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CODE FOR PRUDENT

**INVESTMENT
POLICY**

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ABP Code for Prudent Investment Policy 2000

Introduction

INVESTMENTS
SOLELY IN THE
INTEREST OF
PARTICIPANTS

RISK/RETURN

The Governing Board of the foundation "Stichting Pensioenfonds ABP" (ABP) ensures that the assets of the pension fund are invested prudently. The Board sees to it that investments are made exclusively in the interest of the (former) participants in the pension fund. The Governing Board determines what risks ABP is prepared to accept in connection therewith. Subject to these risk parameters, ABP wishes to maximise return on its investments for the benefit of the (former) participants in ABP.

CHECKS AND
BALANCES

Each of the various ABP bodies (Governing Board, Board of Directors and Investment Committee) has its own duties and responsibilities in the investment process. These are set out in the Regulation on Investment Procedures. In broad lines, the Regulation on Investment Procedures specifies that policy and strategic decisions are the responsibility of the Governing Board. These decisions are prepared by the Board of Directors, which is advised by the Investment Committee. The Governing Board has delegated the actual investment of the available funds to the Board of Directors, the responsible body for ABP's day-to-day management.

REASONED
BEHAVIOUR

The investment of available funds is carried out in accordance with the applicable requirements for the exercise of prudence. The Governing Board sees to it that these requirements - which are embedded in many parts of the ABP organisation - are satisfied. The effect of these requirements is that no investment is based on coincidental decisions by ABP management, directors or employees. Instead, there is consistent and reasoned investment practice in all segments of the organisation.

The characteristics of this investment practice are set out in this Code. They form the basis for a prudent ABP investment policy on behalf of the (former) participants in the pension fund and in relation to the society in which ABP operates.

ABP has an Advisory Council consisting of representatives of employers affiliated to ABP and representatives of the (former) participants.

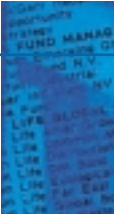
ADVISORY COUNCIL

The Governing Board has asked the Advisory Council to advise on the intended resolution to formalise this Code. On December 1, 2000 the Advisory Council decided in favour of the resolution.

DECISION MAKING

The text of the Code was formally accepted by the Governing Board of ABP on December 21, 2000.

The Code is divided as follows:	page
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1. The Investment process

PRUDENCE:
INVESTMENT
PROCESS

1. The concept of 'investment process' is of paramount importance to ABP in evaluating whether there is a prudent investment policy.
2. ABP understands 'investment process' to mean the entirety of rules governing the preparation, implementation and management of investments. ¹
3. ABP requires of all the managers in its organisation that they see to it that all activities are carried out in accordance with the rules of the investment process. ABP can at all times hold them responsible for compliance with these rules.

MONITORING

4. The Governing Board and the Board of Directors ensure that in all stages of the investment process ABP avails itself of the professional expertise required for:
 - an optimal investment result;
 - an accurate management of the investments; and
 - the control of risks associated with investments.

ABP AS "PRUDENT
EXPERT"

INVESTMENT
COMMITTEE

5. ABP has an Investment Committee which advises the Board of Directors with regard to the organisation of the investment process, the development of the investment policy and extraordinary investment intentions. The Investment Committee consists of members who are independent of ABP and who have proved to be experts in the area of investments or financial markets.
6. The Governing Board has delegated the organisation and day-to-day management of the investment process to the Board of Directors. The Governing Board bears ultimate responsibility for the entire investment process.
7. The Governing Board presents the main lines of the investment process to the Advisory Council.

II. Investment plans

- | | |
|---------------------------|--|
| STRATEGIC/
ANNUAL PLAN | 1. ABP makes a distinction between the strategic (multi-year) investment plan and the annual investment plan. |
| SOLIDITY | 2. The aim of the investment plans is to secure that ABP's available funds are invested in accordance with the Dutch Pension and Savings Fund Act, namely: in a solid manner, with due regard to the requirements of solvency, liquidity, return and the diversification of risk. |
| "TOP DOWN" | 3. The investment plans are drawn up in accordance with the Regulation on Investment Procedures. ²
4. The Board of Directors develops the investment plans and presents them to the Investment Committee for assessment.
5. The investment plans are laid down by the Governing Board.
6. The strategic investment plan spells out the relationship between ABP's assets and liabilities. It contains the major investment decisions which ABP has to make, i.e. |
| ASSETS AND
LIABILITIES | a. The desired strategic asset allocation according to investment categories and countries (regions). The risk profile of this strategic allocation is analysed in the light of all the rights and obligations at fund level, both on the short and the long term;
b. The return target set for each asset class, expressed in one or more benchmarks;
c. The extent to which ABP is prepared to accept the risk that investment results at fund level may deviate from the desired strategic allocation ("total risk");
d. The currency policy. ³ |
| ACCEPTABLE RISK | 7. The investment plan describes the way in which ABP will implement the strategic investment plan in the year in question.
8. The Board of Directors presents the strategic investment plan to the Advisory Council. |

III. Implementation of the investment plan

1. The Governing Board of ABP has delegated the implementation of the investment plan to the Board of Directors, in accordance with the Regulation on Investment Procedures.
2. In implementing the investment plan there is room for every investment category, every investment instrument and every investment technique⁴, provided the defined criteria regarding risk and return, solidity and prudence are satisfied.
3. In implementing the investment plan, one needs to guard against conflicts of interest. ABP's management and employees are therefore bound by a Code of Conduct.
4. The investments entered into, pursuant to the investment plan, are made by ABP employees and third parties contracted by ABP for that purpose. Among these third parties are investment managers, custodians and brokers.
5. The aforementioned third parties are selected and evaluated on the basis of objective criteria. Considerations taken into account and associated arguments applied are recorded in a systematically built up selection and evaluation file.
6. The investments entered into, pursuant to the investment plan, the management of investments and the control of risks associated with investments, are effected with due regard to the on Manual of Market Risk Management .⁵
7. The Board of Directors reports to the Governing Board on a quarterly basis on the manner in which the investment plan is being implemented.
8. The results of the investment policy are presented to the Advisory Council annually.
9. The Governing Board and the Board of Directors render account of their management of the fund's assets in ABP's annual financial statement.

UNIVERSE

SEPARATION OF INTERESTS

NO ARBITRARINESS

CONTROL OF RISKS

ACCOUNTABLE

IV. Social responsibility

- PRIMARY RESPONSIBILITY
LOYALTY PRINCIPLE
1. The aim of ABP's investment policy is to obtain a maximum return for the (former) participants in the pension fund, within the risk parameters established by the Governing Board. ABP requires from all those involved in its investment process an undivided dedication to this investment objective.
 2. In the light of this objective, ABP will resist all investment compulsion and investment restrictions which have a negative effect on an optimal investment return. There is no room for socially initiated investments or for economically targeted investments⁶, if such investments do not meet the return requirements formulated by ABP.
- ACCOUNTABILITY
3. ABP is conscious of the social role it fulfils as a large investor. This role compels ABP to exercise great care in its actions. ABP is prepared at all times to account for the consequences of its investment practice for society, the environment, employees and human rights.
 4. Naturally, ABP will not become involved in any investment transaction which would, for instance, contravene international law. Moreover, ABP will avoid an investment:
 - if illegal or morally reprehensible behaviour is thereby promoted,
 - if the investment - were it to be made - is directly related to a violation of human rights⁷ and fundamental freedoms. If it is likely there will be such a relationship and if ABP is aware of this, ABP will refrain from the investment.
 5. ABP will promote that criteria of a social, ethical and environmental nature will be integrated in its investment process. In this context one or more experimental investment portfolios may be created whereby investments are selected, managed and divested on the basis of special concern for these criteria. Of course, this leaves the goal of ABP's investment policy unaffected.
- LIMITS IMPOSED ON INVESTMENT FREEDOM
- RESEARCH ON SUSTAINABILITY ...
- ... WITHIN INVESTMENT PROCESS

V. The role of the shareholder ("corporate governance")

BACKGROUND
ABP POLICY

1. Pension funds are closely involved in the discussion concerning corporate governance. They must be able to rely on stable and reliable corporate structures and in decision-making within companies which safeguards the interests of the investors. This allows pension funds to make large amounts of capital available to companies for a long period. For this reason ABP has an active corporate governance policy in which it requires high standards of transparency, independent supervision, accountability and shareholders' rights.

POINT OF
REFERENCE

2. ABP will evaluate the quality of corporate governance on the basis of principles which have been drawn up by authoritative international organisations.⁸ At the basis of these principles is the theory that a company should be subjected to a well-functioning correction mechanism⁹, in case the management of the company fails to pay sufficient attention to the interests of the shareholders.

INTERNATIONAL
PERSPECTIVE

3. ABP will place developments in The Netherlands in this international context. This position relates to, and is a logical consequence of, ABP's internationally diversified equity portfolio.
4. Companies will be forced by international competition and the dispersal of their share capital to adapt their corporate governance according to international standards. In this way they can obtain the loyalty of investors.

SUSTAINABLE
SHAREHOLDER VALUE

5. ABP will promulgate that listed companies should aim at generating a sustainable maximum return for their shareholders.¹⁰ ABP will evaluate the policy of the Board of Directors and Supervisory Board of a company in the light of this target.
6. ABP will manage and exercise its shareholder rights if this contributes to the risk and return profile of its investment portfolio.

7. It is explicitly not ABP's intention to concern itself with the strategy of, or the day-to-day state of affairs within the company. However, on the basis of financial risk and return criteria ABP will assess whether the company strategy has met its financial targets.
8. ABP emphasises the legal separation of duties between the Board of Directors, the Supervisory Board and the General Meeting of Shareholders of a company. ABP adheres to its independent role as a shareholder. It does not pursue a seat in the Supervisory Board which might affect this independence.
9. ABP supports the non-selective disclosure by companies of all information relevant to investors. If the company discloses relevant information to certain participants in the securities markets¹¹, it should publish the same information simultaneously or without delay to the public.
10. ABP will only in exceptional circumstances seek contact with the management of a company *outside* the framework of the general meeting of shareholders. *If* these contacts do take place, they have the object of communicating what in the opinion of ABP is in the interest of the company and its shareholders.
11. As a long-term shareholder, ABP wishes to emphasise the long-term target of the company in relation to sustainable economic growth. The management of the company must be in a position to account publicly for possible contested investment decisions, to prevent the company from alienating itself from the society in which it carries on its business. This requires that the management of the company evaluates such investments in the light of a code of practice which it draws up and publishes to this end. The result must be: a prudently operating company which shows that it takes into account the environmental care, social stability, human rights and fundamental freedoms in its investment decisions and striving for profitability.

DIFFERENT
RESPONSIBILITIES

PUBLIC DISCLOSURE

BILATERAL
COMMUNICATIONS
EXCEPTIONAL

CAREFUL
ENTREPRENEURSHIP

ABP emphasises that it is the task of the Board of Directors and the Supervisory Board and not the task of the shareholder to guide the operations of the company in this area of (potentially) conflicting interests.

12. The attitude of institutional investors is often crucial if a company becomes the object of a contested takeover. The decisions that ABP makes in such circumstances are the result of its own financial interests in the long term. This may conflict with the goals of other stakeholders. The decisive factor will be whether the bidder or targeted company should be deemed in a position to realize a sustainable maximum return on the capital made available by ABP.

ABP'S OWN
INTEREST ...

... LONG TERM
INTEREST

13. ABP's policy with regard to corporate governance is further elaborated in the Code Corporate Governance.

VI. Amendment of this Code

GROWING INSIGHTS

The issues handled in this Code are subject to continuous discussion, both inside and outside the ABP organisation.

ABP will therefore periodically revise this Code.¹²

New insights will be included in this Code.

The Hague, December 21, 2000

chairman,

A handwritten signature in blue ink, appearing to be 'B. de Vries', with a stylized 'B' and 'V'.

B. de Vries

secretary,

A handwritten signature in blue ink, appearing to be 'B.H.J.J.M. Völkers', with a stylized 'B' and 'V'.

B.H.J.J.M. Völkers

first vice-chairman,

A handwritten signature in blue ink, appearing to be 'P.M. Altenburg', with a stylized 'P' and 'A'.

P.M. Altenburg

Appendix to the ABP Code for Prudent Investment Policy

1. Chapter I, item 2

Investment process:

The entire body of rules which ABP describes as "the investment process" consists of the following:

- a. Provisions in the Dutch Pension and Savings Fund Act;
- b. Provisions in the articles of organisation of the foundation 'Stichting Pensioenfonds ABP';
- c. Regulation on Investment Procedures, which stipulates the tasks and responsibilities of the Governing Board, Board of Directors and Investment Committee in the decision-making process regarding investments;
- d. The Investment Committee Regulation, which stipulates the composition, tasks and working methods of the Investment Committee;
- e. Rules relating to the internal power of decision and the external power of representation, i.e.:
 - The Regulations for the division of responsibilities of the Board of Directors;
 - The Regulations for the Board of Directors;
 - The competence rules for ABP Investments;
 - The powers of attorney as registered in the Commercial Register*;
- f. The risk parameters established by the Governing Board;
- g. The Manual on Market Risk Management and the Credit Risk Manual;
- h. The Code of Conduct, which contains rules of conduct to combat conflicts of interests.

* *The foundation 'Stichting Pensioenfonds ABP' is registered in the Commercial Register of the Chamber of Commerce and Industry for South Limburg under registration number: 41074000.*

2. Chapter II, item 3

Article 15, section five, of ABP's articles stipulates that, with a view to making investments, the Governing Board of ABP should establish a Regulation on Investment Procedures. The Regulation on Investment Procedures deals with the duties and responsibilities of the Governing Board, Board of Directors and Investment Committee in the decision-making with regard to investments.

3. Chapter II, item 6

The desired strategic asset allocation, the return target per asset class and the currency policy are expressed in the box below:

	strategic allocation 2001 – 2003	index/benchmark
Equity	52%	
• Europe	50%	MSCI Europe
• Rest of the World	50%	MSCI Rest of the World
Real estate	8%	
• Europe	50%	SSB European Property Index
• US	40%	Morgan Stanley REIT Index
• Asia	10%	SSB Asia Property Index
Fixed income	40%	
• Europe	70%	JP Morgan Gov.Traded EMU
• US	30%	JP Morgan Gov. Traded US
Cash	$\frac{0\%}{100\%}$	
Duration VRW		Duration of the indices
Hedge currency exposures		
• USD	40 – 50%	Result 1 month currency futures contract
• Other currencies:	0%	

4. Chapter III, item 2

Investment instruments and investment techniques:

This passage describes the use of derivatives within the investment policy. Whether a transaction in a derivative instrument is prudent is answered in the same way as an investment in underlying assets, namely in the light of the investment process described and the terms and restrictions contained in it. On this basis it can be assessed whether the transaction contributes to the achievement of the investment goals. This agrees with the view of the Pensioen- en verzekeringskamer (pensions and insurance supervisory authority of The Netherlands) as described in its circular of April 24, 1996. In this document it states that the use of derivatives by a pension fund or insurer is assessed according to guidelines "analogous to the requirements which apply to the general investment policy". One of the guidelines is:

The role and use of derivatives in the general investment policy should be clearly elaborated and formulated and meet the requirements of solidity and prudence. There should be unambiguous internal guidelines for, amongst others, the kinds of permissible derivatives and the permitted use, including for example position limits and permitted counterparties.

5. Chapter III, item 6

In the Manual on Market Risk Management the following subjects are dealt with:

1. Aims
2. Investment process
3. Organisation of Risk Management
4. Control of market risks (definition, quantification (ratios), control)
5. Performance measurement and attribution
6. Systems
7. Procedures

6. Chapter IV, item 2

Socially initiated investments:

ABP considers this to be a practice whereby investments are made or not made primarily with a view to achieve a social objective. A socially initiated investment may take two forms: (i) certain investments are refrained from in order to put pressure on the party seeking capital, or (ii) certain investments are made with the intention to influence -for example by exercising shareholders' rights- socially undesirable behaviour.

Economically targeted investments:

This is understood by ABP to be investments primarily made with a view on securing concomitant economic results that are considered desirable by interested parties. For example, maintaining employment in a certain economic sector, preserving national heritage, promoting certain economic activity (venture capital), maintaining a certain industry in a region or a country.

7. Chapter IV, item 4

Human rights

Human rights are laid down in treaties concluded by treaty-concluding parties. These treaties sometimes include obligations involving effort: the nations are obliged to strive for a certain aim, for example, by introducing legislation. The so-called 'basic social rights', in particular, require an effort on the part of the treaty-concluding nations. The nations need to create the preconditions within which these basic rights may fully come into effect. Examples of basic social rights are, for instance, to be found in international labour law.

Absolute human rights and fundamental freedoms, on the other hand, may be called upon without further (national) legislation. No one may be subjected to torture; everyone has the right to privacy; everyone has the right to freedom of speech.

The nature of these rights and freedoms imply an immediate applicability; they are always in effect.

8. Chapter V, item 2

The Organization for Economic Co-operation and Development (OECD), the International Corporate Governance Network (ICGN) and the Council of Institutional Investors have drawn up such principles.

9. Chapter V, item 2

Examples of correction mechanisms might be: a powerful Supervisory Board independent of the Board of Directors; a system of proxy voting also accessible to institutional investors and proxy solicitation; a very liquid share whereby the investor has an option to 'implied voting' (the Wall Street rule) without risking adverse effects on his investment; a company which might become the object of a take-over-bid due to the absence of anti take-over devices. In ABP's opinion, it is difficult to align the application of the Dutch so-called structure regime, an accumulation of oligarchic regulations and anti take-over devices with the aim of creating correction mechanisms.

10. Chapter V, item 5

The sustainability of this goal implies that a company cannot ignore the interests of other stakeholders involved in the company. ABP feels that in the light of this long-term goal, the conflicts between the so-called "shareholder value model" and "stakeholder model" should not be overstated.

11. Chapter V, item 9

This refers to a practice of disclosing such information to persons such as analysts, brokers, bankers or investors outside the scope of the company and its advisors.

12. Chapter VI

The Code established in November 1997 was revised in December 2000.

Colophon

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Also in this series:

ABP Investments, Code Corporate Governance

ABP Investments, An Introduction





