

Applied RI innovations at APG

FIASI - Innovations in Sustainable Finance

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Start



Embracing innovative solutions to better demonstrate impact

Internal investment “culture” supports innovation

- Awareness and adoption
- Partnership
- Engagement
- Influence
- Balance

Considerations

- Typically off-bench
- More bespoke in nature
- Less liquid and more buy and hold
- Clear intention to create positive social or environmental impact
- Clear measurement and transparency
- Focus on products/services and not operational improvement
- Repeatability



Inaugural blue bond by energy company

Synopsis

- Lead investor in privately placed blue bond focused on offshore biodiversity and sustainable shipping.
- Orsted is Denmark's largest energy company and produces +90% of energy from renewable sources.
- Only 1% of ocean economy's total value was invested in sustainable projects over last 10yrs (World Resources Inst).
- Project examples include
 - Bubble curtain deployment at offshore windfarms
 - Bioreefs
 - Oyster and seabird habitat restoration
 - E-methanol producing facilities
- Projects financed adhere to guidelines set by Int'l Finance Corporation IFC Blue Finance

Notable attributes

- APG asked to lead transaction in part to prior relationship with Orsted via previous green bond financing
- As lead (3 investors), able to influence pricing and terms including skewing of 60% allocation projects focused on marine biodiversity.
- Above market return than comparable regular way comparable bond
- Drive awareness and credibility blue bond structure
- Company will be transparent in what projects are financed as well as what has been achieved.



Investment in EU's largest EV battery mfr

Synopsis

- APG was part of consortium of commercial banks and pension funds that provided initial funding for a greenfield project to create vertically integrated supplier of lithium-ion battery systems in Sweden.
- Volkswagen is primary off-taker and an equity investor.
- Factory will be powered by supply of 100% renewable energy
- Northvolt aims for 95% of the battery to be recyclable. Also aims to have 80% of raw materials to come from recyclable sources.

Notable attributes

- Complex transaction required extensive due diligence.
- Tight covenants (monitoring/financial).
- Attractive risk-adjusted return
- APG shown deal at very early stage and involved in negotiating terms and structure.
- Manufacturing with clear energy: mission to deliver batteries with an 80% lower CO₂ footprint vs those made with coal energy. Moreover, company aims to reduce CO₂ footprint over life of EV cells by 90%



Anchor investor in 1st sustainability-linked bond

Synopsis

- APG invested in landmark SLB bond in the largest electric utility in Italy. Enel is also a large renewables developer in power assets across the globe.
- Original SDG-7 target (affordable and clean energy) of $\geq 55\%$ renewable installed capacity by 12/31/21 (vs 46% at time of deal)

Notable attributes

- Active involvement in structuring transaction. APG was one of investors selected by Enel to provide feedback on framework.
- Despite 3x oversubscribed, APG received full allocation



Lead investor in *SDG focused EM credit fund*

Synopsis

- Fund will build up initially to \$1bn portfolio of loan participations in EM markets.
- Syndicated loans originated and structured by leading DFIs/MDBs to provide loans in EM
- Medium to long-term loans in four SDG areas of focus:
 - Energy Access and Clean Energy
 - Sustainable Industry and Infrastructure
 - Inclusive finance
 - Food security

Notable attributes

- Significant input taken in structuring fund. Direction given to address specific needs of clients and fitting into broader EMD mandate
- Attractive risk-return profile due to floating rate and illiquidity nature. Lower correlation to bench.
- Same preferred creditor status as what DFIs/MDBs receive. Default probability inline with bench, but recovery a lot higher.
- Sustainability strategy integrated into investment strategy. Ability to guide allocation by country, sector, and SDG.
- KPI measurement was a key requirement. Fund manager is signatory of Operating Principles for Impact Mgmt



Solar ABS

Synopsis

- Securitization backed by residential solar and home efficiency loans or leases.
- Loan originator is with one of largest US resi solar loan lenders.
- Sustainable home upgrades represent estimated \$430bn annual market opportunity in US.

Notable attributes

- Supports growth and adoption of resi solar
- Both explicit and implicit KPIs for measurement to demonstrate contribution to SDG 7
- Attractive risk-adjusted return
- Deal meets EU risk retention requirements (which typically is not the case)

Opportunities in the pipeline

Corporate credit and project finance opportunities focused on climate transition and biodiversity

Structured credit opportunities in

- Solar ABS loans that don't meet EU risk retention rules
- Social and green CMBS/RMBS
- US gov't agency efficiency securitizations

Emerging market credit opportunities in social

Renewable Energy

- ❑ Utility scale solar
- ❑ Residential solar
- ❑ Wind farms
- ❑ Battery storage
- ❑ Fuel cells

Infrastructure & Technology

- ❑ Green Hydrogen
- ❑ Electrolysers
- ❑ SAF & renewable diesel
- ❑ Carbon Capture and Storage
- ❑ EV charging
- ❑ Electrified transportation
- ❑ Sustainable agriculture

Social Impact

- ❑ Affordable housing
- ❑ Targeted communities (women, veterans, etc.)
- ❑ Fiber rollout to underserved communities

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