ANNEX II

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: PGGM Emerging Markets Equity PF Fund
Legal entity identifier: 549300T5YA8FC1BUKZ13

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

☐ **Yes**	☒ **No**
☐ It will make a minimum of **sustainable investments with an environmental objective:** ___%	☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective:** ___%	☒ It promotes E/S characteristics, but **will not make any sustainable investments**

What environmental and/or social characteristics are promoted by this financial product?

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

- Environmental characteristics promoted are climate change mitigation and sustainable use and protection of water and soil.
- Social characteristics promoted regard Human Rights, Healthy living, Employment Relations, Combating Bribery, Bribe Solicitation and Extortion.
- A reference benchmark has been designated for the purpose of attaining environmental and social characteristics which includes the environmental characteristic climate mitigation.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

In order to measure the attainment of the above E/S characteristics, we apply the following sustainability indicators:

- Number of companies that are active in the fossil fuel sector which (i) do not commit themselves to the Paris Climate Agreement and the increased ambitions of COP26 and (ii) do not have a convincing and verifiable climate transition strategy.
- Number of companies that are involved and/or have (revenue) exposure to companies involved in the production of tobacco
- Number of companies that are involved and/or have (revenue) exposure to companies involved in the coal sector
- Number of companies that are involved and/or have (revenue) exposure to companies involved in tar sands (extraction)
- Number of companies involved in the production and distribution of controversial weapons (anti -personnel mines, cluster munitions, ammunition with depleted uranium, nuclear weapons, chemical weapons and biological weapons)
- Number of companies that violate the UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- Number of companies that show lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- Number of most CO_2 intensive companies within the sectors Utilities, Energy and Materials

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

Not applicable

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

Not applicable

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How have the indicators for adverse impacts on sustainability factors been taken into account?

Not applicable

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Not applicable

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

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. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes,

☐ No

PGGM is of the opinion that it is very important to limit principle adverse impact on humans, animals and the environment. Since it is not possible to limit all negative effects, PGGM has selected 3 themes to limit negative impacts: Human Rights (controversial weapons, UN/EU sanctions, OECD and UN Global), Health & wellbeing (tobacco) and Climate change (Coal and tar Sand, OECD, and UN Global Compact).

PGGM takes principle adverse impacts (PAIs) into account for this financial product, via

- excluding investments in:
  - controversial weapons: companies involved in the production and distribution of controversial weapons (1. Weapons of mass destruction (a) nuclear weapons, b) chemical weapons and c) biological weapons) and 2. Weapons with a considerable risk of casualties (including among civilians) during and/or after military conflict (a) anti-personnel mines, b) cluster bombs and c) munitions with depleted uranium);
  - tobacco production: companies involved in the production of tobacco and/or tobacco products (for example cigarettes, cigars, chewing tobacco etc.) and companies which are (co-)owners of companies engaged in the production of tobacco and/or tobacco products (with regard to ownership, PGGM applies the principle of controlling interest, meaning an interest in a joint venture and/or an interest of 30% or more in a listed company);
  - thermal coal: companies deriving more than 5% of their total revenues from producing (mining) thermal coal or more than and 30% from power generation using thermal coal;
  - tar sands: companies deriving more than 1% of their total revenues from producing oil out of tar sands/oil sands;
  - arctic drilling: companies deriving more than 1% of their total revenues from Arctic oil drilling;
  - fossil fuel sector: companies that are active in the fossil fuel sector which (i) do not commit themselves to the Paris Climate Agreement and the increased ambitions of COP26 and (ii) do not have a convincing and verifiable climate transition strategy.

○ Russian and Belarus companies: investments in liquid equities and credit of Russian and Belarus companies, defined as (1) companies that are identified as 'Russian' or 'Belarus' by the benchmark providers, and/or (2) that have the majority of their business in Russia, according to our data providers ('country of risk');
○ sanctions: bonds (including inflation-linked government bonds and other debt securities – without a predefined purpose – of central government and local authorities) issued by states on which the UN Security Council and/or the Council of the European Union have imposed restrictive measures (sanctions), if these are targeted at the country itself or the incumbent government and concern a weapons embargo or relate to a situation of gross and systematic violation of human rights, or if there is possible deployment of controversial weapons.

The exclusions are realized via exclusion lists that are kept up to date and which are applied by the portfolio managers in the investment processes for new and for existing investments. Existing investments in companies are screened when adjustments to the list are made, which will result in divestment in companies that have been added to the list if they are in the existing portfolio.

The excluded companies are excluded from the portfolio as well as from the benchmark. This means that the benchmark is customised for exclusions. The benchmark is being adjusted for exclusions on a semi-annual basis or more if needed.

- Performing an OECD and UN Global Compact screening (hereafter "OECD-screening")

To assess the seriousness of the negative impact of companies on people and the environment, we have developed a screening method together with Sustainalytics, regarding the UN Global Compact principles and OECD Guidelines for Institutional Investors. Companies are given a score based on incidents within their own production locations and in the supply chain. Very severe and severe violation will lead to an exclusion of the companies involved, unless a severe violation occurs at a large company. In that case we prefer to first engage with the company as engagement with the larger companies could have more effect then just divesting. In case the engagement does - within a reasonable timeframe – however not lead to indicated changes, the company will also be excluded.

The OECD screening is used for pre-investment as well as periodic monitoring of the portfolio. The OECD screening list is updated twice a year. Information on how the financial product has considered the principal adverse impacts on sustainability factors is disclosed in the annual report of the financial product.

What investment strategy does this financial product follow?

We apply a responsible basis for our investments, by including ESG factors in our investment decisions, The Beliefs and Foundations for Responsible Investment specify strict minimum standards for our investments. The minimum standards are applicable to all our investments and include exclusions and OECD screening. With these minimum standards we shift our investments from companies and investments that do not meet our minimum ESG requirements to companies and investments that do. We follow a specific benchmark and the benchmark is (also) updated using our exclusions and OECD screening. Our managers are free to invest in the benchmark names. For further details please refer to the benchmark section of this Annex.

Exclusions
Before a new investment is made, a check takes place in order to ensure that the

companies/government bonds are not listed on the exclusion list. The trading system(s) should prevent any buying orders in these securities. The exclusion list is updated at least twice a year and after the exclusion list is updated, the existing portfolio is checked again and securities of companies/government bonds on the exclusion list, are sold.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

<u>OECD screening</u>
In the OECD screening, companies are given a score based on incidents within their own production locations and in the supply chain. Very severe and severe violation will lead to an exclusion of the companies involved, unless a severe violation occurs at a large company. In that case we prefer to first engage with the company as engagement with the larger companies could have more effect then just divesting. In case the engagement does - within a reasonable timeframe – however not lead to indicated changes, the company will also be excluded.

The OECD screening is used for pre-investment as well as periodic monitoring of the portfolio. The OECD screening list is updated twice a year.

<u>Next to the minimum standards we have set a CO2/GHG target for this product.</u>

This product has a process to realize a reduction of CO2/GHG. The CO2 reduction is achieved through a yearly adjustment of the portfolio. The objective is a 33 percent divestment of CO2 inefficient companies within the sectors: Utilities, Energy and Materials and reinvest that money in the same sectors in the more CO2 efficient companies. Therefore, the companies that emit the most CO2 per dollar of company revenue are gradually phased out of the portfolio on a yearly basis. The freed-up money is reallocated in the less polluting companies within the aforementioned sectors.

Annually, a CO2 measurement and reporting are carried out for the portfolio. The monitoring and calculations, including data gathering etc., are in accordance with the "PGGM manual – CO2 calculations". The CO2 intensity will be measured in ton per million US Dollar sales and calculated for each company in the Portfolio or Benchmark by dividing the CO2 emissions by the sales (as determined by Trucost). CO2 intensity will be calculated based on Trucost data scope 1,2 and 3 "upstream" (as determined by the Greenhouse Gas Protocol). Scope 3 is measured for those companies in the Integrated Oil & Gas, Oil & Gas Exploration & Production, Coal & Consumable Fuels and the Automobile Manufacturers sub-sector. For these four sub-sectors the scope 3 data is considered to be accurate based on the method with which the data is derived.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The minimum ESG requirements are binding elements in our investment strategy and consists of the following elements:

- Excluding companies involved in the production/trading or that are involved in controversial weapons, tobacco and coal and tar sands.
- Applying an OECD screening on the negative impact of companies on people and the environment
- Reduction of CO2 intensity by gradually adjusting the benchmark.

- Excluding a number of companies that are active in the fossil fuel sector which (i) do not commit themselves to the Paris Climate Agreement and the increased ambitions of COP26 and (ii) do not have a convincing and verifiable climate transition strategy.

What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

The scope of investments prior to the application of the investment strategy is reduced by 33 percent of the most CO2 intensive companies within the most CO2 intensive sectors (Utilities, Energy and Materials). Which results into approximately 15 percent reduced scope of the original universe.

What is the policy to assess good governance practices of the investee companies?

Asset allocation describes the share of investments in specific assets.

PGGM assesses the companies it invests in also with regard to good governance practices (GGP), in particular with respect to sound management structures, employee relations remuneration of staff and tax compliance. For this we have developed a screening method together with Sustainalytics based on the UN Global Compact Principles and OECD Guidelines for Institutional Investors. In particular Principle 3-6 UN Global Compact and Chapter II, V, X and XI OECD Guidelines for Multinational Enterprises are relevant.

In case a company does not follow good governance practises based on OECD-Screening, they are excluded.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

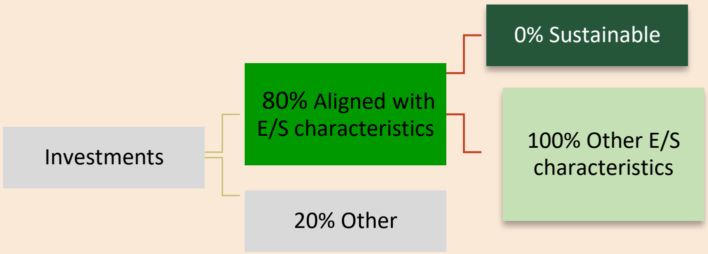
What is the asset allocation planned for this financial product?

The product invests in shares and derivatives thereof in global emerging equity markets as well as cash and FX instruments. Part of the investment strategy is to contribute to the reduction of the CO2 intensity. The non-derivative or non-cash instruments are aligned with E/S characteristics because they have to meet the minimum ESG standards of the fund. Furthermore, the CO2/GHG goals are applied to the benchmark followed.

A maximum of 20% can be invested in the sum of ETF’s (5%), futures (10%), and cash (5%). As we do not consider those products to contribute to the E/S characteristics, 80% of the investments are aligned with E/S characteristics. Instruments obtained from corporate actions, FX instruments and forwards are not included in the calculation because the exposure is negligible.

No sustainable investments are currently planned for the product, although it could be that in practice investments are made that fulfil the criteria for sustainable investment.

The chart below is a graphic description of the percentage of the asset allocation planned:



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

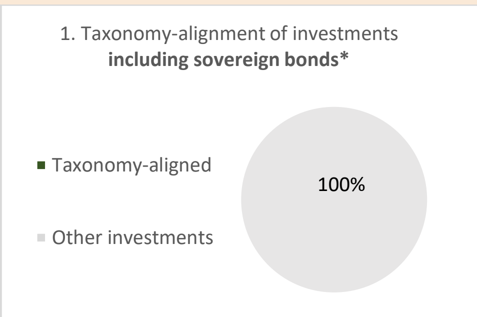
How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

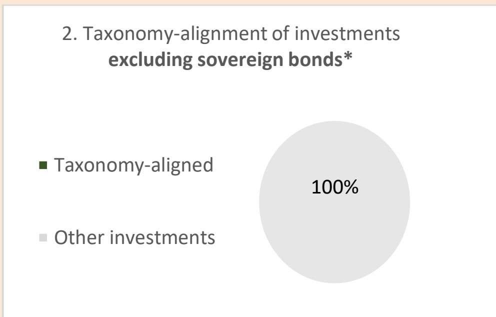
Equity linked notes from equities that are part of the benchmark are allowed for a maximum of 5% and are used for aligning portfolio risk with that of the benchmark (beta-replication) or tax benefits. The benchmark is adjusted for exclusions and the OECD screening. Therefore, ensuring alignment with the environmental and social characteristics this product promotes.

The derivatives are not used to achieve the E/S characteristics of the product but instead used to ensure that the product can be effectively managed (e.g. hedging, liquidity management, exposure to equity market), to ensure that the return target can be met and to stay compliant with the guidelines.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





* *For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures*

What is the minimum share of investments in transitional and enabling activities?

Not applicable

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

0%

What is the minimum share of socially sustainable investments?

0%

What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Futures on (countries of) Emerging Markets equity indices are allowed for a maximum of 10%. The futures are used for deriving exposure to the emerging equity markets or hedging. Physical Exchange Traded Funds (ETF) for a maximum of 5% are also used to derive exposure to the emerging equity market. Both ETF’s and futures on indices are constructed from baskets of constituents with a broader universe then the benchmark, we are unable to adjust these constituents for the exclusion list and OECD screening and therefore no minimum safeguards are in place. Cash- and money market instruments can be held for a maximum of 5% can be used as “dry powder” for investment opportunities, to reduce risk of the portfolio and/or liquidity management. Due to the nature of cash and money market fund it is not possible to apply our minimum standards.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

The benchmark is designated to align this fund with the environmental and social characteristics that it promotes. The benchmark for this category is the “FTSE Emerging Blended PGGM Customised for NE NI C02 Optimised PGGM Tax Index", not hedged to euro.

The excluded companies are excluded from the portfolio as well as from the benchmark. This means that the benchmark is customised for exclusions. Furthermore, the benchmark also represents the policy by which one third of the most CO2 intensive companies in the sectors Materials/Energy/Utilities are being replaced by the lesser CO2 intensive companies. The customised benchmark is being rebalanced for CO2 on a yearly basis and is being adjusted for exclusions on at least on a semi-annual basis.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

The Benchmark objective is a 33 percent divestment of CO2 inefficient companies within the sectors Utilities, Energy and Materials and reinvest that money in the same sectors in the more CO2 efficient companies. Therefore, the companies that emit the most CO2 per dollar of company revenue are phased out of the benchmark, which is rebalanced on a yearly basis.

In order to align the reference benchmark continuously with the E/S characteristics promoted by the product, the benchmark is semi-annually updated via the exclusion of companies involved in the issues listed in this Annex (see above under question: Does this financial product consider principal adverse impacts on sustainability factors?) and also for companies that do not make the minimum required environmental and social characteristics following the OECD screening.

How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?

The benchmark is customised by FTSE on behalf of PGGM. Benchmark will be adjusted accordingly, or a new benchmark will be constructed should PGGM adopts a different investment strategy.

- ***How does the designated index differ from a relevant broad market index?***

The designated index differs from the broad market index because it is ESG-adjusted and stimulates CO2 reduction. The benchmark for this category is the FTSE Emerging Blended PGGM Customised for NE NI C02 Optimised PGGM Tax Index". Normative Exclusions (NE) refers to adjustment of the index as a result of applying the PGGN exclusions (based on the exclusion list and OECD screening). CO2 Optimised refers to the divestment of the most CO2 intensive companies within the most CO2 intensive sectors (Utilities, Energy and Materials).

- ***Where can the methodology used for the calculation of the designated index be found?***

The calculation method is not disclosed due to the fact that it is a customized benchmark

Where can I find more product specific information online?

More product-specific information can be found on the website:

PGGM Compliance:

NL: https://www.pggm.nl/onze-diensten/compliance/

EN: https://www.pggm.nl/en/our-services/compliance/