

Annex to the PGGM Responsible Investing in Private Equity Guideline

December 2021 (v2021.20)

1. Applicability

The Responsible Investing in Private Equity Guideline is applicable to the following products of PGGM Vermogensbeheer B.V.:

- The PGGM Private Equity Fund 2010;
- The PGGM Private Equity Fund 2011;
- The PGGM Private Equity Fund 2012;
- The PGGM Private Equity Fund 2013;
- The PGGM Private Equity Fund 2014;
- The PGGM Private Equity Fund 2015;
- The PGGM Private Equity Fund 2016;
- The PGGM Private Equity Fund 2017;
- The PGGM Private Equity Fund 2018; and
- The PGGM Private Equity Fund 2019.

2. Disclosures with respect to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector ('SFDR')

A) The following products of PGGM Vermogensbeheer BV are article 8 products within the meaning of the SFDR;

- The PGGM Private Equity Fund 2010;
- The PGGM Private Equity Fund 2011;
- The PGGM Private Equity Fund 2012;
- The PGGM Private Equity Fund 2013;
- The PGGM Private Equity Fund 2014;
- The PGGM Private Equity Fund 2015;
- The PGGM Private Equity Fund 2016;
- The PGGM Private Equity Fund 2017;
- The PGGM Private Equity Fund 2018; and
- The PGGM Private Equity Fund 2019.

B) Disclosures with respect to article 8 SFDR:

PGGM Private Equity Funds

Article 8 Disclosure Regulation

For the purposes of article 8(1) of the Disclosure Regulation, PGGM considers that the PGGM Private Equity Funds are financial products which promotes, among other characteristics, environmental and social characteristics. The PGGM Private Equity Funds are PGGM Private Equity 2010, PGGM Private Equity 2011, PGGM Private Equity 2012, PGGM Private Equity 2013, PGGM Private Equity 2014, PGGM Private Equity 2015, PGGM Private Equity 2016, PGGM Private Equity 2017, PGGM Private Equity 2018 and PGGM Private Equity 2019 (hereinafter each referred to as: the Fund).

The “do no significant harm” principle applies only to

those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. Currently, the investments of this Fund do not (yet) take into account these EU criteria for environmentally sustainable economic activities.

Environmental and Social Characteristics

PGGM seeks to ensure that the Fund, the GPs and portfolio companies structurally and systematically take material environmental and social issues into account in their activities and to promote international best practice with regard to the corporate governance of the portfolio companies and the governance of the funds in which PGGM is directly or indirectly invested.

Private equity funds to which the Fund is committed and/or portfolio companies, in which the Fund is directly or indirectly invested:

- a. will have to comply with PGGM's Implementation Guideline on Exclusions
- b. will have to comply with all applicable environmental and social (such as health, safety, labor) laws and regulations (Legal compliance)
- c. will have to, where relevant, assess material environmental and social risks of their operations and work over time towards relevant international best practice standards to mitigate environmental and social risks with targets and timelines for improvement and adhere over time to best practice with regard to corporate governance. This can mean that PGGM may invest in private equity funds or portfolio companies with weak ESG practices as long as they work to address and resolve these ESG shortcomings during the investment period. International best practices include among others the IFC Performance Standards, OECD Principles of Corporate Governance, OECD Guidelines for Multinational Enterprises, and UN Global Compact (Voluntary standards);
- d. are expected, where appropriate, to work over time to realize potential value through improving ESG performance and operational efficiency, such as ecoefficiencies (Process efficiency).

Private equity funds or portfolio companies in which the Fund is directly or indirectly invested are encouraged where applicable:

- a. to identify, where appropriate, opportunities for developing or offering products or services that can positively contribute to solving societal challenges, such as climate change, loss of biodiversity and social inequity (Product sustainability).
- b. to form a strategy over time on how its core business model can create growth and innovation while at the same time create societal benefits (Shared value).

How the Environmental and Social Characteristics Are Met

PGGM private equity has integrated ESG considerations into the investment and portfolio management process. The ESG integration process covers the whole portfolio and it is organized around the different investment stages: selection, commitment, and ownership. In the selection stage, PGGM private equity assesses whether the investment partners will treat ESG risks and opportunities appropriately and in line with PGGM's responsible investment strategies and beliefs. PGGM private equity looks for GPs who demonstrate a willingness and commitment to improve on their approach towards ESG on the areas covered in the ESG Integration Assessment questionnaire. In the ownership stage, PGGM private equity actively monitors and engages with GPs on ESG integration.

As regards the exclusion set out under a), the restrictions with respect to responsible investments as included in the exclusion list as published on PGGM's website are applicable: <https://www.pggm.nl/wat-doen-we/uitsluitingen/Paginas/default.aspx>. As a result, the Fund will refrain from investing in coal and tar sands undertakings and companies producing controversial weapons or tobacco. As from 1 January 2022 at the latest, PGGM shall avoid new investments in companies that are in very severe violation of the OECD guidelines and/or the UN Global Compact principles. When feasible, PGGM shall undertake best efforts to divest existing exposures to these companies all together and/or shall engage with the companies, or a selection thereof, that are in (very) severe violation of the OECD guidelines and/or the UN Global Compact principles.

Good Governance

The Fund will only make investments in private equity funds and companies which follow good governance practices. PGGM uses its influence to achieve improvements in the ESG field. The private equity team completes an ESG Integration Assessment questionnaire for each of the private equity managers where it has committed to their most recent fund. The private equity team will engage annually with the manager and update the questionnaire accordingly. The engagement results and any relevant developments are also recorded in internal quarterly ESG reports.

Methodologies Used to Assess, Measure and Monitor the Environmental and Social Characteristics or the Impact of the Sustainable Investments

Across its entire portfolio, PGGM uses the Materiality Map of the Sustainable Accounting Standards Board (SASB) as the framework to identify material ESG issues per sector. Similarly, PGGM takes SASB Materiality Map into account when analysing ESG risks and opportunities in the investment process. To monitor ESG performance in the private equity portfolio, PGGM prepares an internal ESG monitoring report every quarter.

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