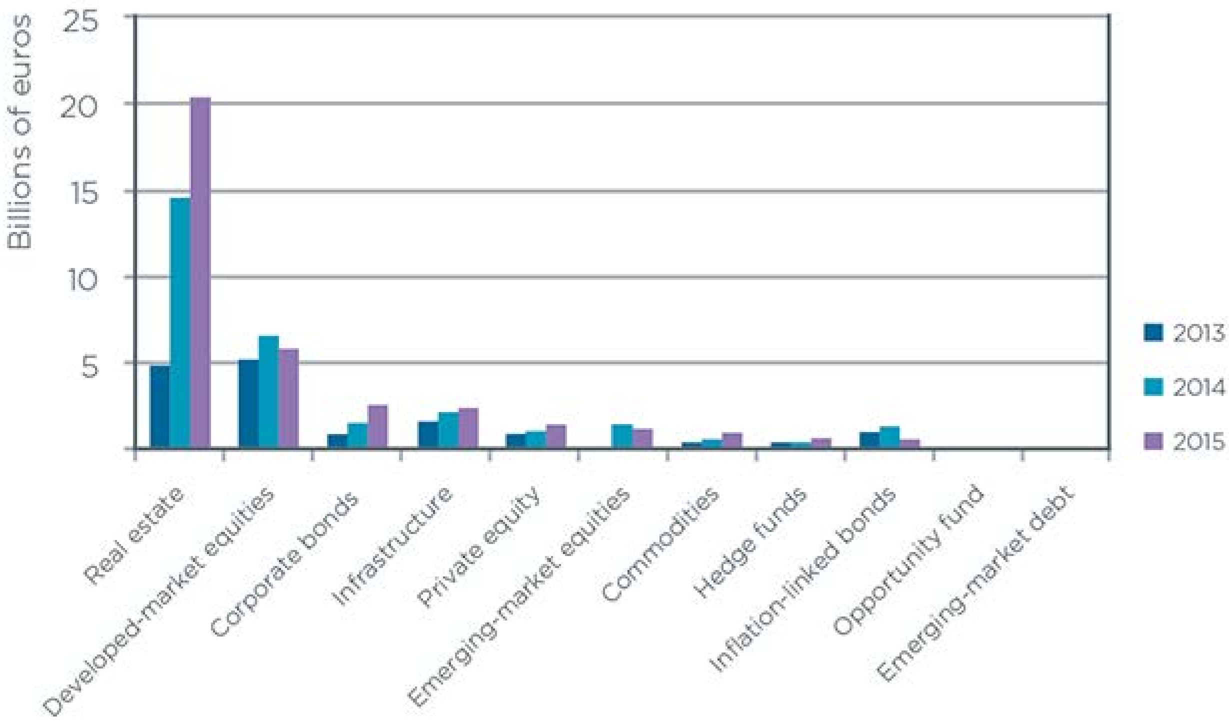
Our high-sustainability investments increased sharply again in 2015.[14] We had invested over €35.5 billion in them by the end of 2015 compared with €29 billion a year earlier.

We define high-sustainability investments as those in activities that contribute to solutions for social and environmental challenges such as climate change, water scarcity, flooding, pollution, loss of habitat or fauna and micro-financing. They also include pharmaceutical companies with a high ranking in the Access to Medicine Index because they contribute to accessible healthcare in countries where average incomes are low.

The chart below shows that the biggest increase was in real estate investments (from €14.5 billion to over €20 billion). This was a result of the increase in the number of 'green stars' (real estate investments in the highest category in the annual sustainability survey conducted by the Global Real Estate Sustainability Benchmark).There was also considerable growth in the bond portfolio with the number of green bonds more than doubling (see next paragraph).Since total assets invested in the equity portfolio fell compared with the previous year, the value of high-sustainability investments was also lower although the percentage was unchanged.

Investments in renewable energy across the different asset classes increased from €1.4 billion to €2.2 billion, partly as a result of additional investment in Norwegian hydro-electric power stations. There was also an increase in sustainable energy investment through green bonds and a noticeable increase in high-sustainability investments in the hedge fund portfolio to over €600 million. Part of this was a result of improved assessment of investments we already held in portfolio but we also started investing in a hedge fund that provides capital to sustainable energy companies which find it difficult or impossible to obtain bank loans, offering them the chance to grow.

Graph: Allocation of high-sustainability investments to asset classes



Part of our new policy is even faster increase in high-sustainability investments to €58 billion in 2020. We are working with other investors to develop a new definition for this type of 'extra sustainable' investment to make it easier to compare performance.

Growth in green bonds continues

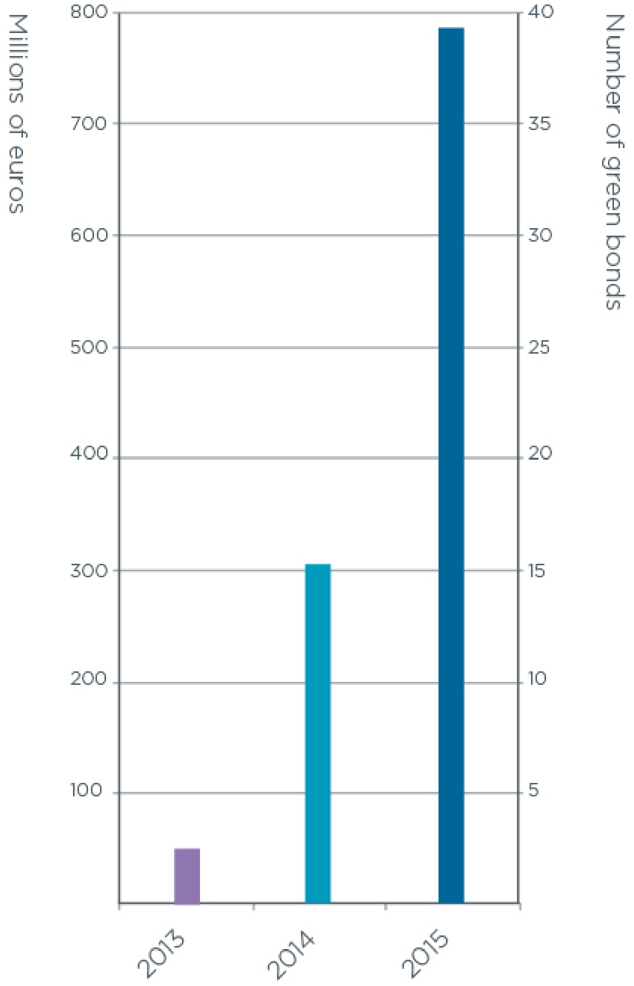
Within the high sustainability investments, there has been a sharp growth in the number of green bonds. Green bonds are loans that finance sustainable projects and so they are well suited to our pursuit of sustainability although we impose the same requirements in terms of return and risk that we use for our other loans (bonds).

The advance in the number of green bonds started in 2014 and continued in 2015. In early 2015 we held 13 green bonds with a total value of some €300 million. By the end of the year, there were 38 with a value of almost €800 million. Growth in the United States, where assets invested in green bonds rose from $15 million to $135 million (approximately €124 million), was striking.

The increase can be easily explained. More and more green bonds that meet our expectations for risk and return are being launched. In the past, green bonds were issued mainly by development banks but now they are increasingly being issued by companies and commercial banks. To ensure that they are good quality and actually contribute to sustainability, our investment organisation joined the Climate Bonds Initiative that develops standards for this in 2015.

Currently about 1.6% of our bond portfolio is invested in green bonds. We are involved in wind farms in the Dutch and German sectors of the North Sea through a bond of almost €30 million issued by the Dutch energy network manager TenneT. We invested over €50 million of our pension assets in work to protect the country against rising sea levels through two bonds from the Dutch Waterschaps-bank. In 2015, we sold two green bonds that no longer met our risk and return targets.

Graph: Growth of green bonds in our investment portfolio in euros (left-hand axis) and number of bonds (right-hand axis)



Reducing the CO2 footprint of equities

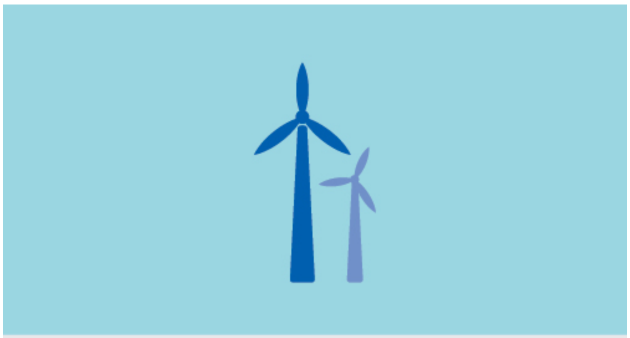
As in 2014, we calculated how much of the emissions of each listed company in our portfolio are attributable to us in relation to the percentage of shares we own. Adding up all the figures gave a total of about 32.5 million tonnes of CO2 for our entire equity portfolio, in which we have invested about €110 billion. The figure for 2014 was 30.9 million tonnes.

Our CO2 footprint[15] has fluctuated since we started analysing our share of the CO2 emissions of companies in our equities portfolio three years ago. After falling about 10% in 2014, it rose by 5% in 2015. As our investment staff do not yet have access to companies' recent CO2 data, they have not been actively managing according to emissions.

A key part of our new sustainable and responsible investment policy is a sharp reduction in our CO2 footprint, which needs to fall by 25% by 2020. The basis when adopting this ambition was to achieve a reduction compared with our CO2 footprint for 2015. As there was an unintended increase in 2015, we have decided to use the CO2 footprint of our portfolio for 2014 as the starting point.[16] In other words, we will offset the increase in 2015, and on top of that, aim for a reduction of 25% by 2020.

We have continued to develop the way we calculate our footprint during 2015 and in early 2016 and it is now maturing. The refinements to the methodology, improved data quality and availability mean our investment staff will be actively managing the equities portfolio on the CO2 emissions per invested euro.[17]

During the first half of 2016, our investment organisation will be developing the systems required to make these regular calculations so that the portfolio managers have the most up-to-date information available for their investment decisions. We also expect to see the initial results of active management on emissions per invested euro in 2016. Although this will give us a better grasp of the CO2 footprint of our portfolio, we will continue to monitor the 25% reduction target throughout the period to 2020. There may be fluctuations in our footprint from year to year, for example because of temporary positions held for our other investment targets, or continuous improvements in data quality and refinement of the methodology.



We are involved in wind farms and projects to protect the Netherlands against rising sea levels through green bonds

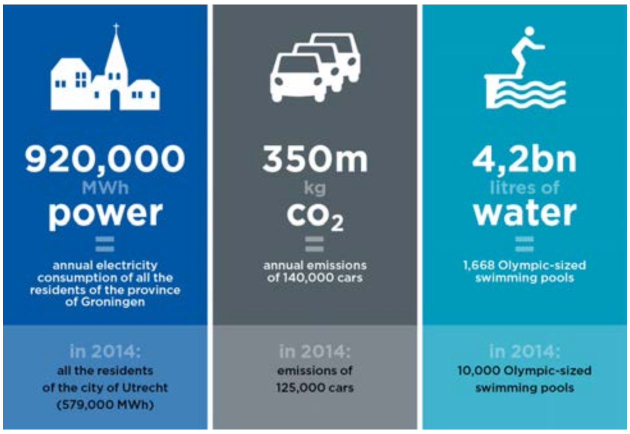
(Photo: Roderik Rottink)

Real estate investments reduce environmental footprint

The offices, retail centres, housing and hotels we invest in considerably reduced their electricity consumption in 2015. They also reduced their CO2 emissions and water consumption although this latter reduction was much less impressive than a year earlier. This information comes from the most recent research by the Global Real Estate Sustainability Benchmark (GRESB) which showed that our real estate funds were again operating more responsibly and sustainably in 2015.

GRESB, which was founded by our investment organisation and others in 2009 to measure the sustainability performance of real estate, carries out an annual comparative study looking not only at environmental factors but also matters such as safety at work, involvement of stakeholders and bribery and corruption. Our investments do well against GRESB: our real estate portfolio scored 65 on a scale of 0 to 100 while GRESB participants on average achieved 56 points. This is a clear improvement on the previous year when we were seven points lower.

Figure: Reduction in the environmental footprint of the real estate we invest in[18]



New sustainability standard for infrastructure

Our investment organisation and ten other large asset managers have set up GRESB Infra to obtain better insight into the sustainability performance of our infrastructure investments (such as wind farms, roads, ports, hospitals and schools). Funds managing these investments will from now on complete a comprehensive questionnaire each year on how they handle employee safety, the interests of people living nearby, energy consumption and the reuse of waste. Participating in GRESB Infra is mandatory for new investments and existing investments will also be urged to participate. We will use the results to encourage improvement in the performance of the investments.

GRESB Infra was presented at special meetings in London and New York in September. During the presentation at the US office of our investment organisation in New York, the chairman of the General Assembly of the United Nations expressed support for the new initiative. The results of the first GRESB Infra survey will be published at the end of 2016.

External managers becoming more sustainable

The third annual survey of the 27 external managers that our investment organisation uses to manage part of our equities holdings showed that 22 were paying more attention to sustainability and good management. The survey addresses the external managers activities in seven different areas such as their policy on sustainability and good governance, how they address them in their day-to-day investment decisions (integration), what they do to encourage companies to perform better (engagement) and how they report on this. Most progress was made in the latter area with thirteen of the managers scoring better. Nine were more active in sector networks and eleven had a more robust policy.

Two managers' overall scores were unchanged and three fell slightly. The results of this survey are used to discuss how the managers can develop further. We spoke with the three managers who had slipped back in the last survey (in 2014) and they showed a clear improvement this year.

Responsible investment and return

We are convinced that investors make better investment decisions if they pay structural attention to sustainability factors and responsible business practices as this gives them a more complete picture of opportunities and risks. This view is supported by a meta-study of over 200 academic studies published last year which concluded that responsible and sustainable business practices need not be at the expense of financial returns.[19]

The sale of our shares in cable and telecoms company Altice is an example of an investment decision taken in 2015 on the basis of sustainability factors and responsible business practices that has contributed to good results. After we had sold, the share price fell sharply (the shares lost two-thirds of their value in just over four months). The company was originally based in Luxembourg and moved to the Netherlands in 2015 where it pushed the boundaries of the law, vesting all control in the hands of chairman of the board, who was also founder and majority shareholder. We were gravely concerned, partly because there was no balance of power between the management board, supervisory board and shareholders. In our opinion this was also against the spirit of the Dutch corporate governance code.

Integration in the investment process

The table below shows how attention for the environment, social policy and good governance is part of the various investment strategies. We expect all investments to operate in line with UN agreements on how companies should deal with human rights, labour rights, corruption and the environment.[20] The exclusion policy applies to the entire portfolio.[21]

The 'industry frameworks' developed by our investment organisation give its portfolio managers insight into major sustainability and governance risks in 38 different industries. The Country Risk Monitor, developed with research firm Sustainalytics, offers insight into sustainability and corporate governance risks in various countries. Proposals for new investments (above a given amount) in unlisted companies and new mandates for external managers are also assessed by sustainability and corporate governance specialists who not only make recommendations but are also involved in drawing up the terms in the agreements that form the basis for these new investments.

How does ABP assess the sustainability performance of its investments?

Equities, in-house managed	Portfolio managers use a dashboard, which has been developed in-house, that shows how a company scores on the environment, social policy and good governance. The dashboard also shows our correspondence and talks with the company on these subjects, our voting record and analyses by three independent research firms.
Equities, external managers	For any allocation entrusted to an external manager we check whether the manager operates in accordance with the responsible investment policy. The managers were surveyed for the third successive year in 2015 concerning the attention they give to the environment, social policy and corporate governance. The findings are discussed with these managers.
Sovereign bonds	We do not invest in sovereign bonds of countries subject to a UN Security Council arms embargo. The Country Risk Monitor is used by the portfolio managers when analysing the risks and opportunities of investments in emerging markets such as Brazil and India.
Corporate bonds	Internal portfolio managers have access to a dashboard, which has been developed in-house, which shows at a glance how a company scores in terms of the environment, social policy and corporate governance. Portfolio managers include these sustainability ratings in their investment proposals. A more detailed analysis is made if these are lower than the ratings of comparable companies.
Inflation-linked loans	All investment proposals are assessed by sustainability and corporate governance specialists.
Real estate	All unlisted real estate investments are expected to take part in the Global Real Estate Sustainability Benchmark for the entire period for which an investment is held. This involves an ex ante review and an annual measurement of performance. Where necessary, a dialogue is commenced with the aim of improving performance. This is also done for listed real estate.
Infrastructure	From 2016, infrastructure funds will complete a comprehensive annual questionnaire on how they handle employee safety, the interests of people living nearby, energy consumption and the reuse of waste. Participation in GRESB Infra, which was set up in 2015, is mandatory for new investments and existing investments will also be urged to participate. We will use the results to encourage improvement in the performance of the investments.
Hedge funds	All funds for which it is relevant are expected to have an environmental, social and corporate governance policy which must be submitted or published on the website. Funds which do not have a policy have to draw one up and implement it within an agreed period. Our investment organisation adopts a tailored approach in this regard, with the strategy of the fund largely determining the precise nature of these requirements. Hedge funds are encouraged to join the Hedge Fund Standards Board, which promotes transparency, integrity and good governance.
Private equity	Private-equity managers are expected to have a policy in line with our approach to responsible and sustainable investing. It is also important that they are transparent about their performance in this area, To encourage this, we contributed to the creation (in 2012) of the ESG Disclosure Framework. We encourage new private-equity funds to use the framework we developed in 2015 to report on the sustainability and good governance performance of companies in the fund.
Commodities	Unlisted commodity funds have to show that they comply with the UN Global Compact principles as well as the more detailed standards of, for example, the International Finance Corporation. Which standards and requirements exactly apply, depends on the commodity and fund invested in. We hold annual meetings with every manager operating in high-risk countries and visit specific locations, characterised by elevated risk, regularly. Our investment organisation sends a questionnaire to all managers each year and they have to report significant incidents such as serious accidents immediately. Managers of agricultural funds have to report on the implementation of the Principles for Responsible Investment in Farmland.

Encouraging companies towards sustainability and better governance

Companies are held to account in various ways if there are concerns about the sustainability of their operations or governance.

These range from voicing an opinion to a more intensive and sometimes lengthy process aimed at changing behaviour. Such engagement can take different forms depending on the company, the nature and size of the investment and the issue at stake. Appendix 1 lists the companies we contacted about sustainability and good governance in 2015.

We exert influence by voting at shareholders' meetings. With the logistical and data support of an external bureau, in 2015 our investment organisation voted in accordance with our voting policy on almost 47,000 resolutions at 4,446 (2014: 4,735)[22] meetings of listed companies in which we invest. Our votes at each individual company are set out on abp.nl.[23]

The companies where we had a dialogue in 2015 and the type of subject are listed in Appendix 1. It is not possible in a short report to address every subject that was on the agenda. A selection of what we did in the areas of the UN Global Compact, which plays a significant role within our policy, and the encouragement of good governance are set out on the next pages.

Shell stopped its controversial drilling for oil in Alaska (Photo: Elaine Thompson)

Shell's plans for drilling in the Arctic were too risky for the environment and shareholders

Hotel chain Lemon Tree's good personnel policy won the annual Asian Human Capital Award

One in ten of Lemon Tree's employees has physical or learning disabilities

ENVIRONMENT AND CLIMATE CHANGE

We expect companies to have good insight into the environmental risks they run and a policy on how to deal with them. The greatest risk at the moment, which affects almost all of our investments, is climate change. In particular, it is vital that energy companies and companies with high CO2 emissions from their production processes respond to this. Real estate can also play a significant role in reducing emissions.

Shell and the Arctic

We publicly expressed our doubts about the plans of Anglo-Dutch oil company Shell to drill for oil in the Arctic at its shareholders' meeting in the spring. This was held shortly after the US government had given permission for trial drilling. Partly on the basis of information from environmental organisation Greenpeace and specialists in the oil world, we had serious doubts about the risks of the project, both for the environment and for the shareholders. These doubts were not dispelled by a visit by one of our staff to the drilling area. We notified Shell that it could do better by developing gas and oil fields off the coast of Brazil. We were, therefore, happy when Shell announced after initial drilling that it would end activities in the Arctic.

Fracking

The Disclosing the facts survey published at the end of 2015 showed that oil and gas companies are increasingly following the guidelines on extracting shale gas and oil that we adopted some years ago. Disclosing the facts reports each year on how the thirty largest oil and gas companies that use fracking[24] provide information to investors on, for example, the use of toxic chemicals, emissions of waste gases, water consumption and the effect on local communities. This was discussed with eight companies in 2015 and all but one displayed clear progress in the latest report.

Divestment from coal

We have asked the Chinese wind energy company Longyuan to reconsider its coal activities (about 10% of the total) and investigate whether a complete transition to renewable energy would be more attractive. We expect that this would increase the value of this company as coal currently generates poor returns and involves risks. The company has not yet done this but the discussions continue.

Voting for CO2 reductions

Along with other investors,[25] we have worked on resolutions for the shareholders' meetings of mining companies Glencore, Rio Tinto and Anglo American that will be voted on in 2016. We want these companies to report more clearly on the amounts of CO2 they emit, how they link the reduction targets to their remuneration policy, how they are responding to possible new climate policy from governments and their lobbying in this area. Last year we voted in favour of similar shareholders' resolutions at Shell and BP. Both resolutions were accepted by their boards. We voted against a shareholders' resolution at Apple calling for more insight into the risks it faces as a result of possible national, state and local government measures on climate change. Apple already provides sufficient information on this.

In total we voted on over 100 shareholders' resolutions on environmental subjects, supporting about two-thirds of them. Consequently most resolutions on combatting climate change and the reduction of greenhouse gas emissions could count on our vote. Most votes against (28) were exercised in Japan where far-reaching resolutions on ending nuclear energy and moving to renewable sources were presented at several meetings. Although we support the transition to sustainable energy, in our opinion these resolutions were not the right way of approaching this. Some specified what management had to do in excessive detail, others would in practice have meant a prohibition on the use of nuclear energy.

HUMAN RIGHTS

The UN Global Compact, which is one of the foundations of our responsible investment policy, states that companies may not be complicit in breaches of human rights. They also have to avoid their activities leading or contributing to them.

No drugs for the death penalty

We sold our shares in American pharmaceutical company Mylan after it did not meet our request to ensure that its muscle relaxants could not be used in carrying out the death penalty. We contacted the company on the back of information from an NGO on the use of its rocuronium bromide in executions in the US. Mylan then stated on its website that its products were not intended for use in executions. The company did not want to clarify measures it had taken to prevent actual use in executions or whether it delivered muscle relaxants to American prisons that could use them in the death penalty. In a later discussion, Mylan stated that its delivery contracts include a clause on unintended use of its products. That was not sufficient for us as there is no check on compliance.

Preventing repeated problems

At our request, the British-Danish security company G4S published more information on how it applied its human rights policy and what it had learnt from complaints by stakeholders on activities in Israel, Cuba and Papua-New Guinea. It also announced a centralisation of complaints procedures so that management can identify possible malpractice at the local level more quickly. Oil company Chevron responded positively to our suggestion to centralise complaints procedures.

The Chinese mining company Zijin Mining, which suspended operations in Peru after fierce protests by local people, has committed to examine the possibility of a complaints procedure so that people affected can express their concerns to the company. This has not yet led to clear results. We will continue monitoring this.

Operations in disputed territory

Oil company Total explained to us how it dealt with different people in Western Sahara, who strive for independence from Morocco, which regards the region as part of its territory. The French company had been licensed by the Moroccan government to search for oil off the coast of Western Sahara. We wanted to be certain that Total was acting in line with international regulations on disputed territories which state that the interests of the local population must be served when extracting commodities and that they should benefit from the proceeds. Total explained the discussions it had with the local communities. Arrangements had been made on sharing any future revenues equitably. A few months after our talks, Total announced that it had not renewed the licences and is no longer operating in Western Sahara.

Voting on human rights and labour rights resolutions

We voted in favour of six resolutions on human and labour rights at the shareholders' meetings of nineteen companies. We supported resolutions at Caterpillar (machinery manufacturer), Kroger (supermarket chain) and T-Mobile US (telecoms) for more information on measures to combat violations of human rights. We did not support similar resolutions at Facebook, Amazon.com and eleven other companies because in our opinion they already do enough and additional obligations would involve an unnecessary burden. Resolutions on human and labour rights are, however, less than 2% of all resolutions that shareholders submitted in 2015 at the meetings of companies in which we hold shares.

WORKING CONDITIONS

We want employees of companies we invest in to be free to join trade unions and bargain collectively on working conditions. Child labour, forced labour and discrimination on the shop floor are not acceptable. A good personnel policy can enhance the value of an investment.

Safe ports

LBC Tank Terminals amended its safety policy after we had suggested this. Following a fatal accident in the Port of Rotterdam in 2014, the oil and chemicals bulk storage company made central arrangements on safety regulations that apply to all ports where it has operations. A new 3-year programme should ensure that its safety performance is better than at similar companies. A special management committee, on which we are represented, will monitor this. During a visit to the LBC site in Antwerp, one of our specialists saw how the safety regulations are being applied.

Engaged employees

ABP, along with supermarket chains Ahold and Sainsbury's, contributed to an investors' manual for the Principles for Responsible investment (PRI) to encourage retail chains to be more open about their personnel policy. According to the PRI, satisfied and engaged employees are good for a business as they stay longer and on average are more productive. The investors who drew up the PRI manual want retail chains to give more information on, for example, staff turnover and training.

The Indian hotel chain Lemon Tree, of which ABP owns about 15%, has won the Asian Human Capital Award. The company (25 hotels in 16 towns) received the award since it actively employs people who are deaf or hard of hearing or have Down syndrome. About 11% of the chain's 3,200 staff are people with physical or learning disabilities. Four years ago this was 6%. The Asian Human Capital Award is made each year to two companies in Asia with an innovative personnel policy that sets an example to other companies.

Good work in the clothing and textile sector

We discussed sustainability performance with a fashion brand we invest in through one of our private-equity funds. This brand came bottom of a Dutch NGO's list because it provided no information at all on working conditions in its clothing factories or its environmental policy. Since we, as an investor (limited partner), have no direct contact with the companies in our private-equity funds, we made a visit with the manager (general partner). After we had established that the company does much more than it discloses, it said it would publish more.

At our suggestion, clothing company H&M contacted a factory in Burma which subcontracted work to a company not on the list of approved suppliers on the H&M site. ABP found out about the supplier at the end of 2014 during a working visit to clothing factories in Burma and Bangladesh. H&M, which is in the lead internationally in providing information on its factories and suppliers, tightened its internal procedures. It also organised a workshop for its factories in Burma on why it is so important to be transparent about the companies involved in clothing production.

We also spoke to the Spanish fashion group Inditex (parent of Zara and other companies) and the Chinese company Li & Fung about tighter supervision of working conditions in the production chain.

Commodities company Glencore published its policy on corruption after pressure from us

CONDUCT AND CULTURE CHANGE

Metal and commodities company Glencore published its policy on corruption, signed up to the principles in the UN Global Compact, reviewed its internal code of conduct and announced an external board evaluation. ABP had been in discussion with the Swiss-British company on these and other subjects for some years. We will continue to talk to Glencore, which generates a large part of its revenues from coal mining, about how it is responding to climate change and monitors safety at work.

Oil company Cobalt has issued its first sustainability report. This American company was accused of corruption in its activities in Angola and was investigated by the American judicial authorities and the regulator, the SEC. Although it is still currently managing them, Cobalt has since sold its Angolan assets and so runs fewer risks.

Culture change at Volkswagen

We have urged Volkswagen to work on a change of culture following the scandal with the 'defeat software' that it used to manipulate the CO_2 emissions of its diesel cars in the United States. A more open culture is needed to hold the company's senior managers more accountable for inappropriate behaviour and strategy. We also want Volkswagen to find new directors who can operate more independently.

ABP is also in talks with companies about their corporate governance to stay ahead of issues. At our request, Chinese real estate company Dalian Wanda set up a whistle-blowers' scheme and appointed a chief financial officer with responsibility for the financial policy of the rapidly-growing Wanda Group, which includes cinemas, shopping centres and a yacht builder.

DIRECTORS WITH AN EYE FOR SHAREHOLDERS

We attach great value to a properly functioning board with a varied composition, a clear division of executive and supervisory duties and sufficient independent directors who safeguard the interests of minority shareholders such as pension funds.

We explained our objections to the Samsung merger in the Korean parliament (Photo: Newsis)

Company directors must have sufficient regard for our interests as a shareholder

Controversial merger in South Korea

We voted against the merger of Korean companies Samsung Construction & Trading and Cheil (advertising and marketing). The reason for this was that Cheil wanted to pay far too little for the shares in Samsung Construction & Trading, which, like Cheil, has close ties with Samsung Electronics. ABP as a shareholder would lose some €21 million as a result. As over two-thirds of the shareholders agreed to the acquisition by Cheil, the merger went ahead.

During a subsequent enquiry into this matter by the Korean parliament (see photo), our Asian corporate governance specialist explained why we voted against the merger, while the Korean civil service pension fund NPS voted in favour. ABP had announced in advance in local and international media (New York Times, Bloomberg Business News) why it was against the merger.

In early 2016, the Samsung Group announced that it will strengthen the independence of the boards of its subsidiaries.

Approved financial statements

We wrote to 22 South Korean companies asking them to distribute the financial statements approved by the auditors before the shareholders' meeting. In Korea it is usual only to issue provisional figures in advance and to present the final figures at the meeting itself. This is not practical for us as we usually vote remotely and have to approve the board's policy in advance of the meeting. We have been working on this for over two years. About ten companies have now complied with our request. We will write to the others again in 2016.

Unequal voting rights in France and Italy

We and other investors have asked 71 French companies to prevent long-term shareholders receiving double voting rights. The 'Florange law' which came into force in 2014 means that these rights are granted automatically to investors who have held shares in a company continuously for two years unless that company explicitly decides not to implement this (an opt-out). We are against double voting rights as they give some shareholders disproportionate control. They also allow the French government to sell a large proportion of its shareholdings without losing influence. A majority voted in favour of an opt-out at 19 of the 25 companies prepared to put a resolution to their shareholders. This strengthened our position as a shareholder.

We made a similar request to the 100 largest Italian listed companies. Unlike in France, double voting rights are not automatic in Italy but since 2014 it has been possible for a company to put such a resolution to its shareholders (an opt-in). Despite our request, seven of the companies approached did put an opt-in on the agenda and the resolution was passed in all cases.

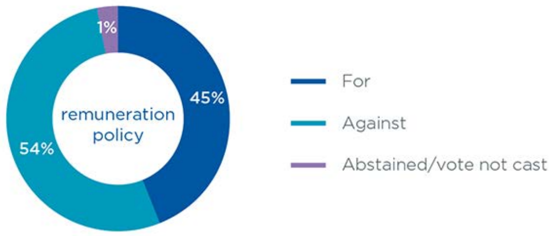
Discrimination against non-Japanese investors

ABP voted against the introduction of new shares with guaranteed proceeds and voting rights at the shareholders' meeting of Toyota Motor. These 'AA shares' would only be available to Japanese investors. ABP was against this since it was excluded as a foreign investor and this could put it at a disadvantage as a holder of normal shares. The request to remove this resolution from the agenda was not honoured.

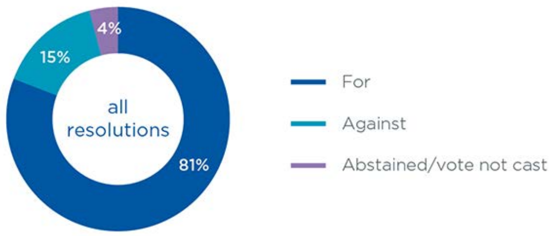
Sound remuneration policy

As in 2014, we looked critically at the remuneration of the directors of the companies in our equities portfolio. In 2015, APG voted on our behalf on over 1,700 remuneration resolutions at more than 1,600 shareholders' meetings. It voted slightly more often against (54%) than in favour (45%). We cast the same percentage of votes against in 2014, when we abstained slightly more often. The main reasons for voting against were excessively generous severance packages, inadequate links between payment and performance and opaque schemes. Resolutions linking pay to challenging performance that makes a sufficient contribution to the strategic long-term targets of a company could in general rely on our support.

ABP's voting on 1,700 remuneration resolutions



For comparison: ABP's voting on all 48,000 resolutions



Greater shareholder influence

Ahold withdrew a proposal to reduce the number of members of its Management Board from three to two. A resolution to make this possible was removed from the agenda of the shareholders' meeting after we urged this. Ahold wanted to place responsibility with executives just below board level. These executives are not supervised by the Supervisory Board or elected by the shareholders.

Company boards must be diversified. Candidates holding too many other positions cannot rely on our support

We supported resolutions to allow shareholders to nominate directors (proxy access) at some 80 shareholders' meetings in the United States. In the Netherlands, holders of at least 3% of the shares are already able to nominate candidates for the board. Companies in the United States have resisted this for some time out of fear of shareholders with detrimental intentions. Several companies, including pharmaceutical company Pfizer, General Electric and DTE Energy, introduced proxy access last year after we had raised the subject with them.

American real estate company, Vornado (with several stores in the centre of New York) announced it would listen more to its shareholders. For years, the company was run by directors who had not received a majority at shareholders' meetings. Shareholders' resolutions to change the board structure were passed but not followed by the Board. From 2018, Vornado directors who do not receive a majority of votes must offer their resignation to the other directors (who will then decide).

Clear divisions between executives and supervision

After we (and other investors) had urged this, Bank of America (BoA) submitted its plan to unite the roles of chairman and CEO to its shareholders for approval. Before the financial crisis, both roles were held by the same person at BoA. They were separated after shareholder pressure. This year the company wanted to return to the old situation without asking the shareholders' approval. We are not only against one person having both the role of CEO and of chairman but also believe that a company may not reverse a decision of its shareholders without consulting them. BoA obtained the support of a majority of the shareholders at a special shareholders' meeting although there was a substantial minority (40%) against. We wrote setting out our objections against combining the roles once again and will return to this in 2016.

More independence and more female directors

We have been discussing the membership of the board of British property company Derwent London, which owns many office blocks in the centre of London, for some years. Only a third of the company's directors were non-executives in 2013. Last year, after it appointed more non-executive directors this had grown to half.

Talks have been held with several French companies about the need to have more women on boards. French legislation states that 40% of directors must be women from 2016. Vacancies cannot be filled until this percentage is reached. We are not currently aware of any companies where a problem has arisen because they have been unable to find suitable candidates.

New governance structure after dubious transaction

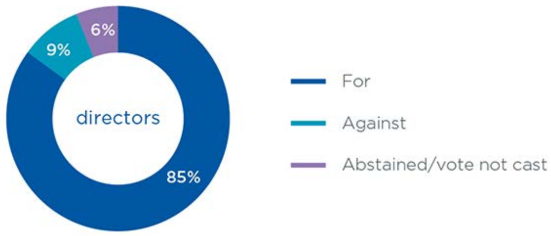
After sharp criticism from ABP and others, Hyundai Motor Company altered its board structure, setting up a separate governance committee just below the board specifically to monitor the interests of minority shareholders. A non-executive director has also been appointed. Both have a clear role in major investment decisions.

The criticism from the shareholders, which ABP expressed at the shareholders' meeting in March, was prompted by the purchase of an expensive piece of land in the Seoul district of Gangnam after which the share price fell sharply. ABP believed that the roughly $10 billion that had been spent on this should have been distributed to the shareholders.

Voting on appointments of directors

Overall we voted on over 18,000 directors at over 2,700 shareholders' meetings in 2015, supporting almost 85% of the nominations. We voted against 9% of the candidates who, for example, were not sufficiently independent or already held too many directorships. We abstained or no vote was submitted in 6% of cases. These percentages are almost the same as those for 2013 and 2014.

ABP's voting on directors



Excluded companies and sovereign bonds

Our policy is not to invest in companies involved in manufacturing cluster munitions, anti-personnel mines or chemical and biological weapons.

Companies that produce nuclear weapons are excluded if they contravene the Nuclear Non-proliferation Treaty, the international treaty to prevent the spread of nuclear weapons which has been ratified by the Netherlands. Specifically this means that nuclear weapons may only be produced for and by countries permitted to hold such weapons under the treaty (China, France, Russia, the United Kingdom and the United States).

Another important part of our exclusion policy is the ten principles of the UN Global Compact on human rights, labour rights, corruption and the environment. A company can be excluded if it acts in breach of these principles and if it does not make sufficient improvements following our engagement. This is the final stage of an intensive process that can take several years and involves clear objectives and timelines. At the end of 2015 there were seven engagements with companies which may be in breach of the Global Compact. ABP is not naming them as this information may affect share prices and the success of the dialogue.

Exceptions

The exclusion policy applies to the whole portfolio apart from some investment instruments (index investments or ETFs) as this would prevent efficient portfolio management. There is an exception for certain externally managed investments which were in the portfolio before the exclusion policy (or parts of it) came into force. In 2015, in over 99.9% of our entire portfolio[26] were no equities or bonds of companies on our exclusion list.

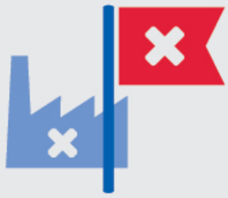
New exclusions

In 2015 we decided to add two companies to the exclusion list. The Indian company Walchandnagar Industries Ltd was excluded because of its involvement in the production of nuclear weapons for India. The South Korean company S&T Dynamics was excluded for producing anti-personnel mines. At the end of 2015, there were nineteen companies on our exclusion list (see appendix 2).

Excluded sovereign bonds

In mid-2015 we added Yemen to the list of countries whose sovereign bonds we do not wish to hold. This was a direct consequence of the arms embargo imposed by the UN Security Council. We do not invest in sovereign bonds of countries subject to such an arms embargo (see appendix 2).

We added Yemen to the list of countries whose sovereign bonds we do not wish to hold



The United Nations hopes its arms embargo will contribute to ending the civil war in Yemen (Photo: Hani Mohammed)

Photo: Joao Luiz Bulcao

Countries subject to a United Nations arms embargo are on our exclusion list

Photo: Lorenzo Meloni

Contacts with standard setters, regulators and industry organisations

Well-functioning financial markets are crucial to us as a responsible investor. In order to improve the integrity of the markets were we invest, we engage with standard setters, regulators and industry organizations.

Combatting climate change

In a speech at the UN Climate Summit in Paris in early December, vice-chairman José Meijer announced that ABP will issue CO2 budgets to the managers of its equities portfolio. These will be reduced each year to 2020 as a way for ABP to cut the CO2 emissions of its equities portfolio by 25% as agreed in the new investment policy. She also called on governments to stop subsidising fossil fuels and to quickly introduce a trading scheme that actually contributes to lower CO2 emissions.

During the climate conference we joined the Portfolio Decarbonisation Coalition (PDC), an international alliance of investors that are serious about reducing the CO2 emissions of their investments. Our activities in this area are described in the PDC's first annual report.

PRI

In 2015, ABP was awarded the second highest score for all relevant asset classes for pension funds as responsible investors in the annual report of the Principles for Responsible investment (PRI).[27] The PRI is an international network promoting responsible investment worldwide with about 1,400 member pension funds and asset managers, jointly managing about $60 trillion. Each year, the PRI assesses their performance against comparable funds based on a questionnaire that they themselves complete.

Xander den Uyl, a member of ABP's Board of Trustees, was elected to the PRI's eleven-member board, where he chairs the new committee safeguarding the interests of asset owners. Chairman Corien Wortmann-Kool wrote the foreword of a report on fiduciary duties of large asset managers published by the PRI.[28] During the presentation of this report at the annual PRI conference in London, our asset manager's head of sustainability and governance explained what this meant for investors in Europe.

At the UN Climate Summit in Paris, we announced how we would cut the CO2 emissions of our equities portfolio by 25%

Photo: Corbis

Smiles at the end of the UN Climate Summit (Photo: Arnaud Boulssou)

Managers of our equities portfolio will be given an emissions budget which will be reduced each year

Erik van Houwelingen, a member of ABP's Board of Trustees and the Sustainable Pension Investments Lab

European Shareholder Rights Directive

After pressure from us, the European Parliament rejected a proposal in the new Shareholder Rights Directive to grant additional rights to investors who have held the shares in their portfolio for at least two years. Along with other institutional investors, we set out our objections to the European Commission and the European Parliament. The final Shareholder Rights Directive, which is expected to be adopted in 2016, is a step in the right direction, since for example investors everywhere will soon be able to vote on remuneration policies. The directive is unlikely to have significant effects in the Netherlands.

Swedish corporate governance code

We believe it is important that individual directors can be held accountable and so we asked the committee overseeing the revision of the Swedish corporate governance code to end the practice of shareholders' meetings voting on all directors together in a joint resolution. Along with other investors we wrote to forty Swedish companies to request that directors stand individually. In early 2016, a number of companies (telecoms company Ericsson, Swedbank and Handelsbanken) said they will do this. The committee does not currently want to accept our request. We will continue to urge this.

Guidance for company boards in Japan

The Japanese government has introduced a corporate governance code that ABP and other investors had been advocating for years. The code will contribute to a change of culture that will make companies more transparent and pay greater attention to minority shareholders. Along with other institutional investors, we visited some ten companies to examine how they are applying the code. Discussions were held on this with the Japanese financial markets regulator and the government pension fund, which, as the largest pension fund in the world, can exercise huge influence.

Nine of the 33 large Japanese companies we wrote to explaining why we wanted to see a third of the members of their directors being non-executives, have increased the independence on their board. This is a major step in a country where non-executive directors were unknown until recently. Japan is our principal Asian market, in ninth place on a list of countries where we invest, just above China.

Japan is our principal Asian market (Photo: Anke Teunissen)

We have been working for years on greater independence of directors at Japanese companies

Japan Trade mission

ABP's activities promoting good governance in Japan were also discussed during the visit of a Dutch trade mission led by the prime minister, Mark Rutte, in November. ABP's approach to responsible investment was discussed at a meeting at Keio University (near Tokyo).

Sustainable pension investments

Erik van Houwelingen, a member of ABP's Board of Trustees, joined the Sustainable Pension Investments Lab (SPIL). The SPIL, which was founded at the end of 2015 by Herman Wijffels, professor of sustainability, and Marga Hoek, director of De Groene Zaak business association, is an alliance of people in the Dutch pension world and academics who personally want to develop ideas for investing the pension assets of the Dutch funds more sustainably. Staff of our investment organisations are also members of the SPIL.

We also support the tool kit for responsible investment that the Pensioenfederatie (an alliance of Dutch pension funds) is developing with various stakeholders.

Encouragement of other parties

We explained how we encourage companies towards greater sustainability and good governance at the annual conference of the Asia Corporate Governance Association in Kuala Lumpur (Malaysia). Our contribution to sustainability of the real estate and infrastructure sector through GRESB was discussed at meetings of companies and investors in Singapore and Hong Kong.

During a panel discussion in New York, the head of sustainability of our investment organisation commented on how important it is that companies in emerging markets are transparent about both their financial performance and sustainability and governance. The meeting, which was opened by UN Secretary General Ban Ki-Moon, was part of an international process to agree funding for the new UN Sustainable Development Goals.

Our sustainability specialist for unlisted companies gave part of a course by Invest Europe (the European organisation for private equity) on integrating responsible investment in the private-equity sector. It was attended by about 25 pension investors and private-equity managers. About 100 hedge fund managers and investors discussed how they can apply criteria for responsible and sustainable investing in practice at the annual conference of the Principles for Responsible Investment.

During a panel discussion at the annual Italian corporate governance conference in Milan, one of our governance specialists emphasised the importance of companies working with their shareholders.

Outlook for 2016 and later years

Much of the work in 2016 and later years will evolve around the implementation of the new policy in all asset classes.

A plan covering the period to 2020 has been prepared for this. We will include progress on implementation in this report and publish progress on the targets we have set ourselves on our site.

In 2016 the emphasis will be on developing the methodology we will use to assess which companies our portfolio managers can continue to invest in. What criteria will we use? How will we assess companies and what minimum threshold must they reach? We are starting with the equity and corporate bond portfolios, which account for about half of our assets. The other asset classes will follow.

Our investment organisation will be recruiting four additional sustainability and governance specialists to enter into more engagements with companies. Two will work in our office in Amsterdam, one in New York and one in Hong Kong. This means that ABP will have a second sustainability specialist in Asia to focus on our investments in South-East Asia.

In consultation with other pension funds, we are looking to see if we can find a common definition for high sustainability investments. It is often difficult for outsiders to compare performance since different funds currently use different terms for this type of investment and frequently also use different definitions of which investments are included. As far as possible, we want the new definition to be in line with the seventeen targets to make the world more sustainable by 2030 agreed under the leadership of the United Nations (Sustainable Development Goals).

We are organising a meeting with civil-society organisations in the spring to shape the dialogue with the various groups who are important to us in respect of responsible and sustainable investing. We will be issuing two position papers, one on moral choices in investment decisions and one on remuneration policy, to give participants and other stakeholders more insight into our way of investing. We will continue to hold meetings at which pensioners can speak to members of the Board of Trustees and organise small scale, interactive meetings in several locations around the country for discussions with participants who are still building up pensions.

Appendix 1

Companies with which ABP was in contact on sustainability and corporate governance

During 2015, specialists from our investment organisation engaged with 199 listed companies on sustainability and governance. The type of subjects discussed are set out below. More than one subject was discussed at some companies. The country abbreviations are explained at the end of the list.

We have not listed the twenty unlisted companies which were also contacted and the companies which were only contacted by as part of a large-scale mailing in France (about double voting rights), Italy (double voting rights), Sweden (directors standing individually for election) and South Korea (approved financial statements). More about these you find elsewhere in this report.

Company		Corruption	Environment	Human rights	Labour rights	Governance
Total number of companies	**199**	**12**	**49**	**22**	**27**	**149**
Abbott Laboratories	US					+
Aegon NV	NE					+
Akzo Nobel NV	NE	+				
Alexandria Real Estate Equities Inc	US					+
Altarea SCA	FR		+			+
Altice NV	NE					+
Amadeus IT Holding SA	SP					+
American Electric Power Co Inc	US					+
Amgen Inc	US					+
ams AG	AS					+
Anadarko Petroleum Corp	US		+	+		
Apache Corp	US		+		+	+
Arcadis NV	NE					+
AT&T Inc	US					+
Banco Bilbao Vizcaya Argentaria SA	SP					+
Banco Santander SA	SP					+
Bank Hapoalim BM	IS			+		
Bank Leumi Le-Israel BM	IS			+		
Bank of America Corp	US				+	+
Bank of New York Mellon Corp/The	US					+
Barclays PLC	GB					+
BASF SE	GE		+			
BBA Aviation PLC	GB					+
BHP Billiton PLC	AU		+			
BNP Paribas SA	FR					+
Boeing Co/The	US					+
Boston Properties Inc	US					+
BP PLC	GB		+		+	
British Land Co PLC/The	GB		+			
Britvic PLC	GB					+
Brixmor Property Group Inc	US					+
California Resources Corp	US					+
Capital & Counties Properties PLC	GB		+			
CapitaLand Ltd	SI					+
Central African Gold Ltd	SA					+
Chevron Corp	US		+	+	+	
China Development Financial Holding Corp	TA					+
China Longyuan Power Group Corp Ltd	CH		+			
Chr Hansen Holding A/S	DE					+
Cie Financiere Richemont SA	SZ					+
Citigroup Inc	US					+
Clariant AG	SZ					+
Cobalt International Energy Inc	US	+				
ConocoPhillips	US		+			
Consolidated Edison Inc	US					+
Corning Inc	US					+
Costco Wholesale Corp	US				+	
Credit Agricole SA	FR					+
Credit Suisse Group AG	SZ					+
Dalian Wanda Commercial Properties Co Ltd	CH	+				+

Company		Corruption	Environment	Human rights	Labour rights	Governance
Danske Bank A/S	DE					+
Dassault Systemes	FR		+			+
Delancey Estates PLC	GB		+			
Deutsche Annington Immobilien AG	GE		+			
Deutsche Bank AG	GE					+
Deutsche EuroShop AG	GE		+			
Deutsche Telekom AG	GE				+	
Deutsche Wohnen AG	GE					+
Devon Energy Corp	US		+			
Dexus Property Group	AU					+
Digital Realty Trust Inc	US		+			
Domino Printing Sciences PLC	GB					+
Domtar Corp	US					+
Dr Pepper Snapple Group Inc	US					+
DTE Energy Co	US					+
E.ON SE	GE		+			
EDP - Energias de Portugal SA	PO		+			
EI du Pont de Nemours & Co	US					+
Endesa SA	SP		+			
Engie SA	FR					+
Eni SpA	IT					+
Essex Property Trust Inc	US		+			
Eurocommercial Properties NV	NE		+			
Extra Space Storage Inc	US		+			
Exxon Mobil Corp	US		+	+		
Fabege AB	SW					+
Federation Centres	AU					+
Finmeccanica SpA	IT	+				+
FUJIFILM Holdings Corp	JN					+
G4S PLC	GB			+	+	
Gategroup Holding AG	SZ					+
GEA Group AG	GE					+
Gemalto NV	NE			+		
General Electric Co	US	+				+
Glencore PLC	SZ	+	+	+	+	
GN Store Nord A/S	DE					+
Goldman Sachs Group Inc/The	US					+
GOME Electrical Appliances Holding Ltd	CH					+
GPT Group/The	AU					+
Great Portland Estates PLC	GB					+
Groupe Fnac SA	FR					+
Hammerson PLC	GB		+			+
Hana Financial Group Inc	SK					+
Heineken NV	NE		+	+	+	+
Henkel AG & Co KGaA	GE		+	+	+	
Hennes & Mauritz AB	SW				+	+
Heritage Financial Corp/WA	US					+
Hispania Activos Inmobiliarios SA	SP					+
HSBC Holdings PLC	GB					+

Company		Corruption	Environment	Human rights	Labour rights	Governance
Hufvudstaden AB	SW					+
Hyundai Heavy Industries Co Ltd	SK				+	+
Hyundai Motor Co	SK					+
ICADE	FR		+			+
Industria de Diseno Textil SA	SP				+	
ING Groep NV	NE					+
Inmarsat PLC	GB		+	+	+	+
Intesa Sanpaolo SpA	IT					+
Intu Properties PLC	GB		+			
Itau Unibanco Holding SA	BZ					+
J Sainsbury PLC	GB				+	
JCDecaux SA	FR					+
John Wood Group PLC	GB					+
JPMorgan Chase & Co	US					+
KB Financial Group Inc	SK					+
Kimco Realty Corp	US		+			
Kingfisher PLC	GB					+
Klepierre	FR		+			+
Koninklijke Ahold NV	NE			+	+	+
Koninklijke KPN NV	NE		+	+	+	+
Koninklijke Philips NV	NE					+
Korea Electric Power Corp	SK	+	+	+	+	+
Kungsleden AB	SW					+
LEG Immobilien AG	GE		+			
LG Display Co Ltd	SK					+
Li & Fung Ltd	HK		+		+	
Lonmin PLC	SA				+	
Lukoil PJSC	RU					+
Macerich Co/The	US					+
Mando Corp	SK					+
Mizrahi Tefahot Bank Ltd	IS			+		
Mylan NV	US			+		
Nestle SA	SZ					+
Newmont Mining Corp	US					+
News Corp	US	+				
Nissan Motor Co Ltd	JN	+				+
Nordea Bank AB	SW					+
Novartis AG	SZ					+
Orange SA	FR					+
Pernod Ricard SA	FR					+
Petroleo Brasileiro SA	BZ	+				
Pfizer Inc	US					+
POSCO	SK	+		+		+
Post Properties Inc	US					+
Prologis Inc	US					+
Prudential PLC	GB					+
PSP Swiss Property AG	SZ					+
Public Service Enterprise Group Inc	US					+
Public Storage	US		+			
Randgold Resources Ltd	JE					+
Repsol SA	SP					+

Company		Corruption	Environment	Human rights	Labour rights	Governance
Royal Bank of Scotland Group PLC	GB					+
Royal Dutch Shell PLC	NE		+		+	+
Safestore Holdings PLC	GB					+
Samsung C&T Corp	SK					+
Samsung Electro-Mechanics Co Ltd	SK					+
Samsung Electronics Co Ltd	SK				+	+
Sandy Spring Bancorp Inc	US					+
Sanofi	FR					+
Siliconware Precision Industries Co Ltd	TA					+
SK Holdings Co Ltd	SK					+
SL Green Realty Corp	US		+			
Societe Generale SA	FR					+
SoftBank Group Corp	JN					+
Spirax-Sarco Engineering PLC	GB					+
Standard Chartered PLC	GB					+
Standard Life PLC	GB					+
State Street Corp	US					+
Statoil ASA	NO		+			+
Sumitomo Realty & Development Co Ltd	JN					+
Superior Energy Services Inc	US					+
Swiss Prime Site AG	SZ		+			
Telenor ASA	NO	+		+	+	+
TGS Nopec Geophysical Co ASA	NO					+
Thomas Cook Group PLC	GB					+
Toray Industries Inc	JN					+
TOTAL SA	FR		+	+	+	+
Toyota Motor Corp	JN					+
Transocean Ltd	SZ		+		+	
Turquoise Hill Resources Ltd	CA			+		
UBS AG	SZ					+
UDR Inc	US		+			
Unibail-Rodamco SE	FR		+			+
UniCredit SpA	IT					+
Unilever NV	GB			+	+	+
Vastned Retail NV	NE					+
Veolia Environnement SA	FR					+
Vinci SA	FR				+	+
Volvo AB	SW					+
Vornado Realty Trust	US					+
Wells Fargo & Co	US					+
Wereldhave NV	NE		+			+
Wihlborgs Fastigheter AB	SW					+
Wilmar International Ltd	SI		+			
Wolters Kluwer NV	NE					+
WPP PLC	GB					+
WW Grainger Inc	US					+
Yamana Gold Inc	CA					+
Yuanta Financial Holding Co Ltd	TA					+
Zijin Mining Group Co Ltd	CH		+	+		

Country abbreviations

AS	Austria	JN	Japan
AU	Australia	NE	Netherlands
BZ	Brazil	NO	Norway
CA	Canada	PO	Portugal
CH	China	RU	Russia
DE	Denmark	SA	South Africa
FR	France	SI	Singapore
GB	United Kingdom	SK	South Korea
GE	Germany	SP	Spain
HK	Hong Kong	SW	Sweden
IS	Israel	SZ	Switzerland
IT	Italy	TA	Taiwan
JE	Jersey	US	United States

Appendix 2

Excluded companies and sovereign bonds

At the end of 2015, there are 19 companies on our exclusion list[29].

Excluded because of UN Global Compact violations

PetroChina	China
TEPCO	Japan
Walmart	United States

Excluded because of involvement in the production of cluster munitions

Aeroteh S.A.	Romania
Aryt Industries Ltd.	Israel
Ashot Ashkelon	Israel
China Aerospace International Holdings	China
China Spacesat	China
Hanwha Corporation	South Korea
Motovilikha Plants JSC	Russia
Norinco International Cooperation Ltd.	China
Orbital ATK	United States
Poongsan Corporation	South Korea
Poongsan Holdings Corporation	South Korea
Singapore Technologies Engineering[30]	Singapore
Textron	United States

Excluded because of involvement in the production of anti-personnel mines

S&T Dynamics Co Ltd[31]	South Korea

Excluded because of involvement in the production of nuclear weapons in contravention of the Nuclear Non-Proliferation Treaty

Larsen & Toubro[32]	India
Walchandnagar Industries Ltd	India

Sovereign bonds excluded because of arms embargoes imposed by the UN Security Council

Central African Republic	Yemen
Democratic Republic of Congo	Liberia
Eritrea	Libya
Iraq	North Korea
Iran	Sudan
Ivory Coast	Somalia

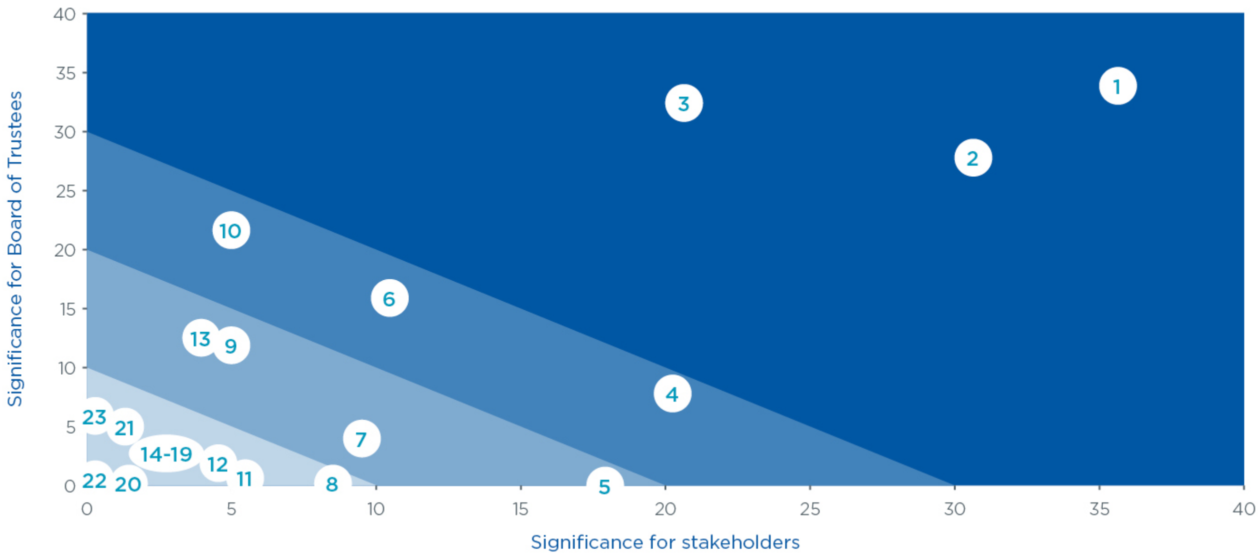
Appendix 3

Materiality index and media analysis

ABP explored different ways of finding out which subjects people wanted to read about in the Responsible Investment Report 2015. We sent a short questionnaire to representatives of over thirty organisations[33] at the end of December. The questionnaire was also completed by members of the Board of Trustees.[34] In the same month, LexisNexis was engaged to perform a media analysis examining the number of articles in the Dutch media (newspapers) that referred to ABP and subjects related to responsible investment. The survey into support for the new policy among participants, pensioners and former participants (n=948) that ABP commissioned in September also asked what they want to read about in this report.[35] The results of this research were compared and are set out below.

What are the important themes?

The first question put to the organisations and individual members of the Board of Trustees was: 'Please place up to five themes you would like to read about in the 2015 report in order of importance, marking the most important as 1 etc. You may include any omissions below'. To create the ranking shown below, each time a respondent put a theme in first place it was awarded five points, second place was awarded four points etc. and the scores were added up.



1. Attention to sustainability and governance in day-to-day investment decisions
2. Policy choices
3. Responsible investment in relation to returns
4. Dialogue with companies
5. Company exclusions
6. Promoting attention to sustainability and corporate governance to business partners
7. Exercising influence through shareholders' meetings
8. Dialogue with government authorities and rule setters
9. High-sustainability investments

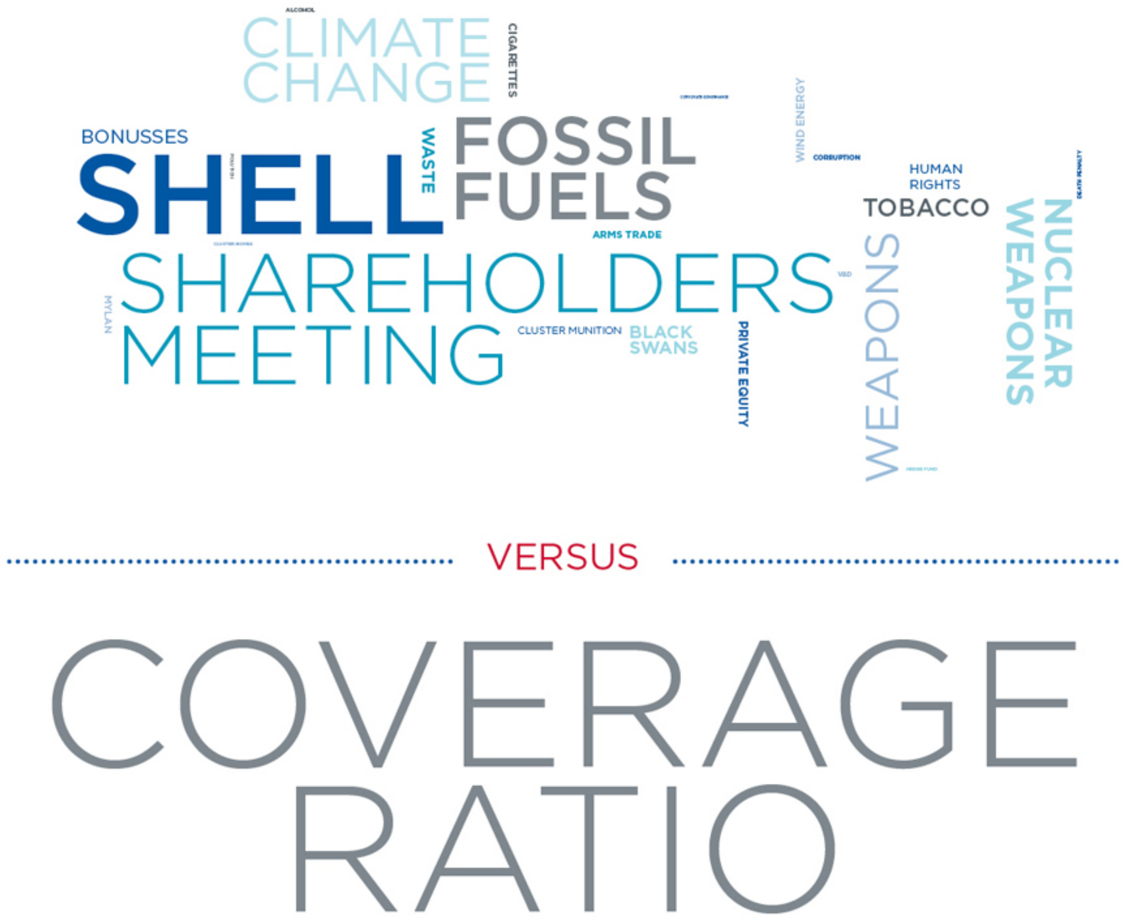
10. Communications with participants
11. ABP's commitment not to invest in nuclear weapons, drones, JSF
12. Exclusion policy
13. Monitoring investments' sustainability and corporate governance performance
14. Cooperation with other investors
15. Themed investing
16. Labour rights
17. Investment in nuclear weapons
18. Participants' survey of controversial investments
19. Promoting social dialogue
20. Hedge funds and private-equity investments
21. Communications with civil-society organisations
22. Country exclusions
23. Clarifying ABP's achievements in sustainability and corporate governance

The participants were asked a slightly different question. From a list with different options they were asked to choose the subjects they would like to read about in this report. The percentage expressing an interest is shown next to the ranking.

1. Companies invested in	29%
2. Responsible investment in relation to returns	29%
3. How ABP ensures responsible and sustainable investment	24%
4.How ABP contributes to a better environment	22%
5.List of company exclusions	22%
6. Industries invested in	22%
7.Responsible and sustainable investment policy	21%
8.Countries where investments are made	18%
9. How ABP pays attention to human rights	18%
10. Working conditions in the companies invested in	17%

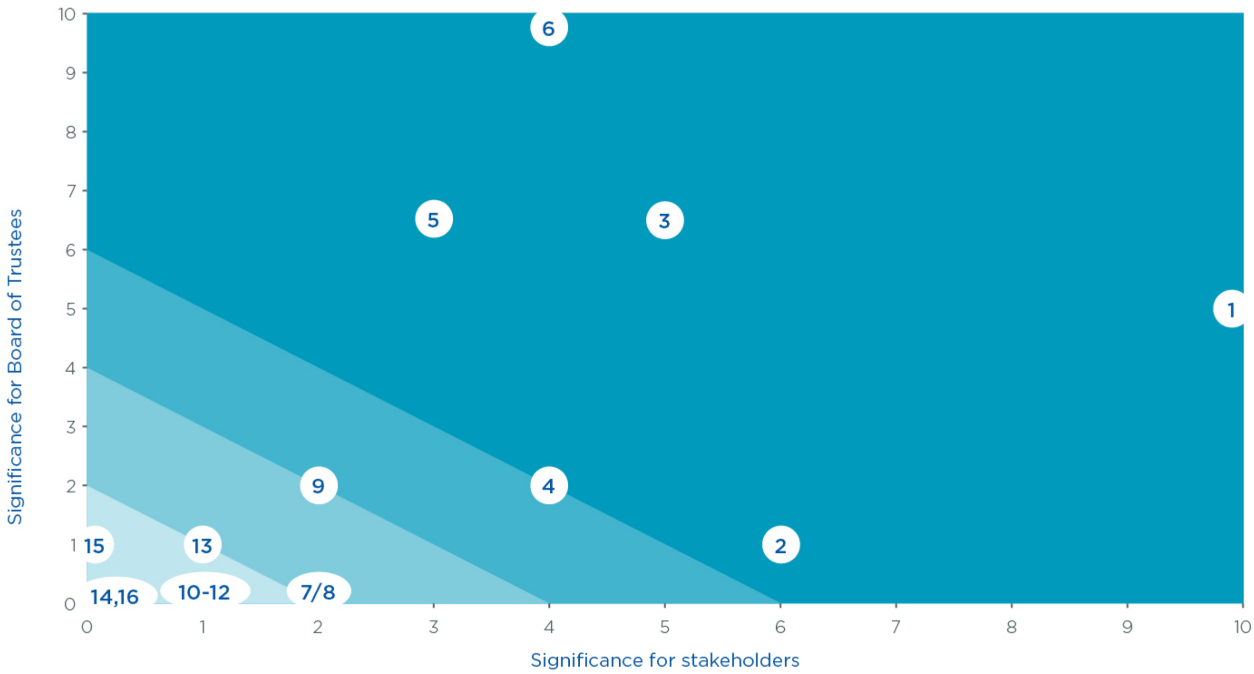
What issues put ABP in the Dutch media?

A media analysis by LexisNexis showed that in 2015 ABP was mainly in the news as a responsible investor because of Shell. Dutch newspapers published 203 articles referring to ABP and Shell. Other frequently reported issues relating to responsible and sustainable investment which featured ABP included shareholders' meetings (149 articles), fossil fuels (127) and climate change (103). The word cloud below shows other subjects which were often raised. The size of the word reflects the number of reports. For comparison: there were 317 articles about ABP's coverage ratio in the same period.



What issues do stakeholders find important?

second question put to the stakeholders (and individual members of the Board of Trustees) was: "ABP featured as a responsible investor in the media in connection with different subjects, including the following 15 issues, during the first eleven months of 2015. Please mark up to three that you would like ABP to report on in its Responsible Investment Report. You may include any omissions below". To create the ranking, each issue a respondent marked it was awarded one point. The chart below is based on the overall scores.



1. Human rights
2. Arms/arms trade
3. Climate change
4. Shareholders' meetings
5. Fossil fuels
6. Private equity
7. Bonuses
8. Cluster munitions
9. Nuclear weapons
10. Labour rights
11. Contribution to the UN Sustainable Development Goals
12. Shell
13. Zwarte Zwanen TV programme
14. Waste
15. Student Hotel
16. Tobacco/cigarettes

Appendix 4

Independent auditor's assurance report

To the Readers of the Sustainable and responsible investment report 2015 of Stichting Pensioenfonds ABP

Conclusion

We have reviewed (limited assurance) the 'Sustainable and responsible investment report 2015' (hereafter: the Report) of 'Stichting Pensioenfonds ABP' (further 'ABP').

Based on our review, nothing has come to our attention to indicate that the Report is not presented, in all material respects, in accordance with the internally developed criteria as described in the section 'About this report'.

Basis for our conclusion

We conducted our engagement in accordance with the Dutch Standard 3000:" Assurance Engagement other than Audits or Reviews of Historical Financial Information". We do not provide any assurance on the achievability of the objectives, targets and expectations of ABP.

Our responsibilities under Standard 3000 and procedures performed have been further specified in the paragraph titled "Our responsibility for the review of the Report".

We are independent of Stichting Pensioenfonds ABP in accordance with the Regulation regarding the independence of auditors in case of assurance engagements ('Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO)) and other relevant independence requirements in the Netherlands. Furthermore we have complied with the Regulation code of conduct and professional practice for auditors ('Verordening gedrags- en beroepsregels accountants' (VGBA)).

We believe that the review evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of the Board for the Report

The Board of Trustees is responsible for the preparation of the Report in accordance with the internally developed criteria as described in the section 'About this report'. It is important to view the information in the Report in the context of these criteria. As part of this, the Board is responsible for such internal control as it determines is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Our responsibility for the review of the Report

Our objective is to plan and perform the review assignment in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

We apply the Further Regulations for Audit Firms Regarding Assurance Engagements ('Nadere voorschriften accountantskantoren ter zake van assurance opdrachten') and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement has been performed with a limited level of assurance. Procedures performed in a limited assurance engagement are aimed at determining the plausibility of information and therefore vary in nature and timing from - and are less extensive than - a reasonable assurance engagement.

The procedures selected depend on our understanding of the Report and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. The following procedures were performed:

- A risk analysis, including a media search, to identify relevant responsible investing issues for ABP in the reporting period;
- Reviewing the suitability and application of the internal reporting criteria used in the preparation of the Report and accompanying notes;
- Evaluating the design and implementation of the reporting processes and the controls regarding the qualitative and quantitative information in the Report;
- Interviewing relevant staff responsible for the strategy, policies, communication and management with respect to responsible investing and other staff responsible for the delivery of information for the Report;
- Evaluating internal and external documentation, based on sampling, to determine whether the information in the Report is supported by sufficient evidence.

Amsterdam, 23 May 2016

KPMG Sustainability,

Part of KPMG Advisory N.V.

W.J. Bartels RA, partner