

ABP Tax Principles

1. ABP aspires responsible tax behavior

ABP wants to provide its pension beneficiaries with a good pension, now and in the future. We do this in a responsible manner. In this context, we aspire responsible tax behavior. By behaving in a responsible manner when it comes to tax, we contribute to the stability of public finances and social-economic cohesion. Tax responsible behavior correlates with our broader investment principles, meaning that we take risk, return, costs and sustainability of an investment into account.

2. ABP complies with tax laws and regulations

We ensure correct, complete and timely compliance with relevant tax laws and regulations. Whenever, wherever.

3. ABP aspires responsible tax planning

We consider the letter and the spirit of tax laws and regulations in our tax planning. We make use of exemptions, tax treaties and other facilities in the interest of our beneficiaries. We act in accordance with various (inter)national standards, such as the European Anti-Tax Avoidance Directive and the OECD's tax action plans, which are aimed at countering harmful tax planning practices. We consider tax planning harmful when the principal objective, or one of the principal objectives of an investment is obtaining a tax advantage.

4. ABP maintains responsible investment structures in and outside the Netherlands

We may use entities (such as b.v.'s) to manage our investments. We use these investment structures for business reasons and to limit liability and/or administrative burdens. These entities can be established in the Netherlands or elsewhere. Harmful tax planning practices are not the drivers behind choosing a certain jurisdiction. We always take prevailing standards into account. In particular, we consider whether a jurisdiction complies with international standards regarded (tax) transparency and whether the jurisdiction sufficiently exchanges information with other (tax) authorities. When setting up investment structures we follow guidelines provided by international organizations such as the OECD and the EU.

5. ABP aspires a good relationship with (tax)authorities

We strive to maintain an open and honest relationship with (tax) authorities, which is based on mutual trust, understanding and transparency. This means, among other things, that we present our tax positions to the tax authorities, both within the Netherlands and outside the Netherlands. We are transparent about our tax behavior, also towards other regulatory authorities.

6. ABP makes sustainable investments

We only invest in or through companies that are expected to provide a good return against acceptable risk and costs. We also take into account whether a company operates sustainably and responsibly. Within this framework, we assess whether a company operates in a tax responsible manner. We do this to assess tax liabilities and tax risks, but we also do this as part of our sustainability agenda. Our main goal is to make a balanced investment decision based on return, risk, costs and sustainability.

7. ABP cooperates with other organizations

In order to bring our Tax Principles into practice, we seek cooperation with other investors, companies and international organizations. Our impact is stronger when working together.

8. ABP takes on an active role in the tax debate

We actively engage with governments, tax authorities and stakeholders to contribute to responsible taxation. We also use our influence to achieve that we, as a pension fund, are fairly treated when new tax laws and regulations are drafted and when existing ones are applied.

9. ABP embeds compliance with its Tax Policy

The Board of ABP has adopted our Tax Principles and Tax Policy. The Board safeguards compliance with the Tax Policy.

10. ABP aspires increased fiscal transparency

We believe that open and transparent communication is essential for successful compliance with our Tax Policy. We therefore aim to be more transparent about the amount of tax that we pay directly and indirectly and where we pay these taxes. This may be easier to achieve for taxes that ABP pays directly, compared to taxes that ABP incurs indirectly (e.g. because these taxes are paid by entities in the investment chain). In the coming years we will work to improve our level of tax transparency and we will report on our efforts. In these reports we will take accountability for the way we have implemented and complied with our Tax Principles. We will report on our progress and will also be honest about complicating factors.

ABP Tax Policy

1. Our vision on tax

ABP wants to provide its pension beneficiaries with a good pension, now and in the future. Our mission is: “Building a good pension together”. For us this means a pension that our beneficiaries can enjoy in a livable world. This mission forms the foundation for our pension administration, management and investment activities. In our investment activities we achieve this goal by taking into account risk, return, costs and sustainability when making investment decisions. Investing in a sustainable and responsible manner can go hand in hand with obtaining a good return at an acceptable level of risk. Tax responsible behavior is compatible with this objective. On the one hand, tax responsible behavior helps us to assess possible tax risks. On the other hand, tax responsible behavior contributes to the stability of the global financial system and a sustainable society.

As one of the largest pension funds in the world, we have a high level of influence on societal developments. Also in the Netherlands, we are very much aware of our function as the pension fund for people working for the government or in education. It may therefore be expected from us that we behave in a tax responsible manner and that we communicate transparently on this to our stakeholders.

To define tax responsible behavior, we have adopted a number of tax principles that apply to our pension and asset management activities, as well as our internal business operations. These principles form the basis of our Tax Policy. To remain relevant in the future, we periodically reassess our Policy based on changing laws and regulations, developments in society and new insights. Our Tax Policy sets out the framework within which we act in the field of taxation, taking into account our societal purpose and our fiduciary obligations towards our beneficiaries.

2. Responsible tax planning

Our beneficiaries are taxed on the pension benefits they receive from us. Therefore, as a Dutch pension fund, ABP is exempt from corporate tax in the Netherlands. In other countries, the investments of ABP may not always be exempt from tax. This may ultimately result in double taxation for our participants. It is our duty to ensure a best possible return on investment for our participants and therefore we aim to prevent double taxation for our beneficiaries. We take guidelines for tax responsible behavior into account when trying to prevent double taxation for our beneficiaries. For us tax responsible behavior and acting in a tax responsible manner means:

- i. complying with laws and regulations (both the letter and spirit of the law);
- ii. conducting good tax governance and transparency;
- iii. promoting tax responsible behavior with parties with whom and in which we invest through international collaboration with other (renowned and responsible)
- iv. acting in accordance with initiatives by supranational organizations

3. Letter and spirit of the law

In principle, a taxpayer is free to choose the least burdensome way when determining its tax position. This applies to ABP as well. However, we consciously choose to prevent any involvement in aggressive tax planning. This means that we do not only abide by the letter of the law, but also consider the spirit of the law in all our dealings. As such, we take both the intended goal and objective of the law into account.

Tax planning is in our view not appropriate if it can be assumed that certain planning aspects would result in reparative legislation, had the legislator been aware of the planning involved. After all, the legislator cannot foresee all undesirable forms of tax planning upfront. Organizations in the field of international tax law also provide guidance on responsible tax behavior. The Organization for Economic Cooperation and Development (OECD) has, for example, identified several forms of aggressive tax planning which they considers unacceptable. We endorse such initiatives and act accordingly.

4. Good tax governance and transparency

The Board of ABP has adopted the Tax Policy. Compliance with our Tax Policy is safeguarded by our Tax Control Framework and our investment policies and procedures, in which our Tax Principles have been embedded. This forms the basis of good tax governance. For us, transparency on tax behavior is an important part of conducting good tax governance.

We therefore aim to provide our participants and stakeholders with insight as to how much tax we directly and indirectly pay, and where we pay these taxes. In addition, we account for the ways in which we have implemented and complied with our Tax Principles. After all, taxes form an essential part of our investment process, pension administration and business operations. In the coming years, we therefore aim to increase our tax transparency. We will do this in our integrated reports and annual reports. Important focus areas are:

- ✓ The steps we take to put our Tax Principles into practice (such as cooperation and dialogue with the companies we invest in);
- ✓ The amount of tax we pay directly and indirectly and in which countries (e.g. in accordance with international country-by-country reporting rules);
- ✓ The macro development in the field of international taxation and the impact thereof on our investments, pension benefits and society.

Transparency towards (tax) authorities

Apart from accountability to our participants and political/social stakeholders, we value an open and honest relationship with the (tax) authorities in the Netherlands and countries in which we invest. Tax planning can have an influence on this relationship. ABP has concluded a covenant on so-called 'horizontal monitoring' with the Dutch Tax Authorities. This means, among other things, that we present tax positions to the Dutch Tax Authorities that may lead to disagreement. We aim to do this as soon as possible, but at the latest when submitting the annual tax return. We share relevant facts and provide insights into our considerations. We make sure to keep adequate records so that the choices we have made can be verified.

5. Collaboration with other investors, policymakers and regulators

As a global investor, we are confronted with fragmented international legislation. In order to effectively bring responsible tax behavior into practice in our international investment activities, we are intensifying our collaborations with other large investors in the field of taxation. We are convinced that we are stronger when working together in establishing expectations and criteria in the field of taxation for parties that we invest in. By working together with other investors in this international environment, we increase our influence on governments, as well as companies that we invest in. This way, we jointly put the theme of responsible tax behavior prominently on the agenda of companies and governments..

6. Measures against aggressive tax planning and the promotion of tax transparency

Countering aggressive tax planning has been high on the agenda of national governments and overarching international organization such as the OECD for a number of years. Aggressive planning is regarded undesirable and worrying by the general public: it forms a threat to tax morality and thereby to the overall stability of our society. In 2015 the OECD presented its action plan against aggressive tax planning. Several countries are currently implementing these action plans into their domestic legislations. Existing tax treaties are also updated to include provisions that counter aggressive tax planning arrangements. The OECD's action plan have resulted in policy makers and businesses to change their perspective on tax planning and tax transparency. We endorse the approach of the OECD and act in accordance with the principles formulated by the OECD to contribute to the fight against aggressive tax planning.

7. What we expect from companies we invest in

For all our investments, we take the following factors into account: goal and intention of tax laws and regulations, reputation, impact on return, administrative burden, legal requirements, costs and operational feasibility, clarity and transparency. Our records contains an explanation of the choices we make.

Listed investments

For all our investments we pay attention to risk, return, costs and to what extent investments are sustainable and responsible. This is the essence of our investment policy. We will question listed companies in which we invest on tax responsible behavior and check whether they have a tax policy. We do this to be able to assess the (tax) risks, but also as part of our sustainable ambition. In the coming years we aim to increase our efforts in this area.

Non-listed investments

Whether we can demand full adherence to our Tax Principles dependent on the degree of influence we have in investment structures. For direct investments, our influence on the tax structure is often larger compared to investments through externally managed investment funds. When our influence is substantial, we seek to impose a best-efforts obligation to ensure compliance with our Tax Principles. When our influence is limited, we review to what extent our Tax Principles are complied with. We take these results into account in our assessment of risk, return, costs and sustainability of the investment.

8. Our ambition on tax 2020 – 2025

It will take time to realize our ambition and objectives stipulated in our Tax Policy. In any case, we want to achieve the following by 2025:

- ✓ Our systems (data) and processes are set up in such a way that it is possible for us to have a dialogue on tax responsible behavior with companies (listed and non-listed) in which we invest in and, where appropriate, with partners with whom we co-invest, and report on this. In the coming years we aim to achieve this step by step.
- ✓ Be transparent to our participants and stakeholders about how much tax we pay directly and indirectly in the various countries in which we invest, and provide insight on the indirect taxes incurred by ABP.
- ✓ Apply our Tax Principles to all our investments, taking into account all our investment criteria (i.e. return, risk, costs and sustainability). We will provide insight to our stakeholders in our investment decisions.
- ✓ Enter into international partnerships with institutional and other investors to promote tax responsible behavior in all our investments. The coming years we will take action to realize these partnerships.
