

PGGM Investments Responsible Investment Policy

Revised version 2010

Adopted by the CIO of PGGM Investments

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Responsible Investment Policy

1. Introduction

This document describes the responsible investment policy of PGGM Vermogensbeheer B.V. (hereinafter PGGM Investments), asset manager for, amongst others, pension funds. PGGM Investments has a history in responsible investment and is recognised as a responsible investor, managing a variety of investment funds for its clients. It also manages discretionary portfolios in which assets belonging specifically to one of our clients are invested. The Responsible Investment Policy is applicable to both the investments in the funds and those in discretionary portfolios. Where reference is made in this policy to clients, this means both the clients of PGGM Investments who are participants in the funds and the clients for whom discretionary portfolios are managed.

Responsible investment is important for PGGM Investments, its clients and other interested parties, which is why there is a need for structural policy that is integrated in PGGM Investments' investment policy. This document is an integral part of PGGM Investments' policy and strategy documents.

The Responsible Investment Report is the all-encompassing policy on our responsible investments. Other policy documents on responsible investments or elements thereof, for example our Exclusions Policy and our Listed Equity Ownership Policy, fall hierarchically under our Responsible Investment Policy.

2. What is responsible investment?

PGGM Investments defines responsible investment as *the whole of investment activities in which environmental, social and corporate governance (ESG) factors are consciously taken into account.*

3. Why does responsible investment matter to PGGM?

PGGM Investments regards responsible investment as a necessity. We have two reasons for this:

1. Responsible investment is part of our investment beliefs

- In our opinion it contributes to higher and more stable returns. We believe that ESG factors have an impact on the risk and return of our investments.
- As a universal investor PGGM Investments has an interest in the quality and continuity of the global investment universe.

2. Responsible investment is part of our identity

- PGGM Investments associates its investment policy with its identity.
- PGGM Investments has a social responsibility that manifests itself in part in its investment policy.

Explanatory remarks

Responsible investment is an investment belief for PGGM Investments, which takes the view that sustainability pays off. This does not alter the fact that as an asset manager PGGM Investments must properly assess and control foreseeable risk factors. If ESG factors have an impact on the financial risks and the return of the investments, or on our reputation and the confidence of our clients' beneficiaries, then we must analyse these factors and integrate them in the investment decisions.

As a universal investor PGGM Investments is dependent on a well-functioning financial and social system. Risk and return of the investments are largely determined by well-functioning markets, economies, sectors and companies. Attention to and the encouragement of well-functioning markets is therefore part of our role.

At the same time PGGM Investments sees responsible investment as an important expression of its identity and that of our clients. In our policy and its implementation it must therefore be recognisable and verifiable that PGGM Investments focuses on clear principles and criteria that reflect responsible investment. In concrete terms this can mean that PGGM Investments will not therefore invest in certain companies or do business with certain parties. Dilemmas will arise in this regard: it may be at the expense of financial return, but contribute to the social acceptance and the confidence of our clients and their beneficiaries.

4. Objective of the policy

We can then use the above 'why question' to formulate what we are seeking to achieve with responsible investment:

'Starting from its identity, PGGM Investments wants to contribute to a higher and more stable return through the integration of responsible investment in its investment policy.'

5. Building blocks for the policy

We have formulated a number of building blocks for the policy, which act as frameworks for our activities:

1. Responsible investment is an integral part of PGGM Investments' investment policy and activities.
2. PGGM Investments' investment beliefs and identity are guiding and its responsible investment activities are aimed at the long term.
3. PGGM Investments' identity is recognisable in its responsible investment policy. PGGM Investments wants to attach its investment policy to the identity of its clients and the norms and values of their beneficiaries.
4. Responsible investment is still very much under development. The implementation of responsible investment at PGGM Investments is also constantly under development: we shall learn continuously from the dilemmas that we encounter in practice.
5. Our policy and its implementation must be verifiable against the principles and building blocks formulated. While accepting that the results of responsible investment are difficult to measure or allocate, we do pursue measurement and allocation of the results of our ESG dialogue for example.
6. The focus lies on activities that are expected to have the greatest impact. What ultimately matters is whether our policy is effective. In view of what are by definition limited resources, PGGM Investments chooses to be selective, specific and pragmatic at all times.

7. Cooperation with other market players leads to synergies and increases impact. By cooperating effectively with fellow asset managers, pension funds and brokers we can deploy our resources more effectively and increase our influence.

8. We will clearly render account of goals, efforts and results. Transparency about our activities is a fundamental aspect of responsible investment, providing a clear picture of our activities and their impacts in the responsible investment field. Clear communication ensures that our image matches our actual efforts.

Principles for Responsible Investment

Starting from our conviction that responsible investment is necessary in investment policies, we have, at the invitation of the United Nations (UN), drafted the 'Principles for Responsible Investment' (PRI) in conjunction with a large number of institutional parties. These Principles have been officially ratified by the UN and the signatories and PGGM Investments has also signed up to them.

PGGM Investments chooses the Principles for Responsible Investment as a binding framework for its activities in the responsible investment field. The PRI ask investors to develop activities in six areas, the most important of which are:

- integration of responsible investment in the investment policy;
- active ownership;
- reporting on the activities in the responsible investment field, both by companies and other parties in which PGGM Investments invests to PGGM Investments and by PGGM Investments itself to its clients and other stakeholders.

6. Cornerstones of the policy

On the basis of the above objectives and building blocks, we can formulate a number of cornerstones which constitute the basis for the actual activities.

Cornerstones for our policy are:

1. PGGM Investments actively acts on the conviction that financial and societal return can go together;
2. PGGM Investments contributes to the quality and the continuity of enterprises and the financial markets of which they are part as an active representative of its clients;
3. PGGM Investments translates its identity into investment policy limits and determines the choice of specific areas of attention of its activities on the basis of that identity;
4. PGGM Investments encourages other parties (such as asset managers and pension funds) in the financial sector to invest responsibly;
5. PGGM Investments renders account of goals, activities and results in the responsible investment field.

7. With which activities do we give these cornerstones substance?

PGGM's activities are in line with the responsible investment policy and it chooses the following specific areas of attention:

- Weapons;
- Corporate governance;
- Human rights;
- Health;
- Climate change.

We focus on the following activities in the context of responsible investment:

1. The completion of PGGM Investments' relevant strategy documents aimed at specific principles that are connected with our responsible investment ambition and the provision for testing of the implementation of the policy.
2. The integration of ESG aspects in the investment decisions within the different asset classes. In this regard we are focusing on the inclusion of opportunities and threats of ESG factors in investment decisions.

3. Targeted ESG investments. We invest in suitable theme investments that deliver societal return and fit in with the regular criteria for suitable investments.

4. Embarking on dialogue with financial markets (such as regulators or legislators) and individual companies in which PGGM Investments invests in a structural, systematic and visible manner with the aim of achieving ESG improvements.

5. To give further substance to our role as representative of our clients with an active and informed voting policy and voting activities on the basis of clear prioritising.

6. A specific exclusions policy that makes individual considerations about companies and government bonds to be excluded on the basis of our identity.

7. To embark upon the dialogue about responsible investment with external managers. PGGM Investments wants to make external managers (and other parties in the financial chain) aware of the importance that PGGM Investments attaches to responsible investment and aims for responsible investment by external managers. We shall increasingly assess external managers in part on the basis of these ESG analyses.

8. Clear integral external reporting on responsible investment. PGGM Investments reports regularly, for instance on its website and in its quarterly reports Voting and Engagement (in Dutch) and the Annual Report Responsible Investment.

PGGM Investments gives substance to the key points of the policy with these activities. They are closely connected to each other, as the table on the next page demonstrates.

Connection of activities and key points

	Acting on conviction	Contributing to quality as an active representative of owner	Translation of identity into investment policy limits	Encouragement of partners to invest responsibly	Rendering account
Completion of strategy documents	X	X	X	X	X
ESG integration in different asset classes	X	X			
Targeted ESG investments	X				
Dialogue on ESG themes		X	X	X	
Informed voting policy		X		X	
Specific exclusions policy		X	X		
Dialogue with external managers				X	
External reporting				X	X

8. Embedding in the organisation

The implementation of the responsible investment policy takes place within PGGM Investments, the Responsible Investment (RI) department fulfilling a central role in this regard. The responsibility for ESG integration rests with the different investment departments. The RI department develops different aspects of responsible investment and, if so desired, makes proposals for adjustments of objectives and policy to the CIO of PGGM Investments. Responsible Investment carries out some of the activities and has a supporting role in the integration of ESG factors in investment decisions. The department acts as a knowledge centre for PGGM Investments and monitors the internal and external communication about responsible investment.

Important information

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PGGM Vermogensbeheer B.V.
Kroostweg-Noord 149
PO Box 117, 3700 AC Zeist, The Netherlands
www.pggm.nl
Chamber of Commerce 30228490

For further questions or information about PGGM Investments' responsible investment policy, please contact PGGM Investments, Responsible Investment department, telephone +31 30 277 13 77, or visit our web site at www.pggm.nl/investments