Private Equity Annual Responsible Investment Report 2023

2023

About PGGM Investments

PGGM Investment Management provides fiduciary management and asset management services to Dutch pension funds. As the administrator for investment funds and the asset manager for pension funds, PGGM supports its clients in their duty of providing a stable and high-quality pension for their participants, now and in the future.

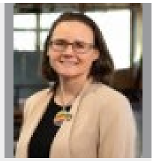
Introduction

PGGM Investments is committed to investing responsibly. We manage our client's private equity investments in order to contribute towards a stable pension for their participants while also taking into consideration the impact we are having on the world around us. We recognize that environmental, social, and governance (ESG) factors have a material impact on the financial performance of the Private Equity (PE) portfolio, both through the identification of value creation opportunities and through the mitigation of identified risks. Furthermore, we have set ambitions to invest in companies that contribute to the UN SDGs, which we call Sustainable Development Investments (SDIs).

We are pleased to present PGGM's 2023 Private Equity Responsible Investment Report, which highlights our ongoing commitment to responsible investment. In this report, we describe how ESG is embedded in the investment process and present the ESG characteristics of our portfolio, including the PE SDI sleeve.

The PE team is committed to continuously improving and refining its ESG processes around selection, commitment and ownership of investments to ensure that PGGM remains a best-in-class responsible investor, providing a model for other stakeholders in the industry. Likewise, the PE team is committed to driving continuous improvement of the ESG processes and performance of its GPs.

"In 2023, we assessed which steps our go-forward GPs have already taken to-wards Paris-alignment. This assessment makes us understand how our portfolio currently aligns with our ambition to have a net zero portfolio in 2050 and where to focus our engagement activities."



Karin Bouwmeester, *Sustainability & ESG Expert*

KPIs for PE in 2023

- 15.4% average net return over the past 5 years
- 100% of our go-forward GPs (i.e. GPs where we committed to their last fund) were scored on their net zero ambitions through our proprietary Paris alignment assessment
- 64% of all GPs provided portfolio company data in our template on our ESG Data Convergence Initiative on a portfolio company level
- 63% of all GPs (and 71% of our go-forward GPs) are member of the ESG Data Convergence Initiative

Highlights for PE in 2023

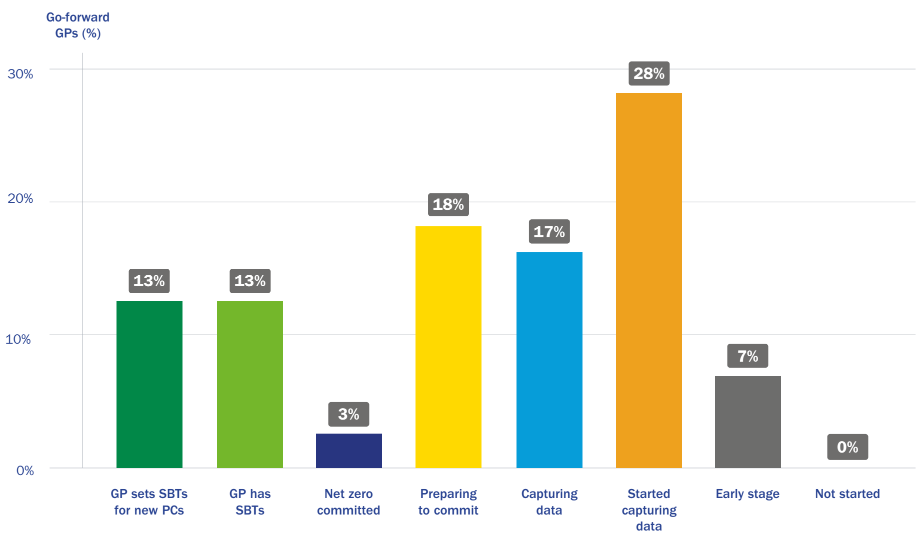
- Actively supported the ESG Data Convergence Initiative, which aims to standardize ESG disclosure metrics, initially as a founding member and subsequently as a member of the Steering Committee
- Conducted a Paris alignment assessment on all our 65 go-forward GPs to assess current state of our portfolio with regards to net zero
- Designed the new ESG Framework that will be implemented in Q1 2024
- We saw improvements in the ESG Integration scores of 60% of our go-forward GPs

- In 2023 we have committed €343 million (13% of total committed capital) from the private equity sleeve that focuses on SDIs. 2 fund commitments and 3 co-investments were added
- Conducted ESG Lunch and Learns sessions for the PE team and the broad PGGM asset management organisation to educate and discuss ESG and climate related topics

Key results for PE in 2023

Paris alignment

- 26% of our go-forward GPs have set science-based targets or require their portfolio companies to do so
- 21% of our go-forward GPs are net zero committed or are preparing to do so within 2 years



ESG GP Scores

- 93% of our GPs score either “High” or “Very High” on our ESG Integration Assessment (compared to 90% in 2022)

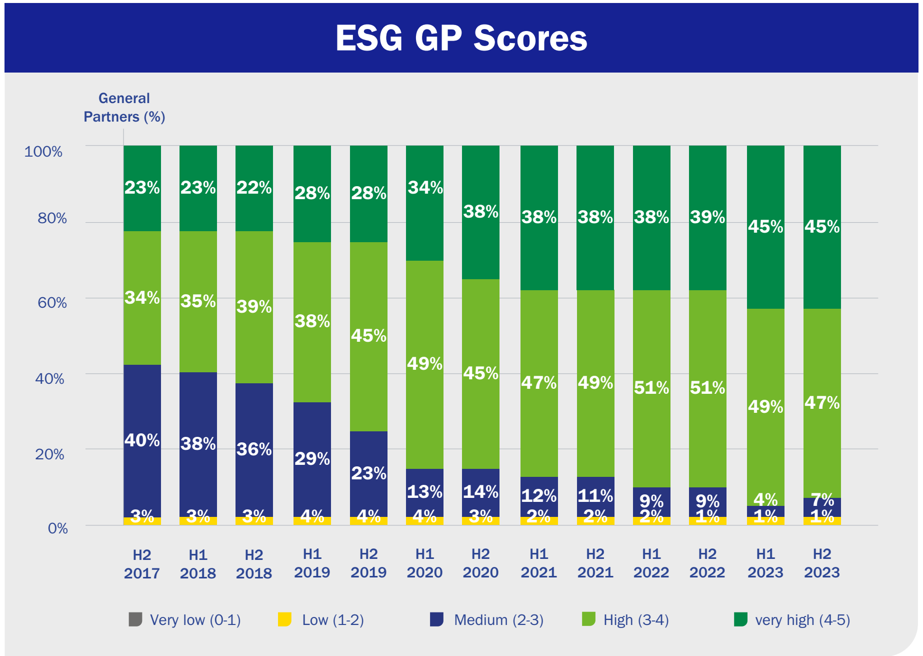


Table of contents

1. Responsible Investment at PGGM and in PE

PGGM's investment management teams are responsible for integrating ESG into their processes. Responsible investment is fully integrated into all teams and internalised as part of their daily activities.

PGGM's PE team has full responsibility to analyse and integrate ESG considerations in all stages of investment process, i.e. selection, commitment and ownership. The Risk department has taken up the role of "challenger" in deal teams and the Responsible Investment (RI) team serves as a knowledge center for both teams.

In the PE team, all investment professionals are actively involved in ESG. ESG analysis is included in the preliminary and the final investment proposal for the consideration of the relevant investment committees. The Sustainability and ESG Expert is involved when increased ESG risks are identified during due diligence or monitoring. The ESG Data Analyst has an important role in identifying ESG issues during monitoring.

In 2023, all team members in the PE team completed the Applied Responsible Investment e-learning course tailored for PGGM. This course provides a comprehensive examination of responsible investment from theory to practice. The course trains investment professionals to identify and analyse material ESG factors and to integrate sustainability data into financial modelling and existing investment processes.

Climate Neutral Group (part of Anthesis) also gave a 2-day workshop how to work towards net zero with GPs. The first day focused on the theory and the second day on practice. The gained knowledge enables the investment professionals to assess how GPs progress towards Paris-alignment.

The Sustainability and ESG Expert and the ESG Data Analyst organise ESG Lunch & Learn sessions every 6 weeks for the PE team to educate and discuss ESG and climate related topics.

The Sustainability and ESG Expert and the ESG Data Analyst also represent the PE team in sector initiatives, like the Steering Committee of the ESG Data Convergence Initiative (EDCI), the ILPA Diversity in Action and the Invest Europe ESG Working Groups. The goal of our participation in these initiatives is to further increase responsible investment and to drive convergence.

ESG targets are included in the performance targets of the front-office PE team members.

The Invest Europe ESG Working Group supports the Invest Europe ESG Committee. The Committee aims to promote responsible investment practices and the consideration of ESG issues throughout Invest Europe's membership and the broader private equity community. Concretely, the Committee supports Invest Europe in offering practical and tailored guidance to its members on integrating ESG considerations into their business decisions and on dealing with increasing EU regulatory requirements in the field of EU Sustainable Finance.

Private Equity team as per August 2024

Head of PE & Senior Directors


Diane Griffioen
Head of Private Equity


Wouter van der Geest
Senior Director


Maurice Klaver
Senior Director (SDIs)

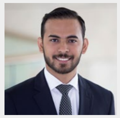

Irina Manea
Senior Director


Harrie van Rijbroek
Senior Director


Berend Schiphorst
Senior Director

Directors


Diederick Plasmans
Director


Talha Zafar
Director


Gust van der Meeren
Associate Director


Albert Smit
Associate Director


Daniël Zwier
Associate Director

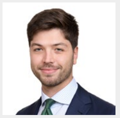
Investment Managers


Ester Nafee
Investment Manager (SDIs)


Duncan Siewe
Investment Manager

Associates


Remco Brouwer
Associate


Veniamin Ciubotaru
Associate


Riccardo Cobianchi
Associate


Michiel Colijn
Associate


Rutger Dekker
Associate (SDIs)


Sabine Lassiaz
Associate


Garima Sharma
Associate


Brendan Steyn
Associate


Jocelyn Yang
Associate

Analysts


Viktor Geerts
Analyst


Justus Smid
Analyst (SDIs)


Lauren Robins-Burnard
Analyst


Guido Velthuis
Analyst


Michiel de Witte
Analyst

ESG


Karin Bouwmeester
Sustainability & ESG Expert


Norbert Lagerweij
ESG Data Analyst

Portfolio Analysis


Laura Hoogstraten
Portfolio and risk analyst


Serhat Karaduman
Portfolio and risk analyst


Marcin Muchowicz
Portfolio and risk analyst

Executive Assistant


Bo Furman
Executive Assistant

As per August 2024

- 33 professionals
- 12 nationalities
- 30% women in the team

	2019	2020	2021	2022	2023
% of women senior investment team	29%	25%	29%	33%	33%
% of women investment team	32%	32%	27%	32%	26%

Reporting on impact serves multiple purposes

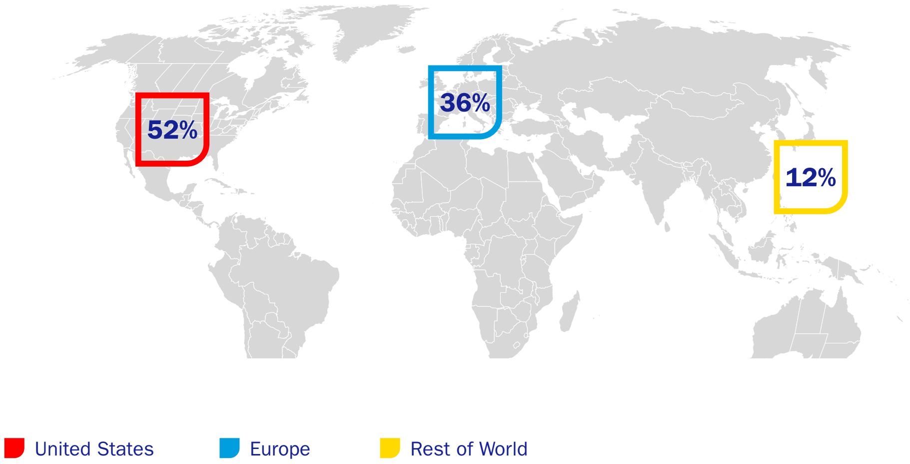
- Since the last report, we have hired one investment manager, one ESG data analyst, three associates, four analysts and one portfolio & risk analyst. During this time in total 5 investment professionals left the team.
- In September 2024, one associate and one analyst will join the team

We are delighted to have appointed Norbert Lagerweij as ESG Data Analyst in the PE team in October 2023. Since 2020 he has been working as a (senior) data science consultant at Accenture and Valcon, and developed risk models at ABN Amro. Norbert has extensive experience in extracting key insights from data, data modelling and has a passion for sustainability. Supported by the PE team and the Sustainability & ESG expert he will further improve ESG data insights, reporting and ESG data collection.

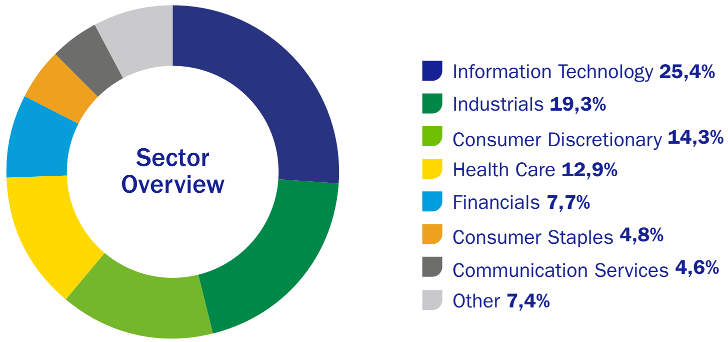
2. Our portfolio at a glance

PGGM PE had a total of €21.5 billion in assets under management as of 31 December 2023. Our objective is to outperform the public markets by 2.5%, which we have exceeded historically. We have achieved a 5-year average return of 15.4%.

The PE portfolio is well diversified. While our mandate is global, the majority (≈90%) of investments are in developed countries, primarily the US and Western Europe, with a focus on buyout strategies.



PGGM PE invests in funds and co-invests in individual companies together with our external fund managers (GPs). The underlying investments in the portfolio are broadly diversified across sectors with significant exposure to Information Technology, Industrials, Consumer Discretionary, Health Care and Financials. Note that we are in-principle sector agnostic.



PGGM was an early investor in private equity, starting in 1983. From 2000 until 2010, it outsourced its private equity investing to AlpInvest. Since 2010, it has built up in-house expertise via an internal PE team. The rest of this report focuses on the portfolio that the PGGM PE team has built since 2010, representing 80% of the total PE portfolio.

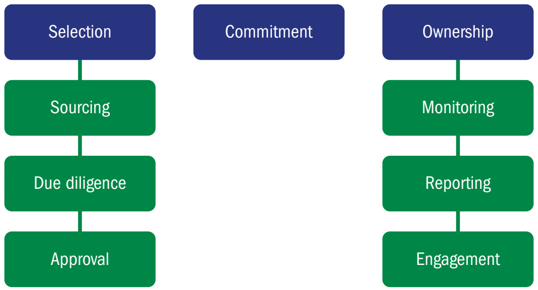
As of 31 December 2023, PGGM PE's portfolio consists of 98 individual GPs as well as 181 primary fund investments, 96 co-investments, and 13 secondary fund investments. In 2023, PGGM PE made 14 primary fund commitments and 14 co-investments.

3. Our approach to ESG

PGGM PE has integrated ESG considerations into its investment and portfolio management process and strategy. The ESG integration process is organized around the different investment stages: selection, commitment, ownership.

Our activities are guided by PFZW's (our only client) policies and PGGM's Guidelines for Responsible Investment in Private Equity. We strive to incorporate these into the legal documentation with our GPs where possible. We are effecting a shift from a focus on compliance to an increasingly active approach in which investments continue to support the present and future financial security and well-being of pension beneficiaries, but just as importantly help sustain a good and livable world for the future.

We also encourage our GPs to better understand which ESG factors are material for the investments. We consider a factor material when it (i) significantly impacts the financial performance of the investment or (ii) has other potential negative impacts to society and the environment which may jeopardize the business' reputation and license to operate. In the following chapters, we will go into greater detail on what we do in the different investment stages (as set out in the Figure).



Selection (Ch. 4)

- Screening of ESG risks during sourcing
- Detailed due diligence for funds and co-investments including GP ESG assessment and sector, country and reputational ESG risk
- ESG analysis is included in the preliminary and the final investment proposal for the consideration of the relevant investment committees

Commitment (Ch. 5):

- Include adherence to PGGM's Exclusion List and underlying exclusion policy in the side letter.
- Include ESG reporting including quantitative qualitative and ESG incident reporting in the side letter proposal for the consideration of the relevant investment committees

Ownership (Ch. 6):

- Monitoring ESG performance at GPs and ESG incidents at portfolio companies
- Internal and external reporting on ESG
- Engage with each go-forward GP on an annual basis on their ESG approach and our ESG expectations.

PGGM PE was awarded 4 out of 5 stars in the latest UNPRI assessment report (2023) for our approach to Indirect – Private Equity, which reflects above median performance.

4. The selection stage for investments in funds

In the selection stage, we assess whether a GP will treat ESG risks and opportunities appropriately and in line with our responsible investment strategies and beliefs. The PE team wants to achieve strong returns with GPs who are committed to investing responsibly, and are willing to keep improving their approach to ESG in line with or ahead of ESG market standards.

4.1 Sector, country and reputational ESG risk

The PE team uses data from external data providers, such as MSCI, Sustainalytics and RepRisk to determine the sector, country and reputational ESG risks in the underlying companies in a GP's portfolio. We only invest in higher risk countries and sectors as long as we partner with GPs that can effectively manage these risks, which we analyse through our GP ESG assessment (see next section).

4.2. GP ESG assessment

During the due diligence phase, the PE deal team uses the GP ESG Assessment to analyse a GP's ESG approach and its ability to effectively manage ESG risk and opportunities. The GP ESG assessment has seven items, drawing from the UN PRI's Due Diligence Questionnaire, relating to ESG policy and responsibility at the GP; involvement in industry initiatives (e.g. UNPRI and EDCI); ESG integration in day-to-day activities, with specific sub-questions about their approach to climate change and diversity, equity, and inclusion; ESG monitoring; and ESG reporting. These items are scored between 1 (worst) and 5 (best) and aggregated for a comprehensive look on a GP's ability to effectively manage ESG risks and opportunities.

The GP ESG assessment was developed in 2015 and small changes were incorporated thereafter. In 2023, a large review of the GP ESG assessment was undertaken. This has resulted in a new template that raises the bar on ESG topics in line with higher ESG market standards. Furthermore, it includes new ESG topics that have emerged in the past years. The new template is being used since January 2024. Therefore, the results are not yet included in this report.

The scoring of GPs through the GP ESG assessment is included in the preliminary and final investment proposals, the document upon which the relevant investment committee takes a decision on whether or not to make a commitment. The PE team is committed to showing an improvement in ESG implementation within the portfolio over time. We are willing to invest with GPs with lower scores in the GP ESG assessment if they are committed to improve over time and we consider it plausible.

5. The commitment stage

During the commitment phase, the main objective is to ensure that PGGM's interests and expectations on ESG and impact matters are explicitly aligned. The policy and practice of the GP is assessed by the is f PE team." à "The policy and practice of the GP is assessed by the PE team. Our legal department secures and formalizes that the GP's commitments are in the legal documentation to meet applicable requirements.

The most important requirements in the legal documentation, to the extend possible, are excuse rights, adherence to international frameworks and ESG reporting.

5.1 Excuse rights

Excuse rights are included in the legal documentation to further ensure adherence to PGGM's Exclusion List and underlying exclusion policy. PGGM will not invest in:

- Companies with revenues from certain controversial activities, like controversial weapons and tobacco;
- Companies that violate the principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises;
- Certain state-owned enterprises.

In 2023, we have expanded our exclusion policy with:

- Certain state-owned enterprises*
- Companies deriving revenues from gambling activities*
- Companies deriving revenues from fur*

* subject to certain criteria / revenue thresholds

5.2 Adherence to international frameworks

We encourage GPs to adhere to widely accepted international frameworks, like the UN-supported Principles of Responsible Investment and the Net Zero Paris Agreement. If a GP has not yet committed to those frameworks we engage with the GP to consider committing and update us on any progress.

5.3 ESG reporting

Requirements regarding reporting have been incorporated into the legal documentation with GPs since 2015. We encourage our GPs to report on ESG performance and progress at the GP and the portfolio companies. And to do this both qualitative and quantitative. ESG reporting helps us compare ESG performance of GPs and to have a meaningful dialogue with GPs. Therefore, we actively participate in the ESG Data Convergence Initiative (EDCI) to increase quantitative ESG reporting in the sector.

At the GP, ESG reporting includes updates on the ESG policy, overview of engagement activities and GP diversity and inclusion statistics. At the portfolio companies, it can include case studies, progress on value creation plans, the EDCI-metrics of the and the principal adverse impact indicators as defined by the Sustainable Finance Disclosure Regulation.

We also ask our GPs to report on ESG incidents, such as accidents with severe physical injury, major environmental pollution, or incidents resulting in potential reputational ESG risk. We will then engage with the GPs to ensure that the incident is adequately handled and solved.

The ESG Data Convergence Initiative is an open partnership of private equity stakeholders committed to streamlining the private investment industry's historically fragmented approach to collecting and reporting ESG data. EDCI's mission is to create a critical mass of meaningful, performance-based, and comparable ESG data from private companies. 450+ GPs and LPs have become a member since EDCI was launched in 2021.

6. The ownership stage: monitoring, engagement and reporting

During the ownership stage, PGGM PE closely monitors GPs' ongoing ability to effectively manage ESG risks and opportunities and engages annually with them to encourage further improvements.

6.1 Monitoring

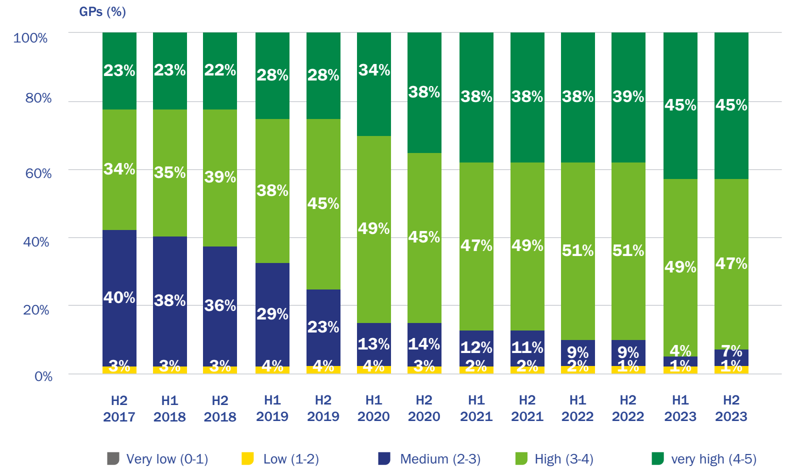
The PE team monitors GPs' ongoing ESG practices using the ESG Integration Assessment, which are covered in a separate annual monitoring meeting. In addition, material ESG incidents in the portfolio (either at the GPs or their portfolio companies) are discussed in our weekly team meetings when necessary.

Since 2021, we are using the RepRisk ESG Risk Platform as part of our monitoring process. This tooling allows us to monitor ESG risks in the portfolio on a daily basis via customised watchlists and alert services as well as conduct more in-depth research on any ESG risks that may materialise.

6.2 Engagement

The GP ESG Integration Assessment and the identified ESG country and sector risks are helpful in both the selection and ownership stages. These analyses provide us with a good context to engage with our GPs with respect to further improvements in their ESG practices.

The PE team targets to engage annually with every GP in our portfolio where we have committed to their last fund. We generally spread this out through the year to engage with roughly a quarter of those GPs every three months. Our engagement process typically involves desk research on the GP's latest ESG materials and a call or meeting with the GP to get an update on any ESG-related developments, share best practices from within our portfolios, and discuss ways for them to continue improving their ESG practices. In 2023, we pro-actively engaged with 30 GPs and we were pleased that 18 (60%) of them showed improvement.



Over time, the GP Integration Assessment scores in PGGM PE's portfolio have improved. This reflects the continued evolution of the private equity industry as well as our active engagement with GPs for a stronger focus on ESG in their activities.

In 2023, 71% of our go-forward GPs are a member of the EDCI. As the EDCI is growing rapidly in terms of GP and LP members, we expect this percentage to grow coming years. We continuously encourage GPs to join the EDCI and other relevant industry initiatives.

6.3 Reporting

PGGM also engages with the market in order to improve ESG practices, including reporting.

In 2021, we helped found the ESG Data Convergence Initiative, the first partnership between private equity firms (GPs) and its investors (LPs), and continue to be a member of its Steering Committee today. This project aims to standardize ESG reporting metrics, including Scope 1 and 2 greenhouse gas (GHG) emissions, carbon reduction strategies, renewable energy usage, board diversity, work-related injuries, net new hires, and employee engagement. This will help us to achieve our clients' climate ambitions and it supports our best effort to comply with European sustainability disclosure regulation. Incrementally, new metrics are added by the initiative to keep up with relevant market trends and demands.

This year has been the 3rd year that we have asked our GPs to report to us on the metrics of the ESG Data Convergence Initiative. The response rate has increased to 61 GPs providing (some) company level data compared to 45 in 2022.

As our Private Equity mandate is classified as article 8 under SFDR, we will need to report on an annual basis on the portfolio's E&S characteristics. PGGM also has to report annually on SFDR's principal adverse impact indicators.

We are pleased to see that our GPs reporting on (some) portfolio company-level KPIs increased from 24% in 2019 to 60% in 2023[1]. As ESG awareness becomes increasingly widespread, we expect this trend to continue with even more GPs providing more detailed ESG reports in the coming years.

6.4 Material ESG incidents

While PGGM tries to protect its investments and clients from ESG related risks, incidents nevertheless occur occasionally. Following a material ESG incident, the PGGM PE team is focused on how the GP and/or portfolio company manage and resolve the situation.

In 2023, allegations were reported of involuntary and unethical labor in the supply chain of a subsidiary of one of our GP's portfolio companies. The portfolio company in question was active in the clothing industry. The allegations were that some of the garments were manufactured using forced and underpaid labor. A partner of the GP has thoroughly investigated the incident and no evidence was found supporting the claim. However, out of abundance of caution, the relation with the factory was terminated.

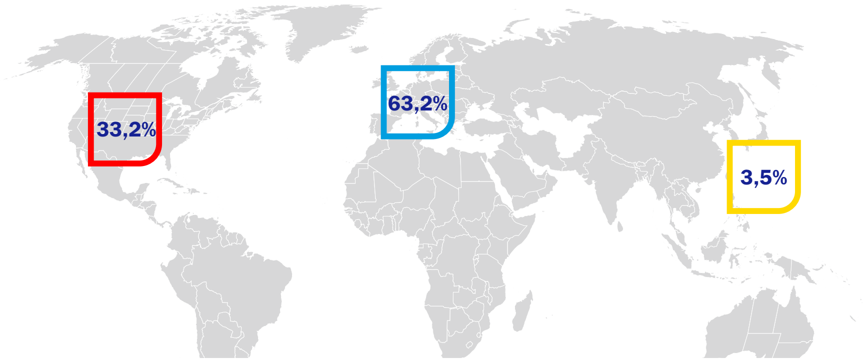
1 Report ESG KPIs at company level via the PGGM template and at different levels of completeness.

7. ESG in our Co-investments

In addition to the GPs in the PE portfolio, PGGM PE has to date completed 110 co-investments of which 89 are unrealized. Of these, the vast majority is headquartered in the US and Europe. A breakdown of investments by sector can be seen below.

As a co-investor, PGGM PE takes an active decision to invest or not invest in a specific portfolio company. This decision also includes ESG considerations. PGGM PE engages on ESG for co-investments through regular update calls with the GP and by requesting reporting on specific ESG KPIs.

Co-investments which contribute towards the Sustainable Development Goals designated as Sustainable Development Investments ("SDI").[2]



Our co-investment in Cotiviti alongside Veritas Capital is a good example of a sustainable development investment.
The company is a leading provider of Payment Integrity solutions ("PI"), which focuses on enhancing the accuracy and efficiency of payment workflows for US healthcare payors, generating savings from the identification and correction of erroneous and overstated medical claims. It thereby contributes to Sustainable Development Goal 3 (Good health and well-being) through sub-target 3.b (Essential medicines and vaccines).

Through its operations, Cotiviti addresses multiple issues in the global healthcare market which allows them to generate significant impact. The impact is measurable by the cost savings for healthcare payers and providers, reducing fraud, waste and abuses within the healthcare systems and ultimately benefitting insurance beneficiaries and governments. Cotiviti serves 300+ customers, including all of the top 25 payors in the US.

2 If the co-investment complies with the methodology of SDI AOP SDI Classification (sdi-aop.org)

8. Sustainable Development Investments

Our only client, PFZW, has set an ambitious target to invest 30% of its AuM in investments that contribute to the UN SDG goals by 2030. 20% or €47.2 billion has been invested for PFZW in such investments as per the end of 2023. The PE team contributes towards achieving this goal.

8.1 Our Focus Areas

SDIs are clearly defined investments that not only contribute to the portfolio's financial return, but are also intended to generate societal added value. With the ambition of PFZW to invest 30% of their AuM in investments that contribute to the UN Sustainable Development Goals (SDGs) by 2030, we have adjusted our scope accordingly.

We used to focus on investments that provide solutions to four themes i.e. climate change, water scarcity, healthcare, and food security. The four themes represented 5 SDGs (SDG 2 – food, 3 – health, 6 – water, 7 – affordable and clean energy and 12 – responsible consumption and production). PFZW has chosen to add 2 SDGs to their core focus areas (SDG 11 – sustainable real estate and SDG 13 – climate action).

These problems not only constitute threats to society, they also translate into financial risks for companies and investors. At the same time, contributing to solutions to these issues represents a financial opportunity for investors.

Each year we calculate the impact of these investments over the previous year: in addition to the financial return, we indicate how these investments contributed to the selected themes. We use impact data reported by companies and impact data based on impact models for this purpose[3]. In this calculation, we only allocate the share of the total impact to us that matches our share in the company or the fund. During 2023, there were two new fund commitments and three co-investments done by the SDG team to Ara Partners, GHO Capital and Gyrus Capital for a total of €343 million. This contributed to an increased allocation to SDG investments in the PE portfolio.

In 2023, we committed $75m to Ara Partners Fund III. Ara is a private equity fund focused on the Climate sector in both Europe and North America. Their goal is to reduce global co2 emissions where each investment has a reduction target of 60%+ versus the incumbent.

8.2 Our contribution to the SDGs

In 2023, we analysed for the 5th time which of the investments on behalf of our clients contribute to the 17 UN SDGs. We estimated that by the end of 2023, PE had invested €1.3 billion (FMV) in companies that contribute to at least one of the SDGs. This is 6.2% of the total FMV within the portfolio.

Please see the taxonomies we used to determine whether an investment contributes to an SDG: SDI taxonomies and guidance 2022. We developed this together with APG in order to have more comparable results. While the SDI taxonomy leaves room for different interpretations, we are keen to further align impact standards with our peers via the Asset Owner Platform for Sustainable Development Investments (SDI-AOP).

One of the biggest challenges is of course the lack of data. Most of the companies still do not report on how they contribute to sustainability and when they do they have different definitions. Another challenge is taking into account the potential and actual negative impact when counting something as having a positive impact.

3 The increase in the impact reported by us in comparison to last year cannot be linked one-on-one to the improved performance of the companies in the portfolio. Part of this increase is due to the increased availability of impact data: the data coverage has increased.

Please read more about the SDIs and the challenges in the PGGM Integrated report 2023.

8.3 SDI team within private equity

To contribute towards the SDG ambitions goal, PGGM PE has started a private equity SDI team in 2019 with dedicated resources to source additional private equity opportunities that contribute to the SDGs. A central part of this initiative is to measure the impact of these investments. PGGM is cooperating with other large investors and investee companies to improve the quality of the data and the ability to measure the impact.

This team works full time on sourcing and executing investments in private equity funds that invest in companies that have a positive contribution to one or more of the mentioned SDGs. Next to fund investments, the team has a target to invest a significant amount of the allocated capital through co-investments. With this approach the additional costs of the strategy will be mitigated and it provides the opportunity to specifically build up exposure to individual companies that fit the core focus SDGs. PGGM had initially allocated €500 million to the private equity SDI strategy, but has already committed an amount close to €1 billion at the end of 2023.

The SDG strategy focuses mostly on thematic funds. Most of the investments are smaller than the typical investment in our PE portfolio. The SDG investments can be a mix of venture, growth, and buyout strategies. This means more effort per invested euro, indicating a strong commitment to increase the investments in the SDG focus areas.

The investments in the private equity SDI allocation are part of the broader PE mandate and will need to stack up against the wider private equity portfolio in terms of risk-return profile. The private equity SDI scope is global, but the focus is initially on developed country managers. We are looking for GPs with a proven track record and have a preference for GPs with whom we can co-invest. First time funds are possible if the team members have convincing attributable private equity track records.

The minimum investment PGGM would like to commit to a fund is €25 million, which implies a minimum fund size of €100 million. For co-investments, we can commit a minimum of €5 million. Note that these minimum investment sizes apply only to Investing in SDG investments and are significantly smaller than for other PE investments.

With all our GPs we have an agreement that they will report on the impact they generate with the investments on an annual basis. The number of portfolio companies that have been in the SDG portfolio for the full year 2023 has significantly grown compared to 2022 with currently 82 companies, but we have received KPIs for all our fund and co-investments that we have held in our portfolio since 2019. However the quality and granularity of the impact data varies.

Some highlights include:

1) Ara III: Climate specialist with a focus on (i) Food & Agriculture, (ii) Chemicals and Materials, (iii) Industrials and manufacturing and (iv) Energy efficiency and green fuels.
2) Gyrus II: Invests in the thematics of Healthcare and Sustainability, focusing on middle market companies that can be further professionalized by implementing new governance and growth initiatives. While small, the GP has been expanding its ESG initiatives.
3) GHO IV: focuses on Healthcare solutions that benefit the European and north American market, with its companies enabling better care at lower cost.
4) VAC (Ara): is an advanced magnetic materials and solutions company with a 100-year operating history that serves a critical role in end markets driven by the energy transition including EVs, industrial efficiency, alternative energy, and electric aviation through its soft magnet and permanent magnet segments.

9. Climate change and diversity, equity & inclusion

In 2023, the PE team continued encouraging its GPs to take steps to measure and report on their GHG emissions as well as their diversity, equity, and inclusion (DEI) initiatives. We did this through our normal annual ESG monitoring meetings as well as by our template with specific ESG KPIs for our GPs to share with us. These included:

- scope 1, 2, and 3 emissions data and financial data so that we could make an estimate of the emissions attributable to PGGM
- gender diversity data at the GP level using ILPA's template
- gender diversity data for senior leadership and board level of portfolio companies

Furthermore, the PE team also assessed all go-forward GPs with regards to Paris Alignment through our proprietary Paris alignment questionnaire built on the TCFD pillars. This assessment will be conducted annually by the PE team and is integrated in the annual ESG monitoring from 2023 onwards.

PFZW has set a goal to be net zero in 2050. To realize this we are engaging with our GPs to encourage them to consider climate performance at their firm and their portfolio companies, starting with awareness and governance, then measuring and reporting, and finally target setting.

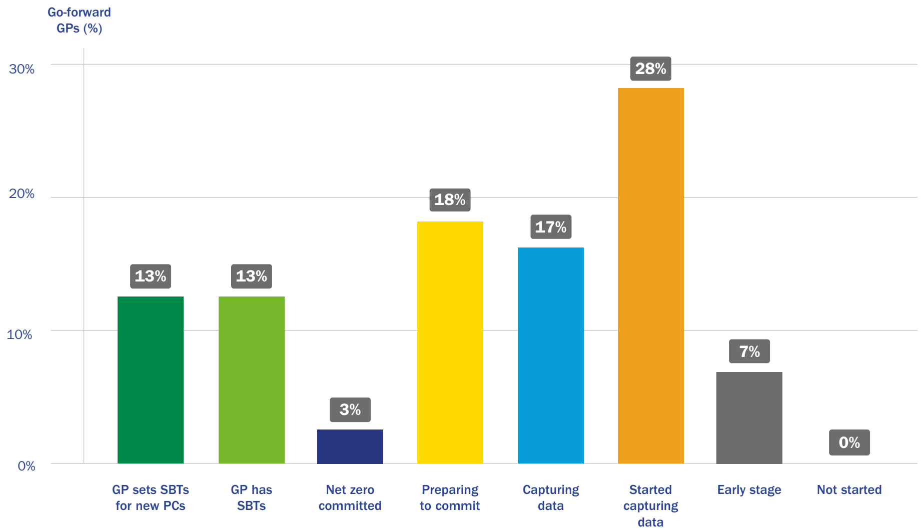
Paris alignment assessment

The Paris alignment assessment classifies all our GPs into one out of 8 categories. The categories range from GPs requiring their portfolio companies to set science-based targets (SBTs) to not having started with decarbonization.

We observe that

- 26% of our go-forward GPs have set science-based targets or require their portfolio companies to do so.
- 21% are net zero committed or are preparing to commit
- 45% is capturing (some) GHG emission data for (part of) their portfolio companies
- 7% of GPs is not measuring GHG emissions

Besides measuring our progress towards a net-zero portfolio, the assessment results also serve as input for our annual ESG monitoring meetings to guide our GPs on the areas that we value improvement on.



Emission and Energy Data

Overall coverage over our portfolio has increased in 2023 by 6% compared to 2022 (1222 companies versus 1152 companies). The data coverage for GHG emissions on 2023 is:

- Scope 1 and 2 emissions data coverage are 23.4% and 24.7%, respectively.
- Scope 3 emissions has as data coverage of 15.4%
- Total energy consumption has a data coverage of 23.6%, while the coverage of renewable energy is 12.9%.

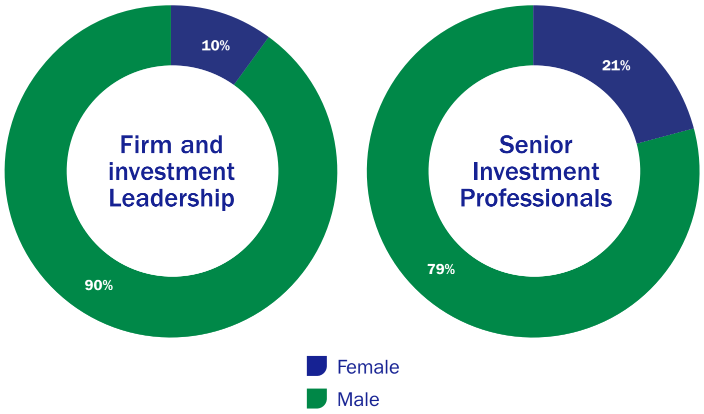
Diversity Data

The data coverage of diversity of the board on company level was 32.4%. Based on the available data, the following statistics can be reported:

- Board members (13% female / 87% male)

GP Diversity Data

The number of total GPs providing GP diversity data at their firm increased from 62 last year to 68 this year.



4 Only GP diversity data of the 68 GPs that submitted in time have been taken into account

Based on the available data[4], we can report the following diversity statistics:

- Firm and investment Leadership (**10% female** / **90 % male**);
- Senior Investment Professionals (**21%** / **79%**);
- Other Investment Professionals (**34%** / **66%**);
- Operations / admin leadership (**39%** / **61%**);
- Other operations and admin professionals (**58%** / **42%**);
- All professionals (**42%** / **58%**)

The quality of the data is not yet reliable enough to report in a more granular manner at this stage.

We will continue to engage with our GPs to further increase the response rates. We expect to report in more granular form on the EDCI KPIs next year.

Since early 2021, PGGM is a signatory to ILPA's Diversity in Action initiative in order to help build momentum around the advancement of DEI over time

Exemplary Climate Change Approach

Affinity Equity Partners is an Asian GP that we view a front runner in terms of their climate approach. Affinity fully recognises the importance of understanding climate related risks and opportunities and integrating these into the investment process. Affinity is a supporter of the Task Force on Climate Related Financial Disclosures (TCFD) framework and encourages portfolio companies to use the framework to identify, understand and report on climate related risks and opportunities. Affinity's climate approach focuses on encouraging portfolio companies to become net zero. Affinity aims to set net zero climate goals for all their current control investments before 2025. For future control investments, Affinity aims to set net zero targets within two years of ownership. Additionally, an engagement and stewardship strategy will be implemented for the investments for which Affinity has no control stake.

Exemplary DE&I Approach

Many GPs continue to push the boundaries to enhance their DE&I practices. Investindustrial is a clear example of this, promoting DE&I initiatives both at the firm and portfolio company level.

At the firm level, Investindustrial has developed a D&I framework, created a D&I committee and was one of the first PE firms to offer a market leading enhanced maternity policy across all its locations. In addition, Investindustrial is a member of industry initiatives that aim to advance DE&I and female participation in the private equity industry, such as Level20 and ILPA Diversity in Action Initiative.

On a portfolio company level, Investindustrial tracks and monitors D&I-related data. Investindustrial encourages portfolio companies to incorporate D&I policies and processes as part of their overall ESG strategy. Moreover, circa. 90% of the portfolio companies of Investindustrial have at least one woman on the Board.

10. Outlook

There are always opportunities to further improve ESG integration during selection, commitment and ownership. We are committed to continuously improving and refining this process to ensure that PGGM remains a best-in-class responsible investor. In addition, we continue to engage with our GPs to drive further improvement on ESG integration at their firms and portfolio companies. We strive to make investments that continue to support the present and future financial security and well-being of pension beneficiaries, but just as importantly contribute to ensuring that tomorrow's world and society is one in which these beneficiaries want to live.

From 2024, we assess the ESG performance of our GPs using a new framework. The previous framework was developed several years ago and small changes were regularly made. But this time, we have done a full review of the framework. First, we have reflected that what was considered advanced a few years ago has now become market standard. The new framework raises the bar to get the best score. This helps us compare the ESG performance of GPs. Secondly, we have included new ESG topics that have emerged in recent years, like biodiversity.

In 2024, we will also follow-up on the outcomes of the assessment how our go-forward GPs are progressing towards Paris-alignment. We will engage with specific GPs, GPs in a region or GPs with a certain strategy how they can advance towards Paris-alignment. We will also look for collaboration with other investors, either directly or via industry initiatives. We believe that both GPs and LPs will benefit from more convergence on this and other ESG topics.

And finally, we will explore how a 3D-strategy for PE should look like. 3D-investing means that every investment position in our portfolio can be justified from the following three dimensions: return, risk and sustainability. Because ESG is already integrated in the investment process, we will continue much of what we already do. But we will also explore where we can go the extra mile.