

PGGM Investments Exclusions Policy

Revised version 2010

Adopted by CIO PGGM Investments B.V.

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General principles

With this Exclusions Policy, PGGM Vermogensbeheer B.V. (hereinafter PGGM Investments) sets a clear, ethical framework for its investments. The Exclusions Policy is part of our Responsible Investment Policy. PGGM Investments manages assets that are held in funds in which PGGM Investments' clients participate and in segregated accounts for PGGM Investments' clients. In this Exclusions Policy the word 'clients' refers to both clients that participate in (one or more of) the funds managed by PGGM Investments as well as to clients for whom we manage segregated accounts.

The objective of the Exclusions Policy is to avoid investments by PGGM Investments on behalf of its clients in entities that are not consistent with its identity and the identity of its clients. This inherently means making choices. We have chosen to concentrate on two specific areas: weapons and human rights.

Implementing the Exclusions Policy requires a careful and transparent approach. The process of screening companies is outlined in Annex 1 and will result in – amongst others – a public list of excluded companies and government bonds which will be updated periodically.

An important principle of the Responsible Investment Policy is the ambition to act as an active investor on behalf of our clients. This principle will in specific cases be fulfilled by seeking firstly to achieve a change in behaviour in invested companies. In these cases, engagement is the preferred instrument. The Exclusions Policy will therefore be complemented by our Engagement Policy, which will be used in the execution. If engagement proves to be unsuccessful, exclusion can be the result after all.

Exerting pressure and maintaining a dialogue is not always possible or indeed the most suitable instrument. Therefore, it is possible to exclude companies directly, without first trying to achieve change within companies. PGGM Investments will report periodically on the implementation of its Exclusions Policy. The most recent list of excluded companies and government bonds will also be published.

Exclusions criteria for companies

I. Controversial weapons

PGGM Investments will exclude companies from investment if they are involved in manufacturing or trading of weapons of which the use will cause violation of fundamental human rights. PGGM Investments' focus in this respect is on controversial weapons. These are weapons that (can) cause harm on a large scale and target civilians, or mainly cause civilian casualties. Proportionality is an important issue in this respect; the military benefits must be weighed against the possible humanitarian consequences and the nature of the intended target of such weapons. In this respect it is also important to consider whether the weapons primarily cause military damage and/or casualties or whether most of the casualties are civilians. We focus on six types of weapons, divided into two categories.

1. Weapons of mass destruction:

- a. Nuclear weapons²;
- b. Chemical weapons³;
- c. Biological weapons⁴.

2. Weapons with a significant risk of (civilian) casualties during and/or after the military conflict:

- a. Anti-personnel mines⁵;
- b. Cluster bombs⁶;
- c. Depleted uranium ammunition⁷.

Any company with a substantial involvement in the manufacturing or trading of these weapons will be directly excluded from our investments. Involvement will be deemed to be substantial if the company manufactures or supplies one or more of the types of weapons listed above as a finished product or supplies essential and/or customised semi-finished parts and/or services for one or more of these weapons. Companies will also be excluded if they have a controlling interest formally or in practise in a subsidiary or joint venture with a substantial involvement in the manufacturing or trading of such weapons.

If PGGM Investments expects that a company with a substantial involvement in any of the above types of weapons is willing to dispose of or to discontinue the related activities, we will not directly exclude such a company, but will first add its name to the Engagement Focus List.

II. Human rights

We regard human rights as the rights referred to in the United Nations' (UN) Universal Declaration of Human Rights, and labour rights as specified by the United Nations/International Labour Organisation (ILO).

For companies, these rights have been translated into amongst others the UN Global Compact, the UN Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights, and the Organisation for Economic Development and Co-operation (OECD) Guidelines for Multinational Enterprises. Companies may have to deal with issues relating to violations of human rights if, for instance, they have relationships with repressive regimes or if either they or their main suppliers are involved in violations of human rights in any way. PGGM Investments regards it as a basic tenet of its identity that companies should respect human rights.

Experience shows that there are high-risk countries and high-risk sectors in which violations of human rights are relatively frequent and in which companies can become involved. PGGM Investments expects companies operating in these countries and sectors to have human rights policies, programmes and reporting systems in place. We do not in principle directly exclude such companies from our portfolio if these programmes are lacking, but prefer our role as active shareholder on behalf of our clients by firstly pursuing an engagement approach and add the underperforming company to the Engagement Focus List.

Such engagement approach will also be pursued if human rights are violated within the company's sphere of influence. PGGM Investments will then enter into a dialogue with the company to improve the situation (end the violations if persistent) and to avoid any such violations in the future, for example by establishing satisfactory human rights policy, programmes and reporting. If our engagement does not prove to be

successful within a specified period – in other words, if a company fails, for example, to establish a policy and/or remains frequently involved in new violations of human rights – the company will be excluded after all.

We do not in principle directly exclude companies from our portfolio, but prefer our role as active equity owner by firstly pursuing an engagement approach. In exceptional cases, where human rights are violated within the company's sphere of influence to a very serious and systematic degree, PGGM Investments can opt for direct exclusion.

III. Exclusions pursuant to the Engagement Policy

Exclusion is explicitly regarded as the last resort (ultimum remedium) in PGGM Investments' Engagement Policy.

Companies may consequently also be excluded on themes specified in the Engagement Policy (for example corporate governance or climate change issues).

Exclusion may then be the result of a company failing to move in the desired direction or completely failing to respond to specific engagement on the part of PGGM Investments.

More details on this can be found in the Engagement Policy (which is part of PGGM Investments' Listed Equity Ownership Policy).

Exclusions criteria for government bonds

The specific characteristics of government bonds (emitting entities are sovereign) makes full application of the Exclusions Policy in combination with our other responsible investment policies impossible. For government bonds (including inflation linked government bonds and other debt – without predefined goal – issued by central and lower governments) the Exclusions Policy will be applied as follows.

Excluded are those government bonds that are issued by:

- Countries of which ILO recommends to review relations with and/or
- Countries that are subject to sanctions of the UN Security Council.

In addition, PGGM Investments can decide to exclude government bonds, issued by other countries of which it must be concluded that they violate, without any recent positive developments or positive developments that can be expected in the near future.

Annex 1: Process of exclusion

PGGM Investments executes the exclusions policy by striving to applying it to all investment categories. Application can differ between the different investment categories and depends on practicalities, for instance whether application is legally binding or applicable at reasonable cost. We always apply this policy as efficient as possible. This is done through either one of the following ways:

- a. Translation of the policy into lists of excluded companies (listed companies) that are applied by fund managers (internal and external). This is mainly relevant for liquid investment categories.

At least once a year, the starting point of our screening on the exclusions criteria is the current investment portfolio (equities, bonds and real estate funds). We then add the list of currently excluded companies. External agencies analyse the companies in this selection of companies according to our exclusions criteria. Various sources are used in the screening process, including non-governmental organisations (NGOs), specialised data suppliers, the media, other institutional investors ('peers') and the companies themselves. The result is a list of companies that according to the research agencies and based on the research method used, are compliant with the exclusion criteria.

After that, PGGM Investments also analyses the companies on this list. This includes requesting feedback from the companies in question. This supplementary research results in a list of candidates for the Exclusions List. A decision is then taken as to whether engagement will produce tangible results or is appropriate for each of these companies, or whether companies should be excluded directly. See figure 1.

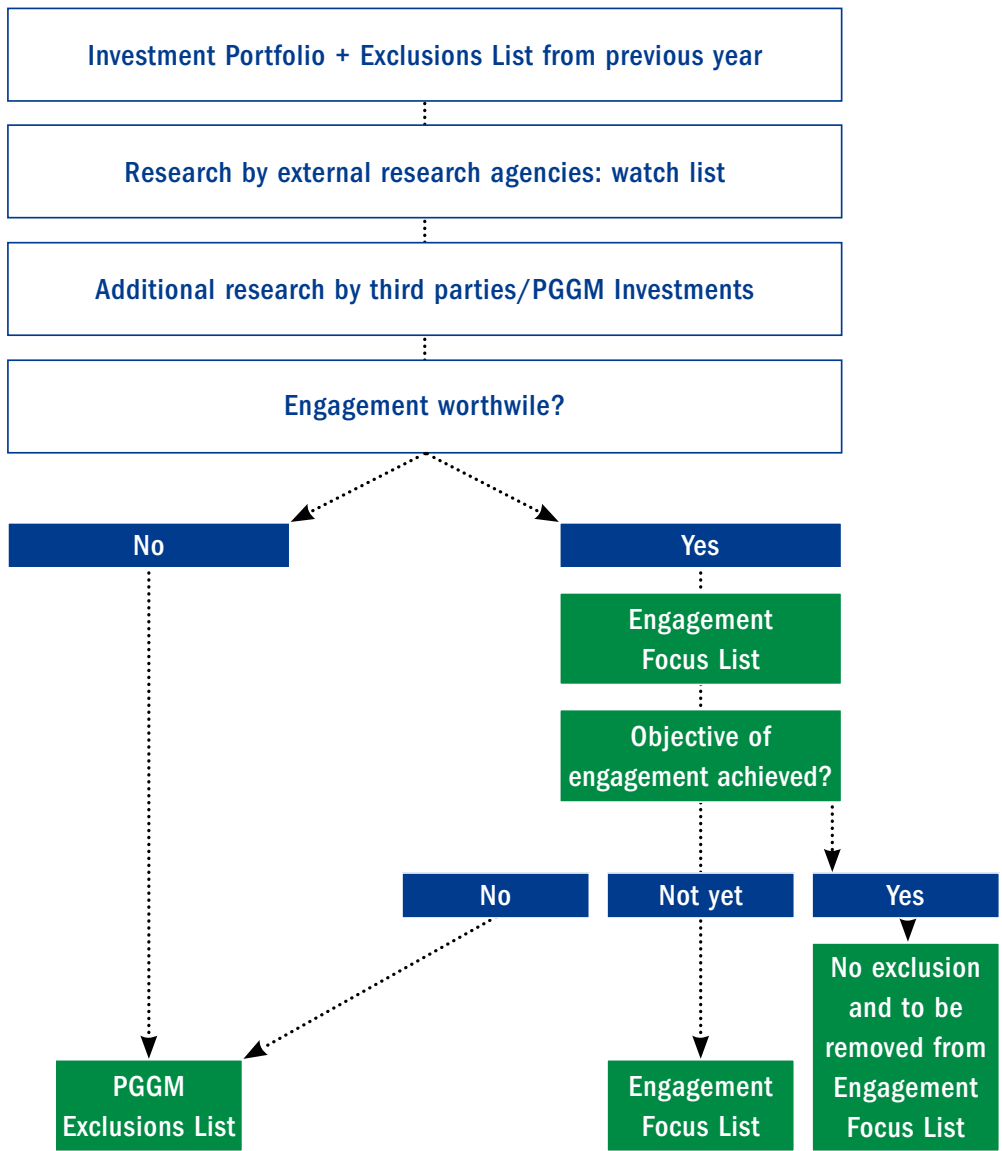
- b. Formal application of the policy's criteria by fund managers in their investment decision. For external managers, we are seeking formal, contractual agreements. This is mainly relevant for illiquid investment categories.

The investable entities in these categories often lack publicly available information. Fund managers often have access to the best information. Making fund managers responsible for sufficient application of the policy and preventing us from investing in entities that are not compliant with our clients' and our identity, is the most efficient way of applying the Exclusions Policy. To that end, we make formal agreements with (external) investment managers on how the policy will be applied and we monitor correct application.

- c. Translation of the criteria of the Exclusions Policy into category-specific application of the Exclusions Policy

For some investment categories, application of the Exclusions Policy in combination with other responsible Investment policies is not possible. Government bonds are a clear example, as the sovereign nature of the emitting entities prevents effective application of the Listed Equity Ownership Policy. In these cases, PGGM Investments will develop category-specific policies and/or applications of the Policy.

Figure 1: Application of the exclusions policy on listed companies



Important information

This document has been solely prepared for informational purposes and is not an offer, or a solicitation of an offer, to buy or sell any security or financial instrument, or any investment advice. This policy does not confer any rights to any third parties. PGGM Investments strives to ensure that the Exclusions Policy is being implemented as optimal and consistent as possible. Omissions or errors as a consequence of lack of information of misleading sources can not be excluded and PGGM Investments will ensure that it responds appropriately as soon as any additional information becomes known and has been analysed.

PGGM Investments has taken all reasonable care to ensure that the information contained in this document is correct, but does not accept liability for any misprints. The information contained herein can be changed without notice. In case of any differences between these two documents, PGGM Vermogensbeheer Uitsluitingenbeleid prevails.

Notes and definitions

1. Our Engagement Policy is part of our Listed Equity Ownership Policy. It demonstrates how we apply our role as active equity owner to enter into a dialogue with companies and markets and exert pressure on them.
2. A nuclear weapon is any device which is capable of releasing nuclear energy in an uncontrolled manner and which has a group of characteristics that are appropriate for use for warlike purposes. Defined in line with the Treaty for the Prohibition of Nuclear Weapons in Latin America and the Caribbean; the global 1968 Treaty on the Non-Proliferation of Nuclear Weapons (NPT) does not contain a clear definition.
3. Chemical weapons are chemicals that have the power to kill or cause other forms of harm through poisoning and/or munitions designed to use these substances as weapons. Defined in line with the UN Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction.
4. Biological weapons are microbiological or biological substances in quantities not consistent with peaceful use and/or munitions designed to use these substances as weapons. Defined in line with the UN Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxic Weapons and on their Destruction.
5. Anti-personnel mines are mines that are designed to be exploded by the presence, proximity or contact of a person and that will incapacitate, injure or kill one or more persons. Such mines often remain active long after the military conflict has ended and thus result in civilian casualties. Defined in line with the Ottawa Convention/UN Convention On The Prohibition Of The Use, Stockpiling, Production And Transfer Of Anti-Personnel Mines And On Their Destruction.
6. We follow the definition of the Cluster Munition Convention: a conventional munition that is designed to disperse or release explosive submunitions each weighing less than 20 kilograms, and includes those explosive submunitions. (http://www.clusterconvention.org/pages/pages_ii/iaa_textenglish.html#article2)
7. Depleted uranium is used to enable projectiles to penetrate armour-plating, for example. The radioactive charge remains active long after the military conflict is over and so – usually slowly – results in civilian casualties over longer periods of time.
8. PGGM Investments periodically compiles a list of companies on which it will actively focus. PGGM Investments is leading the engagement activities with

the companies on this list, or is directly involved. This list stands alone or will run parallel to engagement programs on PGGM Investments' behalf, sourced from external providers.

9. The Universal Declaration of Human Rights was adopted by the General Assembly of the United Nations in 1948 in order to describe human beings' fundamental rights. These include the right to liberty, the right to freedom of expression and freedom of religion, the right to education and work and also the right not to be subject to slavery, torture or discrimination. Source: www.unhcr.ch

10. These are the eight Core Conventions regarded by the ILO as fundamental human rights in the working environment. They are designed to prevent forced labour, discrimination and harmful forms of child labour and provide for the introduction of a minimum working age, equal pay, freedom of association, and the right to collective bargaining. Source: www.ilo.org

11. We regard a company's sphere of influence as their own activities as well as those of the direct relations like suppliers, clients and external security personnel in the direct surroundings of the operations. Criteria for establishing whether serious violations of human rights have occurred – systematically or otherwise – are determined on the basis of the knowledge and experience of research agencies specialising in responsible investment. Research into such criteria will be based on information derived from various sources (NGOs, the media etc.) and through dialogue with companies. The following questions are raised in the research process:

- Does the company consciously accept the risk of being involved in violations of human rights?
- Is there a pattern of repeated involvement in human rights controversies?
- Are these controversies within the company's sphere of influence?
- Are the violations serious and persistent and do they have significant consequences for many people involved?
- Is there sufficient awareness within the company of the risks of human rights violations, or are the controversies indicative of wider management and communications problems?
- Has the company responded openly to criticism and has the company established a dialogue with those involved?
- Has the company taken action to resolve the controversies and prevent them from recurring in the future?

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