Report

Sustainable and responsible Investment 2016

ABP

Cover photos: The roof garden on the De Boel apartment building of our Vesteda investment in Amsterdam (photo: Vesteda) and José Meijer and Erik van Houwelingen, members of the Board of Trustees, at a members' meeting in Eindhoven (photo: Jeroen Kuit)

Contents

Foreword

During 2016, we made a good start on implementing our new responsible investment policy. At the heart of this new policy is our aim to completely integrate our targets for sustainable and responsible investing with our returns targets.

Our new policy also includes specific objectives to contribute to reducing climate change. We will be investing more in renewable energy and we want the companies we invest in to emit less CO_2. We want to invest much more in activities that contribute to solutions to social and environmental problems and in 2016 we decided to focus on the United Nations' Sustainable Development Goals. Additionally, a larger proportion of our investments must be related to the economic sectors of our participants. We have given ourselves until 2020 to implement this new policy as, given the size of our pension assets, we cannot achieve everything straight away.

We are convinced that sustainable investment and good returns can go hand in hand. We will closely monitor our investment return trends in the next few years. Our first duty as a pension fund is, of course, to ensure a good pension for our 2.9 million participants. This is a huge responsibility, especially when the coverage ratio is lower than required. We ended 2016 with a return of 9.5%.

We are global leaders in responsible investment. This means that our investment organisation, APG, has to be innovative to achieve our new policy. An inclusion policy, in which we want to choose the most sustainable companies (leaders) in each industry, does not yet exist among active investors of our size. We are developing our own methodologies and models, collecting information to assess thousands of companies and building a knowledge sharing system to allow our investment teams to work in line with our inclusion policy. A feature of the past year has therefore been the preparatory work that is essential for successful further implementation of our policy and we are working on this nationally and internationally with other investment organisations.

During 2016 we achieved good interim results, notably on CO_2 emissions. We achieved a reduction of 16% in 2016 and so are well on course for the target of a 25% reduction by 2020. We have expanded our sustainable investments, for example, in green bonds and sustainable real estate. Partly at our urging, our largest Dutch real estate investment Vesteda, took major steps to further the sustainability of the tens of thousands of rental homes it manages. Along with other investors, we are taking action against child labour in cobalt mining and cocoa production.

As a responsible investor we want to be transparent and enter into active dialogue with stakeholders. Consequently, we organise meetings with participants and others and issue this annual report. We are also looking proactively for opportunities to invest in the Netherlands. We participate in the Netherlands Investment Institution and took part in the Dutch Climate Conference.

This report also addresses dilemmas which we discussed with stakeholders in 2016. Return on


Foto: Hans Withoos

investment continues to hold a central position in these discussions and we act cautiously on excluding industries and companies in order to keep our investment universe as broad as possible.

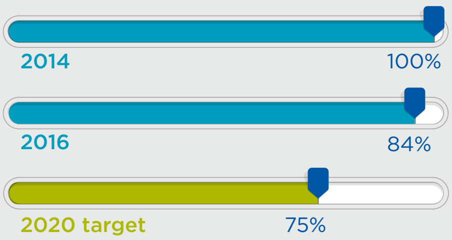
As well as accounting for our activities as a responsible investor, this report sets out our policy and the progress we are making in implementation. There is more information on our website.

Corien Wortmann-Kool, Chairman of the Board

Progress on the new policy

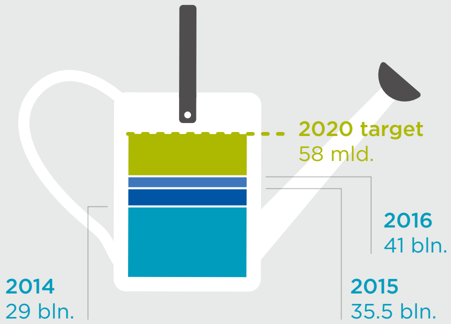
We started implementing our new responsible investment policy on 1 January 2016. The policy sets out clear targets for what we want to achieve by 2020 and the following pages outline the progress towards this during the first year.[1]

CO_2 footprint equities portfolio



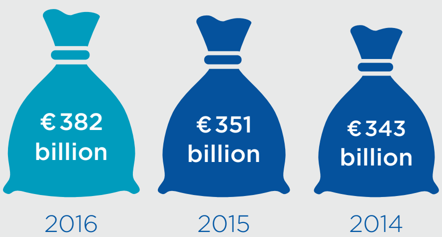
See page 27

High-sustainability investments

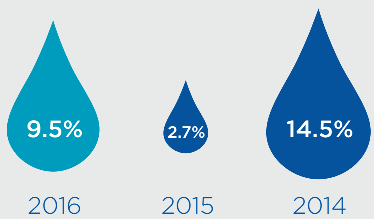


See page 21

Total assets

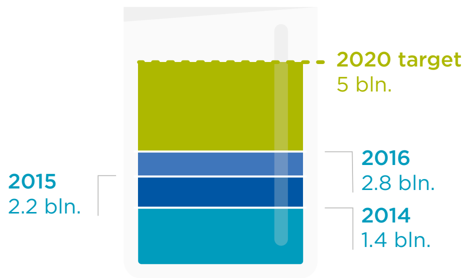


Return on investments



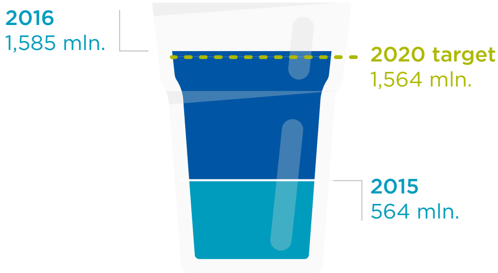
1 The figures on this page relate to the position at 31 December of the year specified unless stated otherwise. The CO_2 footprint for 2014 is based on our portfolio at 31 March 2015 and emissions figures available at 30 September 2014. The same reference dates for the CO_2 footprint have been agreed for the other years.

Renewable energy investments



See page 23

Investment in education and communications technology



See page 25

Implementation of inclusion policy

See page 10

Attention to human rights

ICT and energy companies

Eradicating child labour

From the cocoa sector

See page 33

Safer working conditions

Clothing and textiles

Shipbuilding

Infrastructure

Key

On plan

Running late

Going badly

About this report

What we do as a responsible investor is important to different groups and organisations. We use this report to account as clearly as possible for our main activities in the past calendar year.[1]

With this report we focus on the following audience groups: interested participants and employers, stakeholders with activities in areas that touch ABP's policy, legislators, rule setters and regulators.

How do we involve our readers?

For the third year in a row, we asked our stakeholders which subjects they wish to read about in this report. At the end of 2016 we presented them with the themes of the 2015 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 as a responsible investor in the news in 2016.[2] Participants were also able to indicate their preferences and thoughts on responsible investing via a survey we held in August 2016. Finally, members of the Board of Trustees made an individual selection of themes and issues they think are important and should be reported on.

How we reflect their preferences

The theme that stakeholders found most important was the role of sustainability and good corporate governance in day-to-day investment decisions. This report includes two interviews with APG portfolio managers that cast more light on this. At the request of stakeholders, we have given climate change and human rights a more prominent place in the report. This information is presented in various sections. Responding to participants wish for a list of all the companies we invest in, we have added an annex showing clearly where most of our assets are invested.

Reporting guidelines

Since we believe it is important that stakeholders can compare our performance with that of other asset managers, we are aiming for harmonised terms and definitions. We based this report on the Global Reporting Initiative (GRI) Standards that are relevant to responsible investment reporting. These guidelines, used throughout the world, cover both the content of the report and the quality of reporting. We also apply our own methodology for establishing the CO_2 footprint of our equity investments and calculating high-sustainability investments.

Action by our investment organisation

Our investment policy is set by the Board of Trustees, which also decides on further amendment and refinement of the policy. The Investment Committee, consisting of members of the Board of Trustees and external specialists, is mandated to further decide on more operational matters. The Board of Trustees and committee are supported by the ABP Executive Office. Policy is implemented by APG Asset Management[3] (APG), which manages our pension assets. APG has outsourced some (year-end 2016: 29%) management to external managers. Unless explicitly

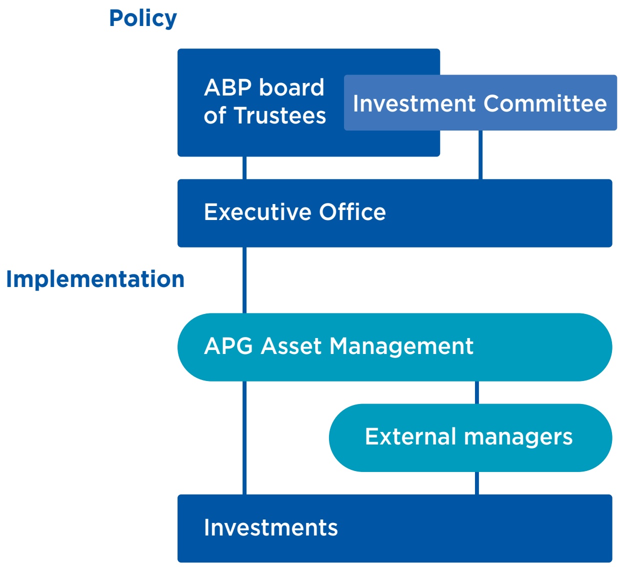
1 Information relating to other periods is identified explicitly.
2 There is more information on the media analysis and stakeholders' survey in Annex 3 on page 57.
3 APG Asset Management is part of APG Groep. ABP owns 92% of the shares in APG Groep.

stated otherwise, where this report refers to implementation of our responsible investment policy, this activity is performed by APG.

Dutch version prevails

In the event of discrepancies between different versions of the Sustainable and Responsible Investment Report 2016, the Dutch version shall prevail.

Governance investment proces ABP-APG



"The Supervisory Board has noted the steps taken by ABP in 2016 to implement the sustainable and responsible investment policy that was reviewed in 2015. The opinions relating to social issues can vary considerably and can even be contradictory. The Supervisory Board was pleased to note that the Board of Trustees had focussed on stepping up the dialogue with participants and social organisations and had not shied away from discussing difficult issues. The Supervisory Board observed that the Board of Trustees actively engaged with external players by explaining its considerations and had carried out the financial and social responsibility of the fund in a considered way."

ABP Supervisory Board in the Annual Report 2016

Implementing the new policy

In 2016 we started implementing our new sustainable and responsible investment policy that was adopted at the end of 2015. This implementation process will continue throughout the period to 2020.

More weight on sustainability and responsibility

Sustainable and responsible investing has advanced hugely in recent years, including at ABP. Just ten years ago, we selected our investments purely on the basis of risk, return and cost. We still look carefully at these aspects, but something essential has been added, in 2008 we put in place a responsible investment policy. Since then, we have paid greater attention to the way companies treat people and the environment and whether they are properly managed and this is embedded in our investment processes. We are convinced that companies that address these matters properly perform better in the long term. As a pensions organisation with a long-term perspective, we also want to contribute to a more sustainable world.

Since 2015, we have taken a considerable further step with our new responsible investment policy. That policy aims to fully integrate sustainability and responsible business criteria into investment decisions. We look at whether every investment is not only attractive in terms of the expected return, risk and cost, but also how responsible it is. We have also agreed measurable targets for cutting the CO_2 footprint of our equities portfolio and increase our high sustainability investments.

Inclusion of 'leaders' and 'beloften'

A key part of our new responsible investment policy is the inclusion policy. By 2020 we aim to be invested only in equities and bonds of companies that pay sufficient attention to sustainability and responsible business practices. We call these companies leaders. We will generally[1] only continue to invest in companies which are lagging behind if we believe that they can be influenced to improve. We refer to this group of laggards as beloften (in Dutch: improvement potentials).
In order to divide companies between leaders and laggards, we developed during 2016 an assessment process that is based on the themes included in the United Nations Global Compact on responsible business practices: human rights, labour rights, anti-corruption and management of the environment. We want companies to be aware of the main risks they run in these areas. We expect them to have in place effective policies on how they deal with these issues and procedures that put their policies into practice. We also look at whether they have been involved in major controversies or incidents such as corruption, work-place accidents or environmental disasters.

We carry out these assessments by industry, focusing on the most relevant risks in about sixty different industry groups. For example,

1 In principle, it will still be possible to invest in a laggard which can only demonstrate sustainability improvements in the longer term if this is attractive in terms of risk and return.

Reducing CO_2 footprint

More sustainable investments

Extra investments in renewable energy

Investing in education and communication

Safe working conditions

Respecting human rights

Eradicating child labour

environmental pollution and safety are major themes in the oil and gas sector, while these are less of a risk in the financial world, where we will look more closely at matters involving corporate ethics, such as involvement in bribery and corruption, money laundering and whether there is a proper whistle-blower scheme to raise malpractice issues. We also distinguish between developed and emerging markets in each industry, identifying leaders in these segments. This enables us to invest in different markets. If we did not draw these distinctions, we would be limited to the best regulated markets. Given the size of our invested assets and the need to spread risk, it is important to be able in principle to invest in every market.

Our investment teams will use this classification into leaders and laggards in their investment decisions. Where companies rank equally on expected return/risk, they will opt for the leaders. Once fully implemented, the investment teams will only be able to invest in laggards if there is a credible engagement path for improvement in their sustainability performance, with pre-agreed specific targets.
The diagram below shows how the inclusion approach works. Our exclusion policy will be maintained without a change. More information on it is available on page 44 of this report.

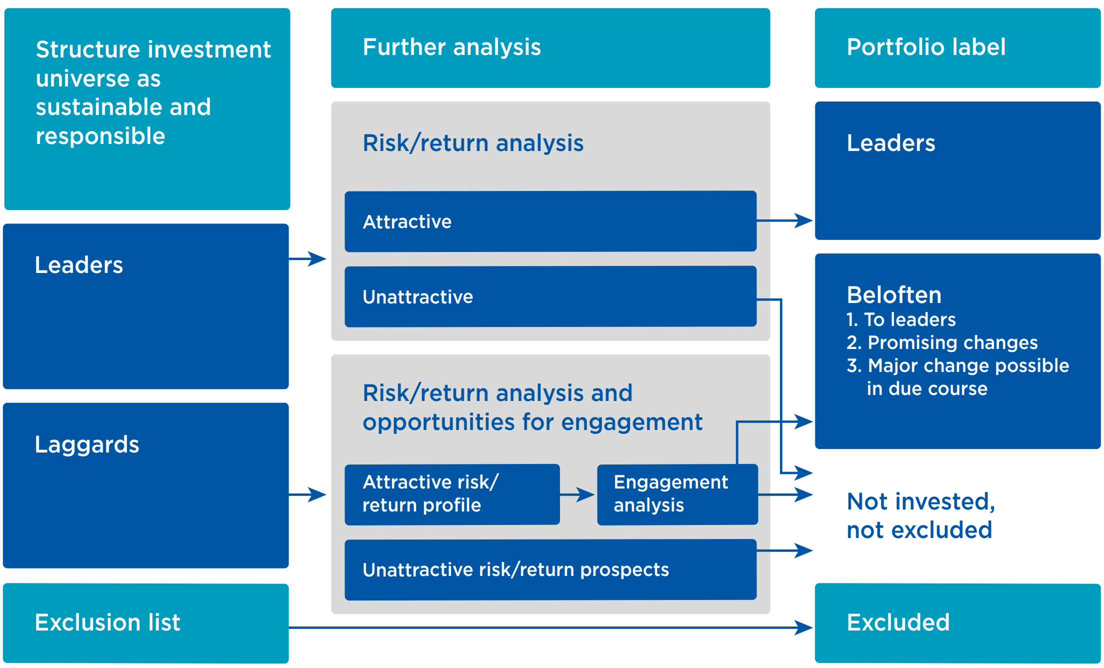
A convincing narrative for all investments

The inclusion policy will be implemented across our entire equities and bond portfolios by 2020. By then, we aim to have assessed how all our investments meet our sustainable requirements. This requires a knowledge management system that provides insight in an accessible way on how companies perform, both in terms of risk and return and on sustainability and responsible business practices. During 2016 we have developed such a system for our equities, corporate bond and listed and unlisted real estate portfolios. It will become operational in 2017 and will give us visibility to the classification of each portfolio company and the activities our investment organisation is undertaking to get them to the right level.

Inclusion of alternative investments

The inclusion policy not only applies to our equities and corporate bond portfolios but also to alternative investments (real estate, infrastructure, private equity, hedge funds and commodities) in which we often invest indirectly through funds. Here, in

Figure: The inclusion mechanism



principle we also have a preference for investments that perform better on sustainability and employ responsible business practices.

To be able to compare their sustainability performance, we are encouraging real estate and infrastructure funds to take part in the annual Global Real Estate Sustainability Benchmark (GRESB) and GRESB Infra sustainability surveys *(see pages 30 and 31)*. New portfolio investments are required to participate. We encourage our infrastructure investments not only to report at fund level but also at the level of the underlying investments.

To get better insight into the sustainability and responsible business practices of our private equity investments, in 2016 we developed a new questionnaire that a manager has to complete before we invest in a new fund. We look at its responsible investment policy and how it goes about its implementation, reporting and monitoring. We also ask how the manager assesses climate change risks and how it approaches management (gender) diversity. In order to exercise greater oversight of how environmental, social and governance issues are managed within the private equity sector,, we developed this questionnaire with the Principles for Responsible Investing (PRI), a global organisation for responsible investors, and the Institutional Investors Group on Climate Change (IIGCC), a forum for collaborating on climate change for investors.

Working together with Invest Europe, the association representing Europe's private equity, venture capital and infrastructure sectors, we helped develop a due-diligence questionnaire that managers of private equity funds (general partners) can use to gain better insight into what the companies in their funds do on sustainability and responsible business practices, as well as contributed to a similar questionnaire created by the PRI for hedge funds. These questionnaires, which can be used industry-wide, give private equity companies and hedge funds a better idea of what is expected of them.

Closely monitoring returns

Our first duty as a pension fund is to ensure a good pension for our participants and so financial performance is still the guiding principle when implementing our new responsible investment policy. We can amend the policy if we suspect that it might be negatively affecting returns.

We are convinced that investors make better investment decisions if they look structurally at sustainability factors and responsible business practices as this gives them a fuller picture of opportunities and risks in an investment. This view is supported by a meta-study of over 200 academic studies published in 2015 which concluded that responsible and sustainable business practices need not be at the expense of financial returns.[2]
We made a return of 9.5% on our investments in 2016.

First year evaluation

Implementation of the new policy by our asset manager is being reported to us on monthly and quarterly basis. Progress is an item on the Board of Trustees' agenda each year. During the Board of Trustees' meeting in December 2016 and the meeting of the Investment Committee that preceded it, we established that implementation of the new policy is generally making good progress. We have encouraged our asset manager APG to keep looking actively for attractive sustainable investments and to pay explicit attention to social themes when implementing the responsible investment policy. We have also agreed to undertake a review halfway through the five-year period available for the implementation, into whether an adjustment of ambitions would be useful or necessary.

2 In *From the stockholder to the stakeholder; how sustainability can drive financial outperformance*, Gordon Clark, Andreas Feiner and Michael Viehs examined over 200 different academic studies on sustainability in business practices and investing.

Photo: Nils Vermeulen

Responsible investment in practice (1)

'During 2016, I spent a lot of time thinking about the criteria for the inclusion policy. As an outcome of the new policy, we will soon only be investing in leaders in sustainability and laggards who can improve. This means that we have to work out how to decide who is and is not among the leaders in about 60 different industry groups.'

'Along with the global responsible investment and governance team, we have set about 25 criteria for energy companies and utilities. A sound environmental policy is of course one of them, as is no involvement in major incidents. A well-diversified board is also important. But how do you balance one against the other? This was what we discussed with the responsible investment team. I always tried to reconcile indicators and practice.

How does this affect which companies we can invest in?'

'My portfolio includes companies that emit a lot of CO_2. We have cut back our position in a number of heavy polluters in the past year.

And more alternatives are now available. After the German energy company RWE was split to 'dirty' and 'clean' parts, we built up a position in the clean part. We also participated in the IPO of the Danish company DONG, the global leader in the offshore wind market, which will shortly be building the Borssele 1 and 2 wind farms in the North Sea.'

'Renewable energy companies are not always automatically good investments, even when they are growing fast. For example, it wouldn't be a smart choice if we expect that a company will grow by 80% but growth of 100% is built into the share price.'

'I discussed sustainability with several companies in 2016, talking about leaking pipelines with a Canadian oil company and excessive executive pay with a European energy company. That company said it should not be compared with other European companies but American ones. We want to discuss this with the chairman of the remuneration committee in 2017.'

Martijn Olthof is one of the two energy and utilities portfolio managers in the fundamental equities strategy in which ABP has invested assets of some €35 billion in over 1,300 companies.

Responsible investment in practice (2)

'When we invest in a company, it is for at least five years and ideally until we retire and so we and the global responsible investment and governance team always look very critically at what comes into our portfolio. This has not changed in the new policy. Our strategy is to behave as an owner. For example, last year the head of our team joined the committee that nominates supervisory directors at Norwegian geosciences company TGS.'

'We abandoned two promising investments in 2016 as a result of concerns about responsible business practices. A retail chain had insufficient information about its suppliers and could not give guarantees on decent working conditions. It was also too easy for it to issue new shares at any price and this could have led to a serious dilution of our position. This was the same at another company. This type of governance factor may not be so relevant to short-term investors but as a long-term investor we do not want to take that risk.'


Photo: Nils Vermeulen

'A fair number of companies in our portfolio contribute to the UN Sustainable Development Goals. I expect that a quarter to a third will be covered by the new SDI definition when it is applied in the near future. These will include the new investments from 2016 in the Norwegian company Tomra Systems that makes machines for collecting returned deposit bottles and the Belgian company Umicore that is strong in metal recycling.'

'The objectives of the new policy are sometimes difficult to combine. Metal recycling makes the overall lifecycle of metal cleaner but this has to be done at high temperatures which releases CO_2. That is difficult to reconcile with the target of reducing the CO_2 footprint by 25%. We also invest in healthy growers whose emissions are rising in absolute terms although they have cut their CO_2 emissions per unit. At the moment the companies in our portfolio are already emitting less than our benchmark but a further reduction will be a real challenge.'

Paul Andriessen is one of four portfolio managers in the Focus investment team, in which ABP had invested assets of €4.8 billion at the end of 2016. The strategy focuses on taking relatively large positions (often more than 5%) in about 30 small and medium-sized listed companies in Western Europe.

Dialogue with participants and stakeholders

Dialogue with participants and civil-society organisations on how we invest is a key part of our investment policy and we conducted it in several ways in 2016.

Participant survey indicates support

A large survey held in September, which asked some of the same questions that had been used in a similar survey a year earlier, indicated that our participants support for responsible investment rose slightly in 2016.[1]

64% of the participants agreed with the statement that it is important that ABP acts as a responsible investor.[2] The figure in the 2015 survey was 61%. The statement 'I think it is important that ABP invests in responsible companies' was supported by 66% of the participants in 2016 compared with 60% a year earlier. The way in which ABP carries out this policy (through engagements, voting at shareholders' meetings and acting together with other investors) could, as in 2015, count on the support of a large majority.

Participants and ABP think a little differently on exclusions. While ABP is cautious about excluding industries and companies (for both risk and return reasons and our experience that we can achieve more by continuing to speak to companies), participants seem to want to move much more quickly to exclusion. A large part of our participants does not wish us to invest, for example, in tobacco and gambling related sectors or in companies that behave badly (corruption, child labour and breaches of human rights). We address this in our participant communications by showing what we do through engagement and what we want to achieve by it. We did this in different ways in 2016 *(see below)*. We also have to demonstrate that we are cautious about exclusions. In view of our size, we have to be able to invest in all markets, also to spread the risks.

Discussing dilemmas with participants

Investing in controversial sectors was one of the subjects at the three meetings held for participants[3] in the summer of 2016 in The Hague, Eindhoven and Zwolle. Members of the Board of Trustees discussed investing in fossil fuels and tobacco with groups of about twenty participants *(see dilemma box: investing in tobacco)*. The

1 963 participants, pensioners and former participants completed the questionnaire for this survey by the Motivaction agency. 948 participants took part in 2015.
2 7% of the respondents said they did not think it was important that ABP was responsible and sustainable, 10% did not know and 20% were neutral (do not agree/disagree).
3 A brief video impression of the meetings (in Dutch only) is available on *https://www.abp.nl/over-abp/actueel/nieuws/duurzaam-beleggen-dilemmas.aspx*

Participants in Eindhoven in discussion with member of the Board of Trustees Erik van Houwelingen and sustainability specialist Anna Pot

Photo: Jeroen Kuit

cases addressed ethical (health and climate change) and financial (returns and still rising demand for energy) aspects of these investments. It was clear from the discussions that some participants had serious objections to investing in these sectors while others, sometimes with just as much conviction, did not think it is appropriate for ABP to exclude sectors. They think that ABP should remain focused on exercising its influence to achieve improvements or should focus above all on the highest possible return. We will organise further participant meetings in 2017.

Nine hundred participants for a webinar

About 900 participants viewed the responsible investment webinar live at the end of November and some 800 viewed it later. We had notified about 700,000 participants about this webinar, partly as they had previously shown interest in responsible investment.

During the webinar, chairman Corien Wortmann and Erik van Houwelingen (chairman of the Investment Committee) explained the investment policy, the relationship between responsible investment and returns and the way in which we involve participants in the investment policy. Here too there was attention to investing in controversial sectors and our decision only to exclude companies when we are unable to get them on the right track. Over half of the webinar viewers participated actively by responding to statements including on whether a pensions investor should aim for maximum return or maximum sustainability.[4] About 90 participants submitted questions that were answered live by sustainability specialists and staff of our customer contact team.

Calling for feedback from stakeholders

"Show more leadership in putting social issues on the agenda." "Don't just say what you want to achieve by 2020 but look beyond." "Set up alliances that help you achieve your targets." These are just some of the suggestions we received during the three stakeholders' meetings that we organised at the end of 2016 on the themes of 'better and cleaner', 'safe and honest work' and 'fighting poverty and educational development'. We sat around the table with some twenty Dutch and other stakeholders in these areas to discuss what ABP as a responsible investor is doing and how things could be improved *(see box: page 18)*. The two or three members of the Board of Trustees were always joined by a group of experts to ensure an open, substantive debate. Several attendees welcomed ABP entering into discussion with its stakeholders in this way and expressed appreciation of our new policy. The reports of the meetings were discussed by our Investment Committee.

In January 2017, we organised a large stakeholder meeting with the Dutch Association of Investors for Sustainable Development (VBDO) at Nyenrode Business University, which was attended by some 140 representatives of civil-society organisations, asset managers, employers and pension funds.

Position paper

We explained how we as an investor handle social themes in a position paper published on abp.nl,[5] setting out how we want our investments to contribute to achieving the United Nations Sustainable Development Goals *(see also page 21)* and how we

4 61% opted for maximum return and 39% for maximum sustainability.
5 *https://www.abp.nl/over-abp/beleggen/position-papers.aspx*

As a trustee you have to keep on your toes

'The Paris Climate Agreement is designed to reduce CO_2 emissions to limit global warming to less than 2° Celsius. This is the path we are taking. There was no dispute about this around the table.' 'We were a varied group. Not only civil-society organisations but also an academic and someone from business. There was great acclaim for our new policy, although some wanted a more rapid tempo. They argued that we should withdraw from fossil fuels straight away. But is that sustainable? Suddenly closing all coal-fired power stations would disrupt society and fossil fuels will still be needed for a long time to meet energy demand.'

'It is important that we do not take the wrong path in the short term on the way to our long-term goal. During the discussion it was also said that, as a large pension fund, we could set a clear example by selling our investments in fossil fuels immediately. We disagree. It could only be done at a large loss and at the expense of our return. We do not want that. We have just agreed that our new policy cannot harm returns.'

'As a trustee you have to keep on your toes. You must recognise signals from society. You can do this in various ways, including stakeholder dialogue. As the ABP Board of Trustees, we have adopted an ambitious policy that we have to implement in the next few years. It is important that we also maintain dialogue with our stakeholders.'

Carel van Eykelenburg was one of the three members of the Board of Trustees in the Better and Cleaner discussion which considered ABP's actions on the closely related themes of climate, the environment and energy with fifteen stakeholders.

contribute with our inclusion policy to the further sustainability of our economy. As our participants have said in a survey that they agree with excluding companies that make controversial products or behave badly, this paper explains why we have decided to be cautious with exclusions. A position paper on remuneration policy, announced in our 2016 report, will be issued in 2017.

Questions from stakeholders and participants

In 2016 we received about 500 emails and letters from participants and stakeholders about sustainable and responsible investing. Most (340) of them were sent through the Vote Your Pension platform and related to the shareholders' meetings of oil companies ExxonMobil and Chevron where there were resolutions on further sustainability *(see also page 29)*.
We also received about fifty responses on climate change/fossil fuels. A letter calling on us to reduce all of our investments in coal, oil and gas companies over the next five years was signed by over 400 people. We also received letters from municipal councillors of Amsterdam, Utrecht and Nijmegen asking us to rapidly reduce our investments in fossil fuel companies. We replied to them and others who made the same request that we are sure we can achieve more towards combatting climate change by

Photo: Mark Richter

We discuss our approach to responsible investing with civil-society organisations and other pension funds

We organised dialogues on various themes with stakeholders

continuing to invest in these companies while urging them towards greater sustainability. We explained to the thirty or so participants who asked us to stop investing in arms companies why we put manufacturers of weapons of mass destruction on our exclusion list[6] but, as a pension fund for the Dutch armed forces and the police, we do not want to go as far as excluding all weapons manufacturers.

Dilemma 1: Investing in tobacco

During three participant meetings in 2016 we discussed investing in tobacco companies. Our policy is not to invest in sectors prohibited by Dutch law or international treaties ratified by the Netherlands. Tobacco is not one of these and so we invest in it, but not without debate. Everyone knows that smoking is unhealthy. According to the World Health Organisation about six million people die prematurely each year because of it. In mid-2016, a French insurance company decided to sell its investments in tobacco manufacturers. A large American pension fund that decided to do this 15 years ago is considering investing in tobacco again mainly because it was losing out on potential returns. Participants differ in their views about whether ABP should follow the insurance company's example. We have explained that these different opinions are in fact a reason for us to retain our 'objective' framework.

In 2016, we spoke with the Youth Smoking Prevention Foundation (TabakNee). We discussed possible unsafe working conditions and accusations of child labour with several tobacco companies. We have also tried to urge further sustainability through shareholders' meetings *(see page 33)*.

6 We not only comply with Dutch law but also international treaties ratified by the Netherlands *(see page 44)*.

Dilemma 2: Investing in nuclear weapons manufacturers

We do not invest in companies that produce cluster bombs, biological or chemical weapons or anti-personnel mines. The Netherlands is a signatory to international treaties to eliminate these types of weapons of mass destruction. Our policy is to follow treaties that the Dutch government has ratified. The Netherlands also ratified a treaty on nuclear weapons. The Nuclear Non-proliferation Treaty was agreed in the late 1960s to limit the number of countries permitted to hold such weapons to the five (China, France, Russia, the United Kingdom and the United States) that already had them. This means we do not invest in companies involved in the production of nuclear weapons for countries that may not hold them. Those companies are on our exclusion list. We sometimes invest in companies involved, for example, in the production of launch systems for nuclear weapons but which stay within the boundaries of the treaty.[7] This is difficult for many people to reconcile with our ambition on sustainability and responsibility. For us it is a consequence of our decision to base our exclusion policy on Dutch legislation and treaties ratified by the Netherlands. This dilemma is also discussed in the position paper on social themes we worked on in 2016.

7 These are investments in companies that generate most of their sales from other sectors, such as aerospace.

Investing in sustainable development

We intend to invest a lot more in activities that contribute to solving social and environmental problems, as well as generating good returns. In 2016 we decided to focus on the United Nations Sustainable Development Goals. This section explains how.

UN Sustainable Development Goals
The Sustainable Development Goals were adopted by the General Assembly of the United Nations in 2015. The 17 goals include specific targets and are designed to ensure the world develops in a direction that can meet the needs of the current generation but not at the expense of the opportunities of future generations. The Sustainable Development Goals are the successors to the Millennium Goals that the UN adopted in 2000 to eliminate hunger and extreme poverty by 2015.

We want our new policy to contribute actively to achieving the UN Sustainable Development Goals. This covers both our investment targets for 2020 and the targets we want to reach through engagements with companies, civil-society organisations and government authorities.

From sustainable investments (HSIs) to sustainable development investments (SDIs)
For several years now we have been actively seeking investments that contribute to solving social and environmental issues as well as generating good returns. In early 2015 our portfolios included over €29 billion in these high-sustainability investments (HSIs[1]) relating specifically to activities that contribute to solutions for problems such as climate change, water scarcity, flooding, air pollution, loss of natural habitats, extinction of species and the need for micro-financing. This category also includes investments in pharmaceutical companies that contribute to accessible healthcare in countries where average incomes are low.

An important part of our new policy is growth in these investments to €58 billion by 2020 (including at least €5 billion in investments in renewable energy). We also aim to invest more in the working areas of our participants and in themes that are relevant to them: education and security and improving economic infrastructure. As shown in the overview on page 23, our ambitions mean we are contributing to several sustainable development goals.

1 HSIs are calculated using a method developed by our investment organisation. 87% of the reported information comes from external sources such as GRESB, the Access to Medicine Index and the FTSE Russell Low Carbon Economy (LCE) model. We also use input from our own portfolio managers. The calculation method drawn up in 2012 has been refined frequently and will be replaced by a new method when the HSIs merge with the SDIs in 2017.

In 2016, we examined how far as an investor we could use the sustainable development goals as a guideline for our sustainable investments. The answer was positive. Only targets 16 and 17, clearly government tasks, cannot be directly addressed.

To promote better clarity in the terminology that pension funds use as responsible investors, in 2016 our investment organisation, APG worked with PGGM to develop common definitions for sustainable development investments (SDIs).

What are sustainable development investments?

We define SDIs as investments in companies with a positive influence on people and on the environment through their products and services or because they are recognised as leaders in the transition to a more sustainable economy. We are contributing to the United Nations Sustainable Development Goals by making these investments and they also meet our financial risk and return requirements.

To decide whether a company qualifies as a sustainable development investment, we first consider whether it makes a positive contribution to any of the UN goals. For this, we have developed a detailed list ('taxonomy') of sub-goals and corporate activities that contribute to achieving that goal for all 'investable' sustainable development goals.

In addition, SDIs should not have an adverse impact on our own policy objectives. We also consider any involvement in major controversies such as bribery scandals or environmental disasters. We want a 'good narrative' for all our SDIs that we can put to participants and stakeholders.

In 2017 we will examine which investments in our portfolio can be defined as SDIs. We expect that almost all HSIs will qualify as SDIs. This report uses the HSI definition. The report for 2017 will use the SDI definition.

High-sustainability investments grow further

Our HSIs increased 14% in 2016 from €36 billion[2] to €41 billion. Most of the growth (9%) was because the value of the investments already in our portfolio increased.

2 We have revised the €35.5 billion reported in the Responsible Investment Report 2015 slightly upwards as a result of further development of the HSI calculation method.

Most of our HSIs consist of sustainable real estate being those in the highest category in the annual GRESB sustainability survey. The assets that we have invested in these 'green stars' rose from €20.6 billion to €23.4 billion, mainly due to improvement in sustainability performance of existing investments. For example, the Dutch real estate fund Vesteda almost doubled its GRESB rating and so can now be described as a green star *(see box on page 31)*.

Elsewhere there was also real growth in HSIs in the (corporate) loans portfolio, where the number of green (sustainable) bonds increased considerably and in the equities portfolio (developed markets). Two examples are new investments we made in the Belgian materials technology company Umicore, which is strong in metal recycling and rechargeable car batteries, and the Norwegian company Tomra System, which makes machines for collecting returned deposit bottles in supermarkets. However, we saw a reduction in the value of our HSI investments in private equity, where the clean technology fund is at the end of its life cycle, meaning that the companies in this fund are being sold.

Renewable energy

Our investments in renewable energy grew about 25% in 2016. At the end of 2015, we had invested €2.24 billion in this and by the end of 2016 it was €2.81 billion. There was a particularly large increase in our corporate bond portfolio. Most of the green bonds we acquired in 2016 contributed to this. There was also a large increase in the infrastructure portfolio, where we granted loans of €93 million to Essel Green Energy and ACME Cleantech. These two India based companies, which together can generate over 650 MW of solar energy, will use the funding to install new solar farms in various Indian states. They will use our loan to increase their capacity by about half.[3]

Figure: How do our ambitions stand to the UN goals?

Focus themes	Our ambitions	Related UN goals
Safety	- Safer working conditions (textiles, shipbuilding, infrastructure) - Structural attention to human rights (textiles, ICT, energy)	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH
Education	- Contribute to developing schools and universities - Encourage lifelong learning and training - Eradicate child labour - More investment in education, real estate and communications infrastructure (€1 bn)	4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH; 11 SUSTAINABLE CITIES AND COMMUNITIES
Strengthen economic infrastructure	- Sustainability of energy sector (from €1 to €5 billion in renewable energy)	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES

3 Our subordinated loan allows these companies to attract a further unsubordinated loan that is about twice as large.

We have invested almost €260 million in forestry projects in Australia and New Zealand

We have invested about €900 million in communication infrastructure

Green bonds

We are increasing our investments in green bonds. At the end of 2016 we held 59 such instruments with a total value of €1.4 billion, up from a year earlier, when we had 38, totalling about €800 million. Green bonds are issued by companies and governments to finance sustainable projects, usually relating to the environment. With these investments we are contributing to several UN goals, by far the most impacted are affordable and renewable energy. Through the bonds we added to our portfolio in 2016, we contributed to financing a large wind farm in Kansas (US) and the grid that brings wind energy in the North Sea to shore. We are investing €56 million in a green bond of the Dutch mortgage company Obvion for energy-efficient homes (we are investing a total of some €3.5 billion in Dutch mortgages). With a green bond issued by the Starbucks coffee chain, we are contributing to sustainable coffee production with fair rewards to the pickers. A total of 2.8% of our bond portfolio is invested in green bonds. The previous year this was 1.6%.

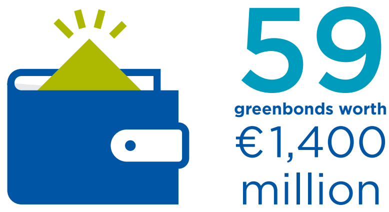
Investing in participants' themes

Part of our new policy is that we also want our investments to be in line with the working areas of our participants and themes that are important to them. This ambition has turned into the target of €1 billion increased investment (from 2015) in educational real estate and infrastructure and communications infrastructure by 2020.

In total we had invested some €900 million in communications infrastructure at the end of 2016, much of it in French telecoms towers and networks. In 2016 we invested almost €70 million in Shere which manages over 450 telephone masts in the Netherlands and about 1,000 in the UK.

At the end of 2016 we had invested about €120 million in school buildings, in particular in the UK. We have invested over €500 million in student accommodation in Australia, the United States and the Netherlands (The Student Hotel).

Figure: The increase of our green bond portfolio



2015	38 green bonds worth €800 million
2014	13 green bonds worth €300 million
2013	2 green bonds worth €50 million

This quadrupled our investment in student accommodation compared with early 2015.

Investments in education and communications	
Balance at the start of 2015	€564 million
Balance at the end of 2016	€1,585 million
Target for 2020	€1,564 million (Total: €1 billion extra)

This means we reached the target we had set for 2020 during 2016. Halfway through the five years we have allowed for the implementation of the new investment policy, we will decide if we need to revise our targets.

Participants thoughts on UN goals

Although the UN development goals do not seem to be very familiar to the general public and so to ABP participants, we drew attention to them in our survey. To get an idea of the value that participants attach to each goal, we asked participants which goal should ABP focus attention to in 2017.[4] Responsible consumption and production (target 12) was rated highest, followed by quality education (target 4). Sustainable cities and communities (target 11) and reduced inequalities (target 10) were lowest.

4 The question was: What themes do you think the ABP Board of Trustees should focus on in 2017? The 963 respondents could select up to 3 of the 17 goals (and add their own if they wished). To avoid confusion, the 17 goals were not identified as UN goals but described in detail.

Working with other financial institutions

In December, we and seventeen other Dutch financial institutions presented a report to Lilianne Ploumen, Minister for Foreign Trade and Development Co-operation, and Frank Elderson, an Executive Director of the Nederlandsche Bank, on how large investors could contribute to making more funding available to sustainable development goals. It is estimated that achieving the goals by 2030 will require an investment of some $5,000 to $7,000 billion globally each year. The eighteen institutions, including banks like ABN AMRO and ING Group and insurance companies like NN Group, Aegon and Delta Lloyd, emphasised that it is important for their shareholders and commercial partners to weigh up the sustainable development goals in their investment decisions.

Case study: Sustainable forestry in Australia

Forestry contributes to combatting climate change since trees extract CO_2 from the atmosphere and store it in wood and so also in products made of wood, such as construction beams, furniture and paper. Over the years, we have invested almost €260 million in forestry projects in Australia and New Zealand, not only in plantations but also in a sawmill needed to process the timber. The manager of the plantations, like ABP, is a member of the PRI and has a responsible investment policy with key roles for transparency and certification. It also addresses biodiversity and the position of indigenous people, especially in New Zealand. These forests also lessen the burden on historical woodlands in the region that are used for meeting the demand for timber. Both funds via which these investments are made have in recent years generated a return at the same level as that of comparable forestry projects.

Combatting climate change

We expect our portfolio companies to have a good understanding of the environmental risks they face and an established policy on how to deal with them.

The UN Climate Agreement

One of the most important events in 2016 was the coming into force of the UN Paris Climate Agreement, signed at the end of 2015 by representatives of almost 200 countries agreeing to keep the global increase in temperature to less than 2° Celsius. Over 120 countries, including the United States, China and the European Union, have since ratified the agreement.

Achieving this target will mean considerable changes in the coming decade that will affect almost all our investments. It is vital that energy companies and companies with high CO_2 emissions in particular respond properly.

The chairman of the Board of Trustees explained how we will contribute to achieving this goal to the Climate Conference that the Dutch government organised in Rotterdam to mark the first anniversary of the agreement. She also set out the other ways we are working on the further sustainability of society.

An important part of our new investment policy is to reduce the CO_2 footprint of our equities portfolio by 25% by 2020. And by then we also aim to have invested €5 billion in renewable energy.

Significant fall in CO_2 footprint

For the first time, in 2016 our equities investment teams were given targets for the maximum amount of CO_2 that the companies in their part of the portfolio could emit. By continuously reducing this CO_2 ceiling over the next few years, we will be working towards gradually reduce the CO_2 footprint of our equities portfolio so that it is 25% lower per invested euro by 2020 compared with 2014 *(see box page 28)*.

This reduction, which is part of our new responsible investment policy, not only contributes to combatting climate change but also to ensuring that our investment portfolio faces fewer risks as a result of measures that governments will or could take as part of their climate policies, such as higher levies on emissions of greenhouse gases.

Four years ago we were among the first investors to measure the CO_2 footprint of their equities portfolios. The figures published in our 2013, 2014 and 2015 reports were calculated once a year. During 2016 our investment organisation developed a data system giving portfolio managers day-to-day insight into their share of CO_2 emissions of the companies they invest in so that they can make ongoing investment decisions being aware of the impact on CO_2 reduction.

In total, at the end of 2016 our share of the emissions of the companies in our equities portfolio was 25.4 million tonnes of CO_2. While there had been an increase in our absolute CO_2 footprint of 5% as of the end of 2015 compared with 2014, our total emissions fell in 2016 by 22% compared with 2015. In absolute terms, our emissions fell by 7 million tonnes, which is the equivalent of the

CO_2 emitted by 2.8 million cars in the Netherlands in a full year.

There was a fall of 16% in emissions per invested euro by the end of 2016 compared with our reference year 2014. This sharp reduction was in part a response to the unintended increase in 2015. To prevent a repetition, fairly wide margins have been built in, both when allocating the targets to the various portfolios and in the further incorporation in portfolios.
There were clear reductions across the entire portfolio. There was a large decrease following the split of the German energy companies RWE and E.ON into separate fossil fuel generation and sustainable activities. Our investments in the fossil fuel divisions of these companies had been almost completely run down by the end of 2016.

CO_2 footprint	
2014	100%
2016	84%
Target 2020	75%

Publicising our vision and approach
Member of the Board of Trustees, Erik van Houwelingen explained to a conference for leaders of the international financial sector organised by the think-tank Eurofi that we want to play a key role in the transition to an economy that runs entirely on renewable energy. The meeting was held in Amsterdam to mark the Dutch presidency of the European Union in the first half of 2016.

Also marking the Dutch EU presidency, our chairman held a meeting with senior EU officials. This covered how we as an investor are contributing to more renewable energy and what the authorities could do to ensure that it was even more attractive for us to invest in renewable energy.

The Institutional Investors Group on Climate Change (IIGCC), which we have been a member of for some years, has called on the leaders of the largest economies to take the Paris climate agreements seriously. Along with ten other Dutch financial institutions (pension administrators and funds and banks) we are working on common methods to measure our effect

How do we calculate our CO_2 footprint?

To determine our footprint, we calculate how much of the CO_2 emissions of each listed company in our portfolio is attributable to us based on the percentage of shares we own. We look at the CO_2 the companies emit themselves and the CO_2 emitted in the production of the energy they purchase (scope 1 and 2 emissions). We use industry averages for the companies for which our data supplier has no information (about 3% of our portfolio by value) and so the CO_2 footprint should be seen as a best estimate. The methodology is being continually refined. Our footprint for 2014 was based on emissions figures available at 30 September 2014 and our equities portfolio at 31 March 2015. As this figure is the reference point for our target of a reduction of at least 25% by 2020, we use the same dates for the other years.

The CO_2 footprint per invested euro is based on the prices of investments in 2015. This avoids sharp fluctuations in share prices affecting the relative CO_2 footprint. We also adjust for the allocation to the portfolios in developed and emerging economies between 2015 and now. The result is that the reductions shown arise only from the decisions of our investment teams and the reductions in the CO_2 emissions of the companies we invest in.

1 In 2015 we did not calculate a relative footprint as the methodology was still being developed. Our absolute footprint was then 32.5 million tonnes of CO_2.

BP announced it would end deep-sea drilling in the Great Australian Bight

on climate change, covering both positive effects such as investments in renewable energy and adverse effects through fossil energy investments. We lead a working group of the Platform Carbon Accounting Financials (PCAF), set up at the end of 2015 at the time of the Climate Conference in Paris, which is developing this for listed equities. Other groups are working on project financing, government bonds and mortgages.

Contribution to the Energy Agreement

Following the national Climate Conference, we identified how as an investor of pension assets we are currently contributing to the sustainability of Dutch energy supplies. The arrangements on conservation, renewable energy and climate measures that the Dutch government and some 40 organisations made three years ago in the Energy Agreement are closely in line with several objectives in our new policy. We have identified opportunities in the various investment categories for increasing our contribution to energy sustainability by investing a larger proportion of our assets in the Dutch economy.

Voting on climate measures

We want the oil and mining companies we invest in to consider the impact of climate change on their operations. Government measures to restrict CO_2 emissions may mean that the demand for oil falls faster than expected. Companies' investment decisions must reflect the fact that they may soon have reserves that can no longer be recovered profitably.

Along with other shareholders, we have urged the oil company ExxonMobil to report annually on how it proposes to deal with possible government measures for combatting climate change, including the strict measures needed to limit the global increase in temperature to no more than 2° Celsius. A shareholder resolution on this at the 2016 shareholders' meeting failed despite our support (38% of the shareholders were in favour). In contrast, similar resolutions we co-filed at the shareholders' meetings of mining companies Rio Tinto, Glencore and Anglo American attracted large majority support. This was done as part of a shareholder collaboration under the Aiming for A coalition that is trying to influence the largest international mining companies and utilities listed on the London market to consider climate change risks.

We voted against a resolution at the Shell shareholders' meeting calling on the company to stop searching for new oil reserves and to move entirely to renewable energy by 2030. We think the Board of Directors and not the shareholders should decide on Shell's transitional strategy. We do however, welcome the way in which the initiative takers are contributing to awareness of climate change.

Linking bonuses to sustainability

We have discussed the linking of directors' remuneration to sustainability targets with various oil and gas companies. As part of our discussions around pay, the Norwegian oil company Statoil gave us better insight into how it rewards its executive directors. At Statoil, remuneration is not only linked to financial performance but also to attempts to be the industry leader on safety and sustainability. Specific targets have been set on reducing CO_2 emissions and the number of serious accidents. Shell directors are now more clearly incentivised to work towards renewable energy since their bonuses

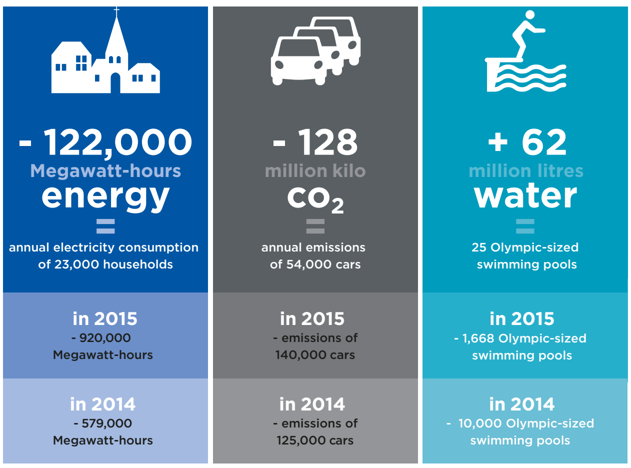
Sharon Dijksma, Minister for the Environment, Prime Minister Mark Rutte, burgomaster Ahmed Aboutaleb of Rotterdam and chairman Corien Wortmann (ABP) at the National Climate Conference. Photo: Jean-Pierre Jans

depend in part on reducing CO_2 emissions in three business units.

Sustainability of real estate improving

In recent years we have taken major steps towards making the real estate we invest in more sustainable. In 2016 we made further progress, although the annual GRESB survey shows that it was less than in 2015 and 2014.

Figure: Change in the environmental footprint of the real estate we invest in[1]



GRESB, which was founded by our investment organisation and other investors in 2009 to measure the sustainability performance of real estate, carries out an annual comparative study looking at environmental factors as well as on subjects such as safety at work, involvement of stakeholders and bribery and corruption. Our investments do well in the GRESB ranking: our real estate portfolio scored 68 on a scale of 0 to 100 against a market average of 60 points.

We use the results of the GRESB survey in discussions with investee companies and with funds investing on our behalf to learn how they can improve their performance. Previous discussions with Vesteda led to the GRESB score of this Dutch residential housing organisation rising sharply in 2016 *(see box on page 31)*.

1 The published figures relate to savings achieved in the past year compared with the preceding year. These are the total savings reported to GRESB of all real estate companies we invest in. They are not related to the share we hold.

Adapting the real estate approach to infrastructure
In 2016, 74% of our infrastructure investments (expressed as invested assets) took part in the first GRESB infrastructure survey. This is a new instrument that we have developed with ten international investors to measure the sustainability performance of infrastructure investments. We will use the results in discussions on how and where infrastructure funds can improve their performance.
Not all the funds we invest in report yet on the individual assets in their funds (we have this information for 33% of our investments). It is difficult for some funds to report at this level, for example if they operate in several areas: wind turbines, roads, ports, water purification plants.
Our aim is that GRESB Infra will become the standard for the sector. We expect all our infrastructure investments to participate and we have made it a contractual requirement for new investments from 2016.

Case: Sustainability of Dutch residential homes

A real estate investment that took a huge step forward in sustainability in 2016 was the Dutch company Vesteda which lets almost 23,000 homes. In 2015 it decided, in consultation with ABP and other shareholders, on a major change in policy. Recognising its GRESB score is clearly lagging behind similar real estate companies, Vesteda decided to invest €23 million in measures to improve the energy performance of its housing stock, including better insulation, double glazing, high-efficiency boilers and solar panels. It also started a programme to make staff aware of the importance of sustainability. At a sustainability day organised by ABP, Vesteda was able to share best practices with three international residential investors. The increased attention for sustainability led to a much higher ranking in the GRESB report for 2016. Vesteda scored 67 on a scale of 0 to 100 compared with 38 a year earlier. ABP owns 43% of Vesteda, which is one of its largest investments at €1.3 billion at the end of 2016.

Roof garden of a block of flats in Amsterdam (Photo: Vesteda)

Case: BP ends plans to drill off the Australian coast

The British oil and gas company BP announced it had stopped preparations for deep-sea drilling in the Great Australian Bight. We were made aware that these plans off the coast of South Australia were environmentally controversial (because of the presence of whales and other threatened species) by activists at the BP shareholders' meeting in London. After receiving information from civil-society organisations (Greenpeace and ShareAction) with whom we had worked previously on a similar project, we expressed our concerns to BP with regards to their plans for dealing with oil spillages as well as the economic prospects for the project. As the development of new reserves can take years, we had doubts about the ability of making this project profitable, certainly in view of the Paris Climate Agreement. Shortly after our discussions, BP announced it was stopping the project as it no longer fitted its strategy that had been revised earlier in 2016.

Standing up for human rights

Companies may not be complicit in breaches of human rights. This is laid down in agreements on responsible business practices made under the auspices of the United Nations and which are a foundation of our policy.

According to the UN Global Compact, companies must also prevent their activities contributing to breaches of human rights. Labour rights are also a significant theme in the UN Global Compact. When revising our policy at the end of 2015, we set clear human and labour rights targets. To make a real difference, and since we cannot tackle every topic, we made a choice and have decided to concentrate on subjects and sectors where we have experience from earlier engagements.

What do we want to achieve?

Specifically, by 2020, we want the companies we invest in to:

- eradicate child labour from their production chains (cocoa);
- publish a human rights policy (ICT and energy);
- ensure safe working conditions throughout the production chain (clothing and textiles);
- publish a policy for safe working conditions applied throughout the chain (shipbuilders);
- report annually to GRESB Infra on safety, health and the environmentonment[1] (at least half of our infrastructure investments).

Occasionally our involvement is triggered by current events, for example after incidents affecting individual portfolio investments, but our wish is to anticipate issues and themes that can play a major role in entire sectors in good time.

Phased approach

Bringing about successful change in entire sectors requires a structured approach which involves several steps. Before discussions can actually take place with companies, we have to understand the problem, the companies and civil-society organisations involved, the exact objective we want to reach and the strategy that offers the best chance of success.

We completed the preparatory stages for this for the cocoa, textiles and infrastructure sectors at the end of 2016. The engagement process in the shipbuilding sector has stopped because of the economic problems besetting the industry. There is little demand for new vessels because of the low oil price and so many shipbuilders are busy with reorganisations.

Combatting child labour

Child labour is difficult to combat. It is generally one of many bigger and more complex, often related problems: poverty, limited economic opportunities, poor social provision and inadequate education. When this happens, child labour is typically used for the least skilled manual tasks that are often performed right at the bottom of the production chain. It is often hazardous. As far as we know, companies we invest in do not use child labour but products made using child labour

1 We report on this target in the 'Well-managed companies' section on page 36.

may be reach their products via their supply chains. We want child labour to be completely eradicated. An essential first step is that companies in high-risk sectors recognise this problem, have a clear approach to what to do and are transparent about their efforts.

Child labour in the cocoa industry

During discussions with large cocoa and chocolate companies such as Nestlé, Mondelez and The Hershey Company, we urged them to adopt a clear approach to eradicating child labour from the entire production chain. To do this they have to sign up to industry initiatives such as the CocoaAction programme in which cocoa and chocolate companies are working to improve sustainability in their industry. Measures to tackle the underlying causes of child labour, such as more accessible education, better labour productivity and higher wages that would make the work more attractive to adults, are all important. With CocoaAction, we have urged ambitious targets in this area and transparency on what does and does not work. Cocoa supplier Barry Callebaut has taken up our recommendation of formulating clear and ambitious targets in its new sustainability strategy, which is designed to eradicate child labour by 2025.

Child labour in cobalt mining

Partly further to research by Amnesty International, we made enquiries about the use of children in cobalt mining in the Congo (DRC) at a number of companies we invest in. As the response was poor, we formed a coalition of 23 large investors to tackle this problem.

Cobalt is an increasingly important commodity that is essential for rechargeable batteries, for example in mobile phones and electric vehicles. About half of the world's reserves of cobalt are in the Congo. The cobalt is used by large electronics, car and battery manufacturers we invest in, usually through many intermediaries (there could be as many as eight or more links in the supply chain: miners, traders, smelters etc.). Together with the investors' coalition, we approached thirteen of these companieso ask what they are doing to prevent children being used in mining their cobalt.

Computer manufacturer Apple responded by publishing its approach. Two other large companies have announced they will also do this soon. We asked the Electronic Industry Citizenship Coalition to address cobalt in its guidelines for commodities. At the forum that the United Nations organises each year on the role of businesses in protecting human rights, we underlined the importance of this for large investors. We also called on the Chinese Chamber of Commerce to combat the use of children in cobalt mining; many intermediaries are Chinese-owned. We will follow up this approach in 2017. We hope that the problem can be tackled effectively, even at intermediaries we cannot ourselves reach directly as they are not investable for us, by applying pressure on large companies.

Human rights benchmark

We support the initiative of the Corporate Human Rights Benchmark which compares companies' human rights performance. The first pilot in which a hundred companies in three industries (clothing, commodities and food) were compared was published already, in 2017. This will give us as an investor more information that we can act on as input for discussions we have with companies on possible improvements in their business practices.

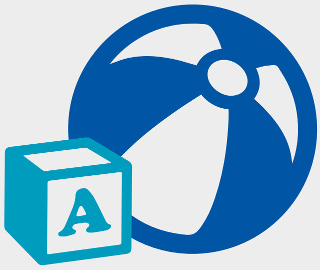
Companies with their own policies

Arcadis, a Dutch company, published its own human and labour rights policy at the end of 2016. We encouraged them to do so during talks with directors as the engineering, design and consultancy firm is involved in large infrastructure projects in various countries ranging from the new coastal defences in Katwijk (Netherlands) to the public transport system in Jeddah (Saudi Arabia). Such projects can have a major impact on the local population and the workers who build them.

At the shareholders' meeting of the American cigarette manufacturer Philip Morris we supported a resolution calling on the company to introduce a human rights policy addressing the right to health and to ensure its lobbying and marketing activities do not undermine efforts of national governments to protect the health of their citizens. Although Philip Morris is a member of the UN Global Compact and

At Volkswagen we urged a more open corporate culture

We asked cocoa companies to take measures to tackle child labour



has a code for work on tobacco plantations, we believe it is important that the company should have a broader human rights policy. Unfortunately the resolution failed with only 18% of shareholder voting in favour.

The same fate befell a shareholder resolutions requesting the US company Amazon.com to report more on its efforts to prevent breaches of human rights, including at suppliers and customers. It referred to the company's dispute with German trade unions about wages supposedly below the statutory minimum. Although the motion was rejected, the 25% support it received was considerably higher than that of a similar resolution in 2015, which was supported by only 5%

Shareholder resolutions we supported at several US companies on submitting any accusations of involvement in breaches of human rights to the national contact points set up for this by the Organisation for Economic Co-operation and Development (OECD) also failed. This would have allowed them to consider breaches of labour rights such as rights of association and collective negotiation on employment conditions, the end of all forms of forced labour and eradication of child labour and workplace discrimination. Support ranged between 5% and 9% at tobacco companies Altria, Philip Morris, Reynolds American and snack company Mondelez.

Case: Lemon Tree

In November, our Indian investment Lemon Tree Hotels was one of the two winners of the World Responsible Tourism Award at a large international tourism fair in London. Lemon Tree, a chain of 40 hotels in 23 cities, won the award for its staff policy that support employment of special needs and disability groups. Of its 4,000 employees, 13% have learning difficulties or a physical disability such as Down's syndrome or poor hearing. ABP owns over 15% of Lemon Tree.

Dilemma 3: Saudi Arabian sovereign bonds

When the government of Saudi Arabia issued government bonds for the first time at the end of 2016, our external managers decided to invest in them. Our analysis suggested the bonds had an attractive risk and return profile and Saudi Arabia is not on the list of excluded countries whose sovereign bonds we are not permitted to hold. Our policy is to exclude countries that are subject to a UN Security Council arms embargo. There is no such embargo on Saudi Arabia. In addition research we have suggests the country is no worse than average in areas of significance to us such as combatting corruption although it attracts much criticism for its human rights situation, particularly women discrimination and political freedom. We will examine whether it is sensible and feasible to adapt the new responsible investment policy we will be implementing in the next few years policy to sovereign bonds. At the end of 2016 we had invested in sovereign bonds of about sixty countries.

Well-managed companies

We attach great value to properly-functioning, diverse boards, with clear segregation of executive and supervisory duties and which safeguard the interests of minority shareholders such as pension funds.

Separate executives and supervisors

While companies in Europe often separate the executive capacity of the board from supervision, it is quite normal in the US for the person with the main responsibility for executive functions to also be the chairman of the board[1]. Just over half of the companies in the Standard & Poor's 500 index combine the functions of CEO and board chairman. Analysis by Credit Suisse in 2016[2] showed that the shares of companies that separate these two positions have risen more in value over the past ten years than those of companies where they are combined.

As part of our ongoing effort to clearly set out our expectations to companies we have in our portfolios, we wrote to 22 large American real estate companies to emphasise that we believe it is important that board chairmen exercise independent supervision of the executive directors. Among other matters addressed in our letter, we made clear what we expect of these investments and also announced we would be looking more closely at reductions in energy consumption and CO_2 emissions and addressing bribery and corruption by seeking effective policies on this.

New remuneration policy at Volkswagen

Volkswagen has adopted a new remuneration policy for its directors, under which more value is attached to non-financial performance such as employee and customer satisfaction. We had urged this in three meetings we had with the chairman of the Supervisory Board in 2016. These were in part further to the 'dieselgate' scandal but also part of our ongoing engagement with the company. During the meetings we also pointed out the need for a more open corporate culture and more independent supervisory directors, who in our opinion are currently lacking.

Tata

Along with twelve other large investors, we urged the Indian company Tata to improve its board structure. We discussed this with various directors further to the board crisis at Tata Sons at the end of 2016. Tata Sons, an unlisted company, is the largest shareholder in various Tata companies (including Tata Steel and Tata Motors) in which we had invested over €335 million at the end of 2016. We explained that we would like to see increased independence of the Tata directors and the position of minority shareholders enhanced.

1 In the Netherlands, executive and supervisory directors often sit on separate boards while in Anglo-Saxon countries they sit together on a one-tier board.
2 Credit Suisse, Global Equity Research 5 August 2016: Should S&P 500 Chair and CEO roles be separated?

Bribery by Samsung Electronics

We asked the Board of Directors of Samsung Electronics for a thorough investigation into the company's involvement in a bribery scandal that is causing considerable political unrest in South Korea. The company is accused of giving large sums to foundations managed by a confidante of the president. We want an investigation into the amounts involved and what the company will do to prevent similar practices in the future. This will include working on better supervision and a change in culture. There must also be an end to the custom of appointing former politicians to the board.

Voting on directors

Overall, we voted on the election of about 18,000 directors at some 2,500 shareholders' meetings in 2016, supporting almost 85% of the nominations. We voted against 11% of the candidates who, typically due to concerns around their independence or insufficient time commitment due to excessive number of outside directorships.

Sound remuneration policy

For the first time in many years, we voted more often in favour than against remuneration resolutions. As we have not substantively changed our voting policy, this seems to be a consequence of a better remuneration policy at the companies we invest in.

In 2016, APG voted on our behalf on over 1,600 remuneration resolutions at more than 1,500 shareholders' meetings, voting in favour of 52% of the resolutions and against 47%. This was a reversal of the proportions in 2015 when only 45% of the resolutions received our approval and we voted against 52%. There was particularly clear progress in the United States, where we supported less than a quarter of the resolutions (22%) in 2015. In 2016 this had risen to more than a third (35%). In recent years we had engagements on remuneration policy with eight of the 115 companies where we had previously voted against but voted in favour in 2016.

The main reasons for voting against were excessively generous severance packages, inadequate link between payand performance and opaque schemes. Resolutions linking pay to forthright performance,

Figure: ABP's voting on 18,000 directors

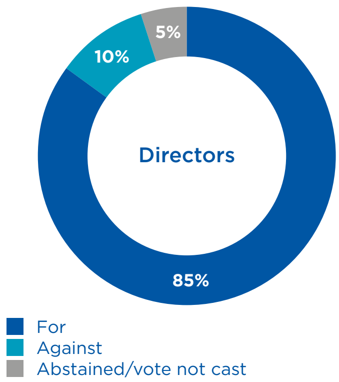


Figure: ABP's voting on 1,600 remuneration resolutions

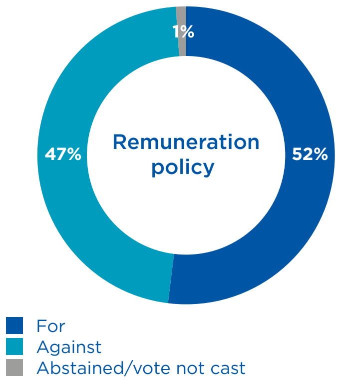
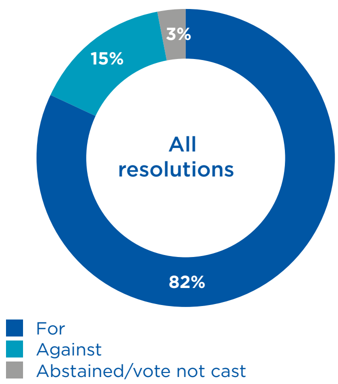


Figure: For comparison: ABP's voting on all 44,600 resolutions



The bribery scandal at Samsung Electronics created great unrest in South Korea

We want greater independence of Tata directors

sufficiently well linked to the strategic long-term targets of a company could generally rely on our support.

Blackrock

We supported a shareholder resolution by a Blackrock shareholder calling on the asset manager to more closely consider links between reward and underlying performance when voting on remuneration. In our opinion, Blackrock is insufficiently critical of remuneration resolutions at the US companies it invests in, as shown by the high percentage of resolutions it supports.[3] Since Blackrock, as the largest asset manager in the world, clearly sets an example and is one of the largest investors in many US companies, we believe it is important to send a signal on this. The resolution was supported by only 4% of the votes. Blackrock votes on the equities it manages for us as an external manager in accordance with our own voting policy.

Remuneration policies of Dutch companies

Ahold withdrew its proposal to grant directors a special bonus if they made a success of the merger with Belgian supermarket chain Delhaize. We objected to this since in our view, initiating and executing successful mergers and acquisitions are a part of directors' responsibilities and work. We also engaged with directors at Unilever, Shell and Philips about their remuneration policy.

Private equity

An American private equity manager in which we had previously deliberately not invested, partly because it does not have a sustainability policy, drew up a policy in 2016 that applies to over fifty companies it invests in.

3 According to consumer organisation SumOfUs, Blackrock voted in favour of 97% of remuneration resolutions in the US in the period July 2014 to June 2015. The same research showed that ABP (APG) was one of the most critical shareholders in the same period.

Sustainability of financial markets

ABP and other Dutch pension funds are among the global leaders in responsible investing. By sharing our insights and experience with others, we want to contribute to the further sustainability of financial markets.

Greater attention to sustainability at financial service providers

We play an active role in projects that the Nederlandsche Bank has set up for the further sustainability of the financial sector. We do this through the Platform voor Duurzame Financiering in which pension funds, banks, insurance companies, regulators and the government work together.

We are represented on the working group that developed a plan for the platform for a training programme on sustainability for managers and directors in the financial sector. This will start in mid-2017. A plan has also been developed that will help banks, insurance companies and pension funds learn from each other on how to communicate better on responsible investment with customers and participants.

At the end of 2016, the director for sustainability and good governance at our investment manager APG was appointed to the group that will advise the European Commission in 2017 on how EU financial markets can encourage more sustainable operations.

Socially responsible investment covenant

Along with other funds and the Pensioenfederatie (an alliance of Dutch pension funds), we looked at the feasibility and desirability of entering into a covenant with the government and social partners on socially responsible international investment. Various sectors have entered into similar covenants on socially responsible international business practices. We have been working actively for some time on such a covenant that will be entered into in 2017. The aim is to further develop responsible investment by pension funds, partly through better sharing of knowledge and developing definitions and standards. The arrangements in the covenant will contribute to funds not only being able to ensure good and affordable pensions but also to being able to work towards a stable economy and a sustainable, safe and just society.

International reports

In 2016, ABP was awarded the highest or second highest score for responsible investing in each relevant asset class for pension funds in the annual report of the PRI.[1] The PRI has about 1,400 member pension funds and asset managers,

1 The Assessment Report 2016 Stichting Pensioenfonds ABP, which compares ABP's score against those of similar funds, is not published. The published report from ABP to the PRI is available on: *https://reporting.unpri.org/*surveys/PRI-Reporting-Framework-2016/2c7dcb5c-04e6-4d7e-8f88-52eea348ff68/79894dbc337a40828d-895f9402aa63de/html/2/?lang=&a=1

Member of the Board of Trustees, Xander den Uyl is also a member of the board of the PRI, a global organisation for responsible investors

jointly managing about $60 trillion. Each year, the PRI assesses their performance against comparable funds based on a questionnaire that they themselves complete. ABP has been a member of the PRI since its foundation in 2006. Xander den Uyl, a member of ABP's Board of Trustees, joined the PRI's eleven-member board in 2015.

Governance regulations

The ability to reward supervisory directors with shares is not included in the new Dutch Corporate Governance Code published at the end of 2016. We objected to an earlier proposal by the committee that revised the code to include this since in our view supervisory directors who are remunerated with shares would have more difficulty carrying out independent supervision. Although the committee did not accept our request for stricter independence requirements for audit committees, we still believe this code is much better than the previous version dating from 2008. Of particular benefit we believe the focus on long-term value creation and corporate culture represent good progress.

There were also clear improvements in the proposals by the committee working on a revision of the German Corporate Governance Code. It proposes improvements to communications between shareholders and the Supervisory Board and setting up whistle-blower's schemes to raise malpractice reporting. The director for sustainability and good governance at our investment organisation is a member of this committee. The final code will be published in early 2017.

Individually accountable directors

Seventeen Swedish companies have heeded our call to nominate directors individually for election at shareholders' meetings. As we believe it is important that directors can be held accountable individually and support the ending of the Swedish practice of voting on all directors together in a joint shareholders' meeting resolution. At the end of 2015 we asked 40 Swedish companies to have directors stand for election individually. This is something which we intend to follow up in 2017.

More diversity in senior positions

Together with other investors (Calsters, Opers, Legal & General) we wrote to 63 large US listed companies to explain our position on diversity and discuss with them their approach. Whilst as investment institutions we each have our own policies and separate voting decisions, we found that we are like minded when it comes to the emphasis we put on board diversity. The companies we approach all have significant proportion of long tenured directors (over 40% in office for more than twelve years) and one or no women on their board. Our intention, which we explained in discussion with these companies, is to understand the background to their board structure and their plans to address this and to factor this in our voting at their AGMs, were we apply our own

We have asked 63 large American companies to appoint more women to their boards

The new Dutch Corporate Governance Code is a clear improvement on the old one. The focus on long-term value creation and corporate culture is good progress.

voting policy) . Diversity in its broadest sense and refreshment in our view are important ingredient of board quality and independence.

Via the Dutch investor association Eumedion, we sent a similar message to all Dutch listed companies. The letter, which Eumedion is sending to boards of Dutch listed companies each year, included also a request that companies perform and publish an assessment of the risks of climate change and its consequences for operations in 2017.

Jointly with the law firm Ropes & Gray, we organised a meeting at the US office of our investment manager APG on the position of women in private equity. Currently less than 5% of the managers of these funds are women. At a conference on this subject in London, one of our sustainability specialists explained how we will use our new private equity due-diligence questionnaire to enter into discussions with fund directors (general partners) on the male/female ratio in their businesses. We believe that greater diversity at the top leads to better results.

Quality of financial reporting

One of the governance specialists of our investment manager APG has been appointed as a member of the standing advisery group to the Public Company Accounting Oversight Board, the body that supervises the quality of financial reports by listed companies in the United States. It is vital for us as an investor that such information is reliable.

Responsible investment by hedge funds

One of our sustainability specialists explained at a PRI congress in New York that failing to meet requirements on sustainability and responsible business practices could be a reason for us not to make hedge fund investments. The congress, organised with the Alternative Investment Management Association (AIMA) took place at the US office of our investment manager.

OECD agreements for asset managers

Along with civil-society organisations, other investors and representatives of the Organisation for Economic Co-operation and Development (OECD), we reached agreement on what the OECD guidelines for multinational companies mean for large investors. These guidelines set out rules on responsible business practices that OECD member states (or countries that support the OECD) expect companies should follow. These guidelines, which were agreed in the 1970s, have been updated several times, most recently in 2011. The updated guidelines have previously been worked out in detail for the clothing sector, agriculture and mining. This has now been done for investors. The complaints bodies of all OECD countries will now assess complaints about asset managers in a similar way to other businesses, to ensure they take sufficient action against misconduct at companies they invest in. The final draft of Responsible Business Conduct for Institutional Investors is now awaiting approval by the OECD member states. ABP's policy and approach are in line with the agreed standard.

Exclusions

For some time now it has been our policy not to invest in manufacturers of weapons prohibited under international treaties ratified by the Netherlands.

We may also place companies that we assess to be in breach of international agreements on responsible business practices on our exclusion list. This is in the heart of our exclusion policy and will continue to be part of the new responsible investment policy.

Specifically, this means that the our policy is not to invest in companies involved in the manufacture of cluster bombs, anti-personnel mines and 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. Nuclear weapons may only be produced for and by countries permitted to hold them under the treaty (China, France, Russia, the United Kingdom and the United States).

The ten principles of the UN Global Compact on human rights, labour rights, corruption and the environment are another important part of our exclusion policy. A company can be excluded if it acts in breach of these principles and following an engagement that resulted in insufficient improvements. This is the final stage of an intensive process that can take several years and involves clear requirements and deadlines.

Seven of the companies we engaged with in 2016 were suspected of breaching the UN Global Compact, including breaches of human rights, poor environmental management, bribery and corruption and unethical conduct. We had several engagements with these companies[1] in 2016 (and in earlier years) urging them to make improvements. Four of them were no longer regarded as possibly breaching the Global Compact by the end of 2016. The dialogue continues with three others as there is still insufficient improvement.

New exclusions

In early 2016, we added to our exclusion list the parent entities of two companies that were already on our exclusion list. L&T Finance Holding of India is the majority shareholder of Larsen and Toubro, which we had excluded for possible involvement in the production of nuclear weapons for India. S&T Holdings of South Korea is the majority shareholder of S&T Dynamics, which we excluded in 2015 for the manufacture of anti-personnel mines.

Aeroteh SA of Romania, a manufacturer of cluster weapons, was removed from the exclusion list of listed companies and added to our (unpublished) list of private companies in which we do not wish to invest as they act in contravention of our policy. There were nineteen companies on our published exclusion list at the end of 2016 *(see annex 2)*.

We removed Liberia and Ivory Coast from the list of countries whose sovereign bonds we do not wish to hold. Countries are placed on this list if they are subject to an arms embargo imposed by the UN Security Council. The embargos on Liberia and Ivory Coast were lifted in 2016.

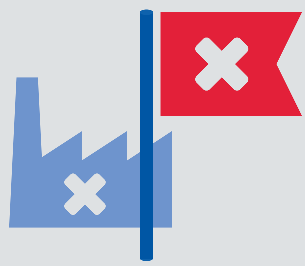
1 We do not name companies where engagements under the UN Global Compact are on-going as this could be price-sensitive.

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 part of the portfolio before the exclusion policy (or parts of it) came into force. In specific terms, we can guarantee that over 99% of our portfolios did not include equities or bonds of the companies on our exclusion list in 2016.

Nevertheless, in the second half of the year one external manager was found to have invested for several weeks in a company on our exclusion list, against our instructions. This came about because of an error in that manager's warning system that was identified by a check by our investment manager. The equities were sold and the systems amended. The financial damage was reimbursed by the external manager.

Our policy is not to invest in companies that manufacture prohibited weapons



Outlook for 2017 and later years

During 2017 we will continue our assessment of whether companies operate responsibly, as required for implementation of our inclusion policy.

At the end of the year, we expect to have identified the leaders and laggards within a number of industries. This will allow us to select leaders and companies with the potential to improve more accurately. We will continue this process in subsequent years, so that by 2020 we will have covered all industries.

The human rights benchmark developed partly by our investment manager APG and VBDO will have a clear role as we implement our policy. As the benchmark for almost a hundred major companies states how they score in a large number of areas in the wider human rights policy, our investors will have greater potential to enter into a focused dialogue with these companies on how they can improve.

Along with other funds and the Pensioenfederatie, we are working on a covenant on socially responsible international business practices that we hope to enter into in 2017. The arrangements in the covenant will contribute to funds not only able to ensure good and affordable pensions but also able to work towards a stable economy and a sustainable, safe and just society.

We will investigate with various parties how, as a responsible investor, we can focus more of our investment activities on the Netherlands. We have already made contact with the Netherlands Investment Institution and municipalities, partly through the Association of Netherlands Municipalities.

The stakeholder dialogue with NGO's that started in 2016 will be continued. We will also organise more participants' meetings in 2017.

The targets of our new responsible investment policy run to 2020. Partly in response to the stakeholder meetings in 2016, at the end of 2017 we will examine whether it is sensible and feasible to formulate targets for the subsequent period.

Annexes

1. COMPANIES WITH WHICH ABP WAS IN CONTACT ON SUSTAINABILITY AND CORPORATE GOVERNANCE

During 2016, specialists from our investment organisation engaged with 245 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 shown at the end of the list.

		Bribery and Corruption	Corporate Governance	Eliminate Child Labor	Environ-ment	Respect for Human Rights	Safe Working Conditions
TOTAL NUMBER OF COMPANIES	**245**	**2**	**194**	**25**	**16**	**11**	**11**
ASML	NL		+				
ABB	CH		+				
ABN Amro	NL		+				
Acadia Realty Trust	US		+				
ACC	IN		+				
Aditya Birla Nuvo	IN		+				
AGCO Corporation	US		+				
Ahold	NL		+				
Ahold Delhaize	NL		+				
AIG	US		+				
AIMS AMP Capital REIT	SG		+				
Alexandria Real Estate Equities, Inc.	US		+				
American Electric Power	US		+				
Amgen	US		+				
AMMB Holdings	MY		+				
Anheuser Busch InBev	BE				+		
Annaly Capital Management	US		+				
Apple Inc.	US			+			+
Arcadis	NL					+	
Asahi Holding	JP		+				
Astra Agro Lestari	ID		+		+		
AvalonBay Communities, Inc.	US		+				
Bajaj Auto	IN		+				
Bank of America Corporation	US		+				

		Bribery and Corruption	Corporate Governance	Eliminate Child Labor	Environment	Respect for Human Rights	Safe Working Conditions
Bank of East Asia	HK		+				
Barry Callebaut	CH			+			
BBA Aviation	UK		+				
BBVA	ES		+				
Best Buy	US		+				
Boston Properties, Inc.	US		+				
BP	UK		+				
BPCL	IN		+				
Britannia Industries	IN		+				
British American Tobacco	UK			+			
British Land	UK		+				
Britvic plc	UK		+				
Brixmor Property Group Inc.	US		+				
Bunge	US				+	+	
BYD	CN			+			
Cairn India	IN		+				
Care Capital Properties, Inc.	US		+				
CBS	US		+				
China Development Financial Holding	TW		+				
China Mobile	CN		+				
China Overseas Land & Investment	CN		+				
China State Construction	CN		+				
Cie Financiere Richemont SA	CH		+				
Citigroup	US		+				
Clariant	CH			+			
Comcast	US		+				
Conwert	AT		+				
CTBC Financial Holding	TW		+				
Daimler AG	DE			+			
Dalian Wanda Commercial Properties	CN		+				
Darden Restaurants	US				+		
DCT Industrial, Inc.	US		+				
Deutsche Bank	DE		+				
Deutsche Telekom	DE					+	
Digital Realty Trust, Inc.	US		+				

		Bribery and Corruption	Corporate Governance	Eliminate Child Labor	Environ-ment	Respect for Human Rights	Safe Working Conditions
Direct Line Group	UK		+				
DSM	NL		+				
DTE Energy	US		+				
Elementis plc	UK		+				
Engie	FR		+				
ENI Spa	IT		+				
Entergy	US		+				
Equity Lifestyle Properties, Inc.	US		+				
Equity One, Inc.	US		+				
Equity Residential	US		+				
Finmeccanica	IT	+					
Foncière des Régions	FR		+				
Footlocker	US						+
Freeport Mc Moran	US				+	+	
Fuji Film Holding	JP		+				
G4S	UK		+			+	
Gap	US						+
Gazprom	RU					+	
Gemalto	NL		+				
General Electric	US		+				
General Motors Company	US		+				
Generali	IT				+		
Genting Plantations	MY				+		
Golden Agri-Resources	SG		+				
Goldman Sachs	US		+				
Goodman Group	AU		+				
GPT	AU		+				
Grainger PLC	UK		+				
Grasim Industries	IN		+				
Gudang Garam	ID			+			
Gujarat Pipavav Port	IN		+				
Hammerson	UK		+				
Hana Financial	KR		+				
Heineken	NL		+				
Hennes & Mauritz AB	SE						+
Hershey Company	US			+			

		Bribery and Corruption	Corporate Governance	Eliminate Child Labor	Environ-ment	Respect for Human Rights	Safe Working Conditions
HM Sampoerna Agro	ID			+			
Host Hotels & Resorts, Inc.	US		+				
HP Inc.	US			+			+
HPCL	IN		+				
Hyundai Fire & Marine	KR		+				
Hyundai Motor	KR		+				
Iberdrola	ES		+				
ICICI Bank	IN		+				
Imperial Brands	UK			+			
Inditex	ES						+
Indofood Agri Resources	ID				+		
ING Groep	NL		+				
Intesa SanPaolo SPA	IT		+				
IOI Corp	MY				+		
Itau Unibanco	BR		+				
ITC	IN		+				
J C Decaux	FR		+				
Japan Tobacco	JP			+			
JC Penny	US						+
John Wood Group plc	UK		+				
JR East	JP		+				
JX Holdings	JP		+				
KB Financial	KR		+				
KDDI	JP		+				
KEPCO	KR		+				
Kia Motor	KR		+				
Kimco Realty Corporation	US		+				
Kingboard Chemical	HK				+		
Klépierre	FR		+				
KT	KR		+				
KT&G	KR		+				
Kuala Lumpur Kepong Bhd	MY						+
Lenovo Group	CN			+			
LG Chem	KR		+	+			
LG Display	KR		+				
LG Household & Health Care	KR		+				

		Bribery and Corruption	Corporate Governance	Eliminate Child Labor	Environ-ment	Respect for Human Rights	Safe Working Conditions
Li & Fung ltd	HK						+
Mahindra & Mahindra Ltd	IN		+				
Marks &Spencer	UK					+	
Merlin Properties	ES		+				
MetLife	US		+				
Microsoft Corp	US		+	+		+	
Mondelez	US			+			
MRF	IN		+				
Naver	KR		+				
Nestle	CH			+			
New York REIT, Inc.	US		+				
Nike	US						+
Novo Nordisk	DK	+			+		
Oracle	US		+				
Origin Energy	AU		+				
Panasonic Corp	JP		+	+			
Pepsico	US		+				
Pernod Ricard	FR		+				
Pfizer	US		+				
Philip Morris International	US			+			
Philips	NL		+				
Philips Lighting	NL		+				
Ping An	CN		+				
Posco	KR		+				
Post Properties, Inc.	US		+				
Prologis, Inc.	US		+				
PSP Swiss Property	CH		+				
Public Service Enterprise Group	US		+				
Public Storage	US		+				
Randgold Resources	JE		+				
Regency Centers Corporation	US		+				
Renault	FR		+				
Repsol	ES		+				
Reynolds American Inc	US			+			
RLJ Lodging Trust	US		+				
Rostelecom	RU		+				

		Bribery and Corruption	Corporate Governance	Eliminate Child Labor	Environ-ment	Respect for Human Rights	Safe Working Conditions
Rotork	UK		+				
Royal Dutch Shell	UK		+				
Royal Mail plc	UK		+				
Safestore Holdings	UK		+				
Samsung C&T	KR		+				
Samsung Card	KR		+				
Samsung Electronics	KR		+	+			
Samsung Engineering	KR		+				
Samsung F&M	KR		+				
Samsung Fire & Marine	KR		+				
Samsung Heavy	KR		+				
Samsung Life Insurance	KR		+				
Samsung SDI	KR			+			
Santander	ES		+				
Scentre Group	AU		+				
Segro	UK		+				
SEMCO	KR		+				
Shanghai Electric	CN		+				
Shinhan Financial	KR		+				
Shinsegae	KR		+				
Showa Shell Sekiyu	JP		+				
Sime Darby Bhd	MY				+		
Simon Property Group, Inc.	US		+				
Sinopec Shanghai	CN		+				
SK Holdings	KR		+				
SK Hynix	KR		+				
SK Innovation	KR		+				
Sony Corp	JP			+			
Spark Infrastructure	AU		+				
Spirax-Sarco	UK		+				
Sponda Oyj	FI		+				
Standard Chartered	UK		+				
Standard Life	UK		+				
Statoil	NO					+	
Sunac China Holdings	CN		+				
Swedbank	SE		+				

		Bribery and Corruption	Corporate Governance	Eliminate Child Labor	Environ-ment	Respect for Human Rights	Safe Working Conditions
Swedish Match	SE		+				
Swiss Re	CH		+				
Sysco	US		+				
Taishin Financial Holding	TW		+				
Tata Consultancy Services	IN		+				
Tata Motors	IN		+				
Tata Power	IN		+				
Tata Sons	IN		+				
Tata Steel	IN		+				
Taubman Centers	US		+				
Telecom de France	FR				+		
Tesla Motors	US		+				
Thai Union Group	TH					+	
The Hartford Financial Services Group	US		+				
The Travelers Companies	US		+				
Time Warner	US		+				
Tishman Speyer	US						+
Tonen General	JP		+				
Total	FR				+		
Toyota Motor	JP		+				
UBM	UK		+				
UBS	CH		+				
UltraTech	IN		+				
Unibail Rodamco	FR		+				
Unilever	NL		+				
The Unite Group plc	UK		+				
Vallourec	FR		+				
Vedanta	IN		+				
Ventas, Inc.	US		+				
Vicinity Centres	AU		+				
Volkswagen AG	DE		+	+			
Vornado Realty Trust	US		+				
Wells Fargo	US		+				
Western Digital	US		+				
Wilmar	SG				+		

		Bribery and Corruption	Corporate Governance	Eliminate Child Labor	Environ-ment	Respect for Human Rights	Safe Working Conditions
Wolters Kluwer	NL		+				
WPP	UK		+				
WR Berkley	US		+				
Yamana Gold	US		+				
Yuanta Financials	TW		+				
Zhejiang Huayou Cobalt	CN			+			
Zijin Mining	CN				+	+	

Country abbreviations

AT Austria, **AU** Australia, **BE** Belgium, **BR** Brazil, **CH** Switzerland, **CN** China, **DE** Germany, **DK** Denmark, **ES** Spain, **FI** Finland, **FR** France, **HK** Hong Kong, **ID** Indonesia, **IN** India, **IT** Italy, **JE** Jersey, **JP** Japan, **KR** South Korea, **MY** Malaysia, **NL** Netherlands, **NO** Norway, **RU** Russia and, **SE** Sweden, **SG** Singapore, **TH** Thailand, **TW** Taiwan, **UK** United Kingdom, **US** United States

2. EXCLUDED COMPANIES[1] AND SOVEREIGN BONDS

Excluded because of UN Global Compact violations

PetroChina	China
TEPCO	Japan
Walmart	United States

Excluded because of involvement in the production of cluster munitions

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
Textron	United States

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

S&T Dynamics Co Ltd	South Korea
S&T Holdings	South Korea

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

Larsen & Toubro	India
L&T Finance Holdings	India
Walchandnagar Industries Ltd	India

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

Central African Republic, Democratic Republic of Congo, Eritrea, Iran, Iraq, Libya, North Korea, Somalia, Sudan, Yemen

1 The exclusion list only includes listed companies. Contracts with external managers state that they must apply our exclusion policy to unlisted companies. The non-exhaustive list used for this includes a further 50 companies, most of which are involved in the manufacture of cluster munitions. External managers do not have to apply the exclusion policy to unlisted investments already in the portfolio before the exclusion policy (or parts of it) came into force.

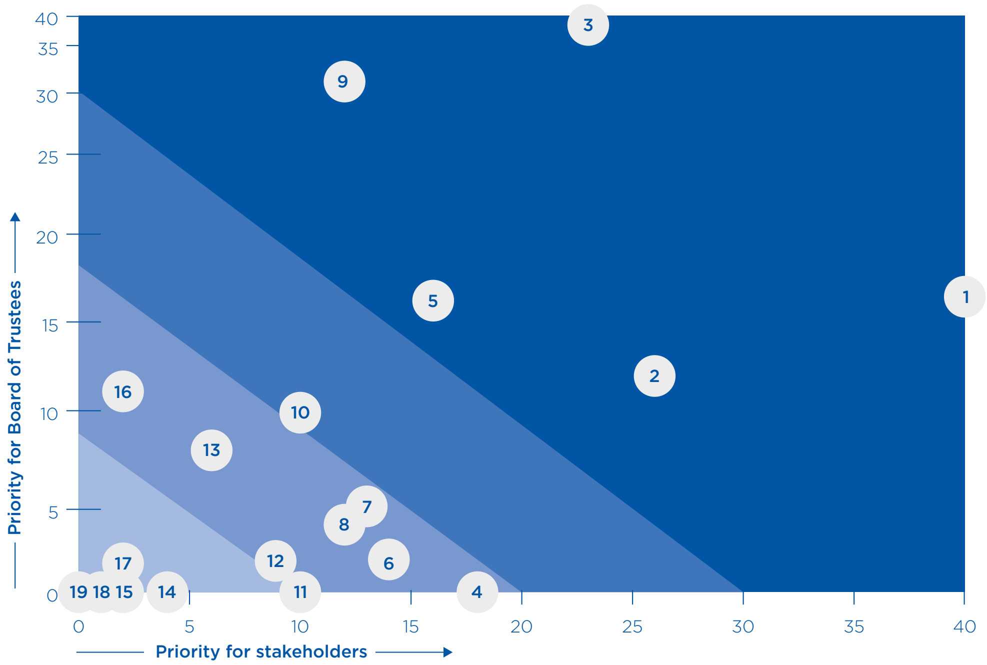
3. MATERIALITY SURVEY AND MEDIA ANALYSIS

We have explored different ways of finding out which topics our stakeholders wanted to read about in the Responsible Investment Report 2016. We sent a questionnaire to about 90 external stakeholders at the end of December 2016.[1] The questionnaire was also completed by individual members of the Board of Trustees.[2] In early December, Bureau LexisNexis performed a media analysis examining the number of times Dutch media (newspapers) referred to ABP along with the main subjects related to responsible investment. The survey of participants, pensioners and former participants (n=963) carried out in September 2016 asked what they wanted to read about in this report. The results of the surveys were compared and are set out below.

The first question in the survey put to the stakeholders and individual members of the Board of Trustees was: *Please put up to five themes you would like to read about in the 2016 report in order of importance, marking the most important as 1 and the least important as 5. You may write in any other themes 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.

Materiality analysis



1. Attention to sustainability and governance in day-to-day investment decisions
2. Investing in sustainable development
3. Sustainable and responsible investing in relation to return
4. Monitoring investments' sustainability and corporate governance performance
5. Communications with participants
6. Promoting attention of business partners to sustainability and corporate governance
7. Communications with civil-society organisations
8. Exercising influence at shareholders' meetings
9. Implementing the new policy
10. Dialogue with companies
11. Other: when will ABP stop investing in fossil fuels and what is the phase-out strategy?
12. Dialogue with government authorities and rule setters
13. Specific policy choices
14. Other: contribution to the Paris goals
15. Company exclusions
16. Themed investing
17. Cooperation with other investors
18. Other: Sustainable themed investments in the Netherlands
19. Country exclusions

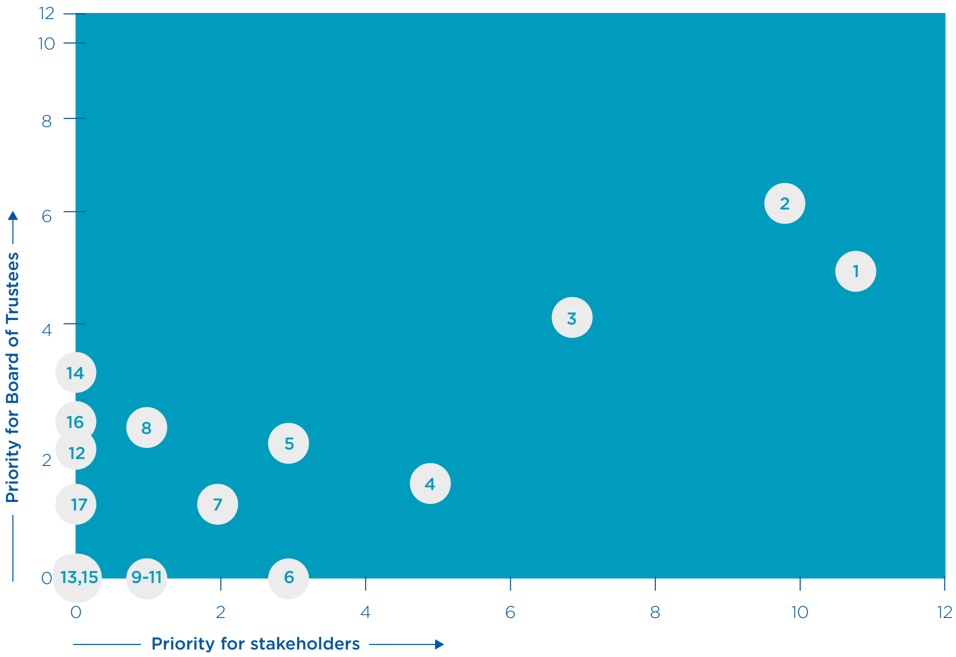
1 The approximately 90 stakeholders approached were representatives of employers and employees organisations, civil-society organisations, senior citizens and industry associations. 15 returned a list of preferences. The relatively low response rate may be because the survey took place close to Christmas.
2 Eleven members of the Board of Trustees and the director of operations.

What issues put ABP in the media?

The media analysis by LexisNexis showed that ABP was mainly in the news as a responsible investor in 2016 because of Shell. Dutch newspapers published 60 articles referring to ABP and Shell. Other frequently reported issues relating to responsible and sustainable investment and which featured ABP included the environment (milieu), real estate (vastgoed) and shareholders' meetings (aandeelhouders-vergaderingen). The word-cloud above shows other high scoring subjects. The size of the word reflects the number of reports. For comparison: there were 329 articles about ABP's coverage ratio (dekkingsgraad) in the same period. The media analysis also showed that ABP is more associated with responsibility (verantwoord) than sustainability (duurzaam).

What issues do stakeholders find important?

The second question in the survey put to stakeholders and individual members of the Board of Trustees was: *'ABP featured as a responsible investor in the media during 2016 in connection with different issues, including the following 15 subjects. Please mark up to three that you would like ABP to include in its Responsible Investment Report. You may write in any other themes below'.* To create the ranking, each issue a respondent marked was awarded one point. The chart below is based on the overall scores.



1. Climate change
2. Human rights
3. Fossil fuels
4. Bonuses
5. The environment
6. Solar energy
7. Shareholders' meetings
8. Private equity
9. UN Sustainable Development Goals
10. Shell
11. Zwarte Zwanen TV programme
12. Start-ups
13. Tobacco
14. Real estate
15. Valeant
16. Hedge funds
17. Employee rights

What do participants want to read about?

The participants' survey that ABP performed for the second successive year in September and which questioned almost 1,000 participants showed that they are mainly interested in the returns on investments and the companies invested in, closely followed by how ABP handles responsible investing. A third of respondents ticked these on a list of possible themes. These themes were also at the top in the 2015 survey. Eight other themes were also ticked by more than a fifth of the respondents.

The great interest in the companies invested in was also shown by another question in the survey of information wanted by participants. 53% of them supported the statement: *I would like a list of ABP's investments*. This is 8% higher than in 2015.
ABP publishes its 100 largest investments, all listed investments and corporate bonds, each half year. The page on abp.nl where these documents are available was visited 2,474 times in 2016.

4. ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To the readers of the Sustainable and Responsible Investment Report 2016 of Stichting Pensioenfonds ABP

Our conclusion

We have reviewed the Sustainable and Responsible Investment Report 2016 (hereafter: the Report) of Stichting Pensioenfonds ABP (further 'ABP') based in Heerlen. 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 chapter 'About this report'.

The Report includes prospective information such as ambitions, strategy, plans, expectations and estimates. Inherently the actual future results may differ from these and are therefore uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Report.

Basis for our conclusion

We have performed our review on the Report in accordance with Dutch law, including Dutch Standard 3000:" Assurance Engagements other than Audits or Reviews of Historical Financial Information".

This review engagement is aimed to obtain limited assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the Report' below.

We are independent of Stichting Pensioenfonds ABP in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).
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 ABP is responsible for the preparation of the Report in accordance with the internally developed criteria as described in the chapter 'About this report', including the identification of stakeholders and the determination of material matters. The choices made by the Board regarding the scope of the Report and the reporting policy are described in the chapter 'About this report'.

The Board is also responsible for such internal control as it determines is necessary to enable the presentation of the Report that is free from material misstatement, whether due to fraud or error.

Our responsibilities for the review of the Report

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

A review is aimed to obtain a limited level of assurance. Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the level of assurance obtained in an audit engagement.

We apply the 'Nadere voorschriften accountantskantoren ter zake van assurance opdrachten (RA)' (Regulations for Audit Firms Regarding Assurance Engagements) 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.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the Report. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with the Dutch Standard 3000, ethical requirements and independence requirements.

Our main procedures consisted of:

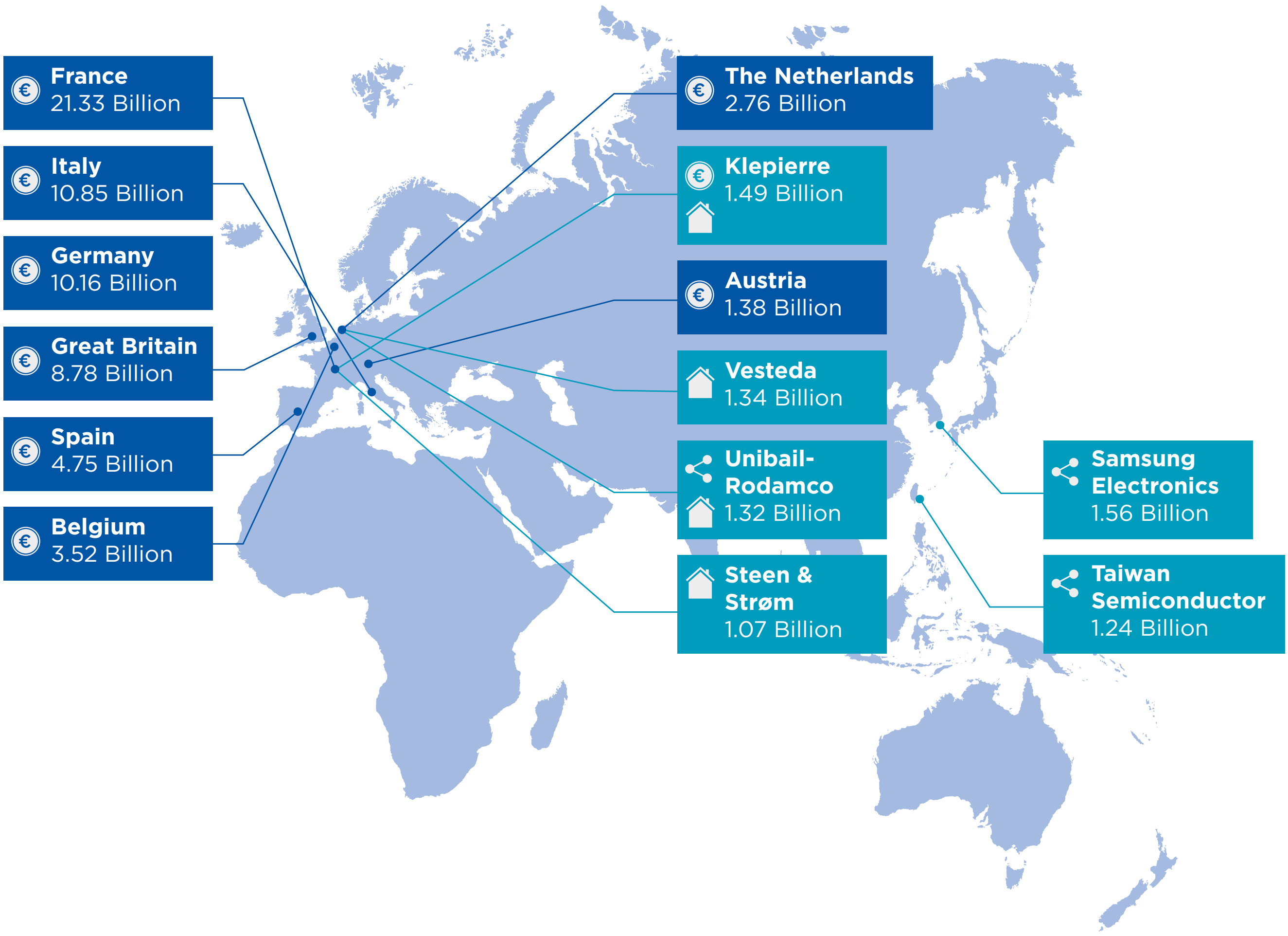
- Performing an analysis of the external environment, obtaining an understanding of relevant issues and challenges for ABP regarding responsible investment, and of the organization's business;
- Evaluating the appropriateness of the reporting criteria and its consistent application, including the evaluation of the reasonableness of management's estimates;
- Evaluating the design and implementation of the reporting systems and processes related to the information in the Report;
- Interviewing relevant staff responsible for providing the information in the Report, carrying out internal control procedures on the data and consolidating the data in the Report;
- Reviewing relevant data and evaluating internal and external documentation, based on limited sampling, to assess the accuracy of the information in the Report.

Amsterdam, 26 April 2017
KPMG Sustainability,
Part of KPMG Advisory N.V.

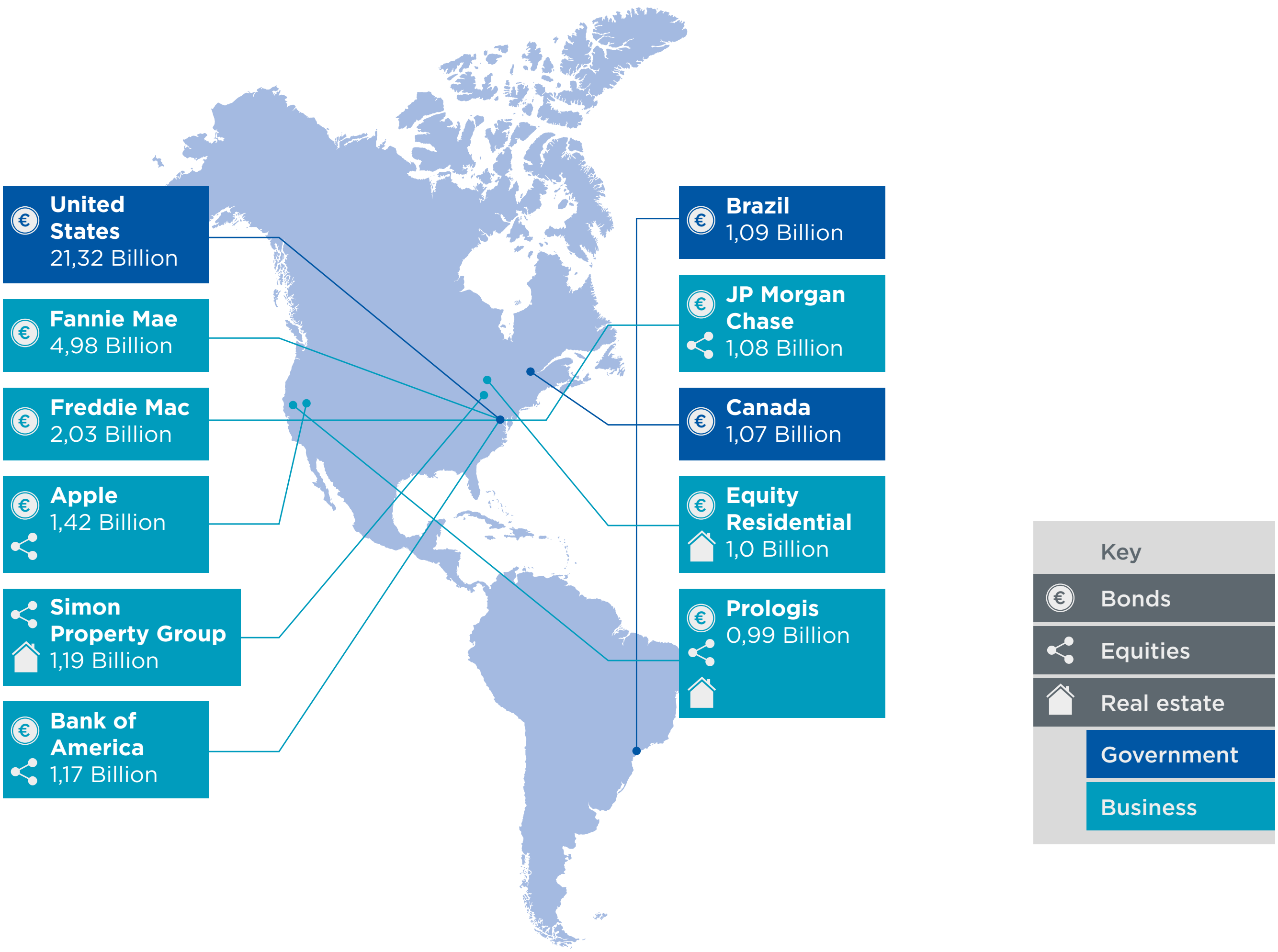
M.A.S. Boekhold-Miltenburg RA
Director

5. WHERE OUR ASSETS ARE INVESTED

The following pages show our 25 largest investments at 31 December 2016. A list of our 100 largest investments is available on abp.nl,[1] which also shows our listed investments and bond portfolio.



1 *https://www.abp.nl/english/investments/*


United States
21,32 Billion
Fannie Mae
4,98 Billion
Freddie Mac
2,03 Billion
Apple
1,42 Billion
Simon Property Group
1,19 Billion
Bank of America
1,17 Billion
Brazil
1,09 Billion
JP Morgan Chase
1,08 Billion
Canada
1,07 Billion
Equity Residential
1,0 Billion
Prologis
0,99 Billion
Key
Bonds
Equities
Real estate
Government
Business

MIX
Paper from
responsible sources
FSC® C012477

This is a publication of Stichting Pensioenfonds ABP, June 2017