

# Annex to the PGGM Guidelines Responsible investment in Systematic Equity Strategies

December 2021 (v2021.20)

## 1. Applicability

The Guidelines Responsible investment in Systematic Equity Strategies are applicable to the following products of PGGM Vermogensbeheer B.V.:

The PGGM Developed Markets Alternative Equity PF Fund.

## 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) A) The following products of PGGM Vermogensbeheer BV are article 8 products within the meaning of the SFDR; The PGGM Developed Markets Alternative Equity PF Fund.

B) Disclosures with respect to article 8 SFDR:

### PGGM Developed Markets Alternative Equity PF Fund

#### Article 8 Disclosure Regulation

For the purposes of article 8(1) of the Disclosure Regulation, PGGM considers that the Fund is a financial product which promotes, among other characteristics, environmental and social characteristics.

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 integrates relevant environmental, social and governance factors in its investment activities for the Fund. PGGM's investment policy consists of following the benchmark “FTSE Developed Blended (022 & 045) PGGM Customized for NE CO<sub>2</sub> optimized PGGM Tax index, unhedged, on a total net return basis and denominated in euro”. CO<sub>2</sub> reduction refers to the divestment of the most CO<sub>2</sub> intensive companies within the most CO<sub>2</sub> intensive sectors (Utilities, Energy and Materials).

PGGM has declared the Exclusions and Exclusion Lists Implementation Guideline, as restrictions with regard to responsible investment, applicable to the Fund.

The reference benchmark has been adjusted as a result of the application of the aforementioned exclusion list.

#### *How the Environmental and Social Characteristics Are Met*

The “FTSE Developed Blended (022 & 045) PGGM Customized for NE CO<sub>2</sub> optimized PGGM Tax index, unhedged, on a total net return basis and denominated in euro” has been designated as a reference benchmark. This reference benchmark has been adjusted as a result of the application of the ESG exclusion list that PGGM uses. CO<sub>2</sub> reduction refers to the divestment of the most CO<sub>2</sub> intensive companies within the most CO<sub>2</sub> intensive sectors (Utilities, Energy and Materials).

PGGM seeks to enhance the positive social and/or environmental impact of its investments and to minimize adverse impacts of investments on sustainability factors. PGGM actively uses its influence as a shareholder, thereby contributing to the quality, sustainability and continuity of companies and markets. PGGM sees it as its responsibility to engage with market parties and companies about their policies and activities. In this way, it attempts to realise ESG-related improvements. Engagement activities are focused on (improving) measurement of impact, on improved reporting and on integrating the sustainability development goals into the business strategy of portfolio companies.

As regards the exclusion set out above, 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, PGGM refrains from investing in companies engaged in controversial weapons, tobacco, tar sands as well as thermal coal utilities and mining companies. 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*

PGGM actively uses its influence as a shareholder to achieve improvements in the ESG field, thereby contributing to the quality, sustainability and continuity of companies and markets. In its position as shareholder, PGGM applies the Voting Guidelines.

On the basis of the Voting Guidelines, PGGM votes against proposed resolutions that do not meet minimum corporate governance standards or environmental and/or social principles. Amongst others, PGGM expects the board of portfolio companies to have a diverse composition, including in any case that the board consists of at least 30% women and at least 30% men.

PGGM also has a voting policy with regard to executive remuneration, which includes encouraging portfolio companies to integrate sustainability criteria in the remuneration policy and only awarding variable remuneration if long-term objectives are achieved and long-term sustainable value is created.

*Methodology Used for Calculating the Reference Benchmark*

The methodology for calculating the reference benchmark can be found on 2 – 3 of the Supplement PGGM Developed Markets Alternative Equity PF Fund.

*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, SES takes SASB Materiality Map into account when analysing ESG risks and opportunities in the investment process. Each quarter PGGM provides an update of responsible investment activities in quarterly reports to its clients. This includes information regarding impact investing and integration of ESG -factors in investment decisions. Also, any relevant negative impacts as well as monitoring of these impacts, are reported.

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