

Responsible Investment policy for *Real Estate* (RIRE)

Introduction

On behalf of its clients, PGGM Investments manages several real estate investment portfolios structured around listed real estate and private real estate. PGGM Investments recognizes the impact real estate has on the environment as well as on societal systems, for instance with regard to CO2 emissions. This document addresses PGGM Investments' policy on integrating material environmental, social and governance (ESG) issues into our real estate investments. The scope of this policy covers both the listed and the private real estate portfolios. There are differences between the two types of portfolio in terms of the implementation of this policy and its implications. These are addressed in the second part of this document. The Responsible Investment policy for Real Estate (RIRE) will be effective as of June 24th 2009 and the implementation of the policy will start after that date. We will report periodically on the progress made.

The RIRE is part of PGGM Investments' Responsible Investment policy and as such it falls hierarchically under this overall policy. In addition, PGGM Investments' Exclusions policy is applicable to our real estate portfolios, and the Listed Equity Ownership Policy (LEOP) is applicable to our Listed Real Estate Portfolio. Both policies are described in separate documents and are not detailed further in the RIRE. All in all, PGGM Investments will live up to the spirit of this policy, implement it, be transparent about the process and will report accordingly. The policy will evolve over time. PGGM Investments follows relevant developments closely and will update the RIRE when necessary. This policy does not confer any rights to any third parties.

Vision and strategy

It is our vision that ESG issues will change the market dynamics of the real estate sector. We believe that ESG factors have a material impact on the financial performance of our real estate portfolios and that it is our responsibility to capture the value and mitigate the risks related to ESG factors. Responsible investment is incorporated in the heart of PGGM Investments' investment philosophy: 'responsible investing pays off' is one of the investment beliefs.

It is our strategy to (i) structurally integrate ESG factors into our investment processes, (ii) realize strong governance of our investments, and (iii) strive for better ESG performance by the assets that are part of our real estate portfolios. This means, among other things, that we integrate ESG factors into our decision-making process before selecting an investment, engage with real estate companies and funds with the aim of improving the ESG performance of underlying assets and set minimum ESG requirements for our investments. We believe that a better ESG performance leads to a better real estate investment performance. We actively encourage real estate companies and funds to improve the ESG performance of their assets and, when choosing between comparable investments, we select the investment with the better ESG performance. We will not invest in companies or funds that do not disclose the energy consumption performance of their real estate.



Material ESG factors in real estate

In the implementation of our strategy we focus on the following ESG factors:

Environmental: For us this means that we focus on climate change. We believe that climate change issues are very important and that climate change (related) policy will lead to more focus on, for instance, energy efficiency and urban regeneration and that it will lead to shifting tenant and investor preferences;

Social: For us this means that we focus on human rights and work conditions. In the development, construction and operation phase of property, issues regarding human rights and work conditions are liable to arise. This may result in financial and/or reputational risk for the property in question and for the ultimate investor in the asset.

Governance: For us this means that we focus on good corporate governance and fund governance.

We believe that good governance (e.g. transparency, accountability) in real estate reduces the investment risk.

Implications for Private Real Estate

(i) We structurally integrate ESG factors into our investment process.

We believe that integrating ESG factors into our investment process contributes to the generation of a high and stable return by the Private Real Estate portfolios. As we manage indirect private real estate portfolios (i.e. we do not invest in the underlying property directly, but indirectly via non-listed real estate funds) the implementation of our RIRE will impact both new and current fund managers of our private real estate investments.

Selection: Before selecting a private real estate fund, we need to understand the extent to which the fund manager is able to incorporate our RIRE into its own operations. In this context, we require fund managers to have at least a clear vision and policy regarding the ESG issues that we focus on, and when necessary we set further minimum requirements. ESG issues are a separate section in our due diligence and decision-making frameworks.

Monitoring: On a structural basis we monitor the funds we invest in and periodically meet with the management of these funds. ESG is part of the reporting requirements for our fund managers and part of the periodic review meetings.

(ii) We strive for strong fund governance.

We expect our fund managers to be fully transparent. This means that all relevant information regarding the investment should be public and available to all investors.

(iii) We strive for a better ESG performance by the assets that are part of the funds in our Private Real Estate portfolios.

We will actively explain our RIRE policy to the fund managers and require managers to actively improve the ESG performance of the assets that they manage and to report on improvements.

This also applies to the (re-)development of assets in the fund. This policy will not only be applied to new investments; our existing portfolio will also be impacted. While respecting existing contracts with fund managers, we will engage with the fund managers in order to have this policy implemented in their day-to-day work. We realize that this will be a gradual process.



Implications for Listed Real Estate

(i) We structurally integrate ESG factors into our investment process.

We manage Listed Real Estate portfolios (i.e. we do not invest in the underlying property directly, but indirectly via real estate companies that are listed on stock exchanges). It is our view that the integration of ESG factors into our investment process contributes to the generation of outperformance by our listed real estate portfolios against their benchmark.

Selection: We systematically include ESG information in our investment decision-making framework and weigh these factors together with other – financial and non-financial – factors in constructing the investment portfolio. ESG factors are translated into our expectations with regard to rents and valuations. In this way, ESG factors impact our price targets, which in turn affect the composition of our portfolio.

Monitoring: On a structural basis we monitor the companies we invest in and periodically meet with the management of these companies. Before meeting with the management, we determine the relevant subjects for discussion. In doing so we will structurally consider ESG issues and such issues will be discussed in company meetings where appropriate.

(ii) We strive for strong governance.

We expect good corporate governance of the companies we invest in with regard to matters such as shareholders' rights, independence of board members and financial reporting.

We expect companies to meet all disclosure requirements and to be fully transparent with regard to strategy. All relevant information should be public and available to all shareholders. In those cases where the level of corporate governance is substandard, we will engage with the management to improve the corporate governance. In cases where management provides insufficient disclosure with regard to strategy and/or other aspects we deem relevant, we may give a zero allocation to the company, irrespective of its benchmark weight.

(iii) We strive for a better ESG performance by the assets that are part of our portfolio.

We engage with companies in order to improve the ESG performance of the underlying assets. We will actively explain our RIRE policy to the management and discuss our transparency needs regarding ESG issues on the company and asset level.

For more information on PGGM Investments' Responsible Investment policy please contact our Responsible Investment department, +31 30 277 10 49 or visit our website www.pggm.com

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