

# Sustainability Related Disclosure

Sustainable Finance Disclosure regulation

PGGM Infrastructure Fund

(Infrastructuur Fonds)

This document provides you with information about this financial product in relation to the Sustainable Finance Disclosure Regulation. The information is required by law to help you understand the sustainability characteristics and/or objectives and risks of this financial product.

(a) Summary English		
This section summarizes all the information contained in the different sections below about the financial product that promote environmental or social characteristics.		
<b>Name financial product</b>	PGGM Infrastructure Fund	
<b>Classification product</b>	Article 8 SFDR	
<b>b. No sustainable investment objective</b>	Applicable (No sustainable investment objective)	
<b>c. Environmental or social characteristics of the financial product</b>	<p>The PGGM Infrastructure Fund promotes the following environmental and social characteristics:</p> <ul style="list-style-type: none"> <li>• Social characteristics: Human Rights, Healthy living, Employment Relations, Combating Bribery, Bribe Solicitation and Extortion.</li> <li>• Environmental characteristics: Climate change mitigation and sustainable use and protection of water and soil via the exclusion of companies in the coal and tar sands industry and via GHG reduction targets</li> </ul>	
<b>d. Investment strategy</b>	PGGM's Infrastructure Fund structurally and systematically takes environmental, social and governance factors into account that can form material risks to the portfolio. The Fund seeks to select potential investee companies based on their risk/return profile and potential to enhance financial returns and societal benefits by improving on the ESG/Sustainability profile.	
<b>e. Proportion of investments</b>	Around 95% aligned with E/S characteristics. Around 5% can be held in cash.	
<b>f. Monitoring of environmental or social characteristics</b>	<i>Exclusions</i>	Applicable
	<i>OECD-screening</i>	Applicable
<b>g. Methodologies</b>	In order to measure the attainment of the above E/S characteristics, we apply sustainability indicators.	
<b>h. Data sources and processing</b>	<i>Exclusion</i>	RepRisk
	<i>OECD-screening</i>	RepRisk
<b>i. Limitations to methodologies and data</b>	<i>Missing data</i>	Applicable
<b>j. Due diligence</b>	PGGM's Infrastructure Fund assesses the companies it invests in during the investment selection process. In the due diligence phase several workstreams assess the company, the market, the technology et cetera. With regard to good governance practices (GGP), the Fund looks also into sound management structures, employee relations, remuneration of staff and tax compliance.	
<b>k. Engagement policies</b>	Applicable	
<b>l. Designated reference benchmark</b>	Not applicable	

(a) Summary Dutch		
This section summarizes all the information contained in the different sections below about the financial product that promote environmental or social characteristics.		
<b>Naam financieel product</b>	PGGM infrastructuur fonds	
<b>Classificatie product</b>	Artikel 8 SFDR	
<b>b. Geen duurzame beleggingsdoelstelling</b>	Van toepassing (geen duurzame beleggingsdoelstelling)	
<b>c. Ecologische of sociale kenmerken</b>	De 'PGGM Infrastructure Fund' promoot de volgende ecologische en sociale kenmerken: <ul style="list-style-type: none"> <li>• Sociale kenmerken: Mensenrechten, gezond leven, arbeidsverhoudingen en bestrijding van omkoping, verzoeken om omkoping en afpersing.</li> <li>• Ecologische kenmerken: beperken van klimaatverandering en duurzaam gebruik en bescherming van water en grond via het uitsluiten van bedrijven in de kool en teerzanden sectoren en via GHG (broeikasgassen) reductiedoelen.</li> </ul>	
<b>d. Beleggingsstrategie</b>	'PGGM's Infrastructure Fund' houdt structureel rekening met ESG factoren die een materieel risico kunnen vormen voor de portfolio. Het fonds probeert potentiële beleggingen te selecteren op basis van hun risico/rendement profile en het potentieel om het financiële rendement en maatschappelijke voordelen te vergroten door het ESG/duurzaamheid profile te verbeteren.	
<b>e. Aandeel beleggingen</b>	Ongeveer 95% is in lijn met E/S kenmerken. Ongeveer 5% kan in cash worden gehouden.	
<b>f. Monitoring ecologische of sociale kenmerken</b>	<i>Uitsluitingen</i>	Van toepassing
	<i>OECD-screening</i>	Van toepassing
	<i>CO<sub>2</sub>-doelstelling</i>	Niet van toepassing
<b>g. Methodologieën</b>	Om het behalen van de hierboven genoemde E/S kenmerken te kunnen meten, gebruiken we duurzaamheid indicatoren.	
<b>h. Databronnen en -verwerking</b>	<i>Uitsluitingen</i>	RepRisk
	<i>OECD-screening</i>	RepRisk
	<i>CO<sub>2</sub>-doelstelling</i>	GRESB
<b>i. Methodologische- en databeperkingen</b>	<i>Ontbrekende data</i>	Van toepassing
<b>j. Due dilligence</b>	'PGGM's Infrastructure Fund' beoordeelt de bedrijven waarin wordt belegd tijdens het beleggingsselectieproces. In de 'due diligence' fase worden verschillende werkstromen van het bedrijf, de markt, de technologieën, etc. beoordeelt. Met betrekking tot praktijken op het gebied van goed bestuur ('Good governance practices (GGP)'), kijkt het fonds ook naar goede managementstructuren, betrekkingen met hun werknemers, beloning van het betrokken personeel en naleving van de belastingwetgeving.	
<b>k. Engagementbeleid</b>	Van toepassing	
<b>l. Aangewezen referentiebenchmark</b>	Niet van toepassing	

### (b) No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

### (c) Environmental or social characteristics of the financial product

What are the environmental or social characteristics that the financial products promotes?

The PGGM Infrastructure Fund promotes both environmental and social characteristics.

- Social characteristics promoted regard Human Rights, Healthy living, Employment Relations, Combating Bribery, Bribe Solicitation and Extortion.
- Environmental characteristics promoted are climate change mitigation and sustainable use and protection of water and soil via the exclusion of companies in the coal and tar sands industry and via GHG reduction targets
- No reference benchmark is used to attain the social or environmental characteristics

### (d) Investment strategy

What is the investment strategy used to meet the environmental or social characteristics promoted by the financial product?

The primary objective of PGGM's Responsible Investment in Infrastructure is to ensure that PGGM's Infrastructure Fund structurally and systematically takes environmental, social and governance factors into account that can form material risks to the portfolio. PGGM calls this 'outside-in (ESG) risk' assessment. Where possible, PGGM's Infrastructure Fund will also leverage opportunities to create positive environmental- and societal benefits through its investments. This is what PGGM calls 'inside-out (sustainable) impact'.

PGGM's Infrastructure Fund does not seek to specifically target companies with leading sustainability practices or low carbon footprint. Instead, the Fund seeks to select potential investee companies based on their risk/return profile and potential to enhance financial returns and societal benefits by improving on the ESG/Sustainability profile.

The Funds Sustainability Stairway (figure 1) illustrates how ESG/Sustainability can evolve within a company and sets forth the expectations PGGM has with regard to its (potential) infrastructure investments.

All infrastructure assets, in which PGGM's Infrastructure Fund is directly or indirectly invested:

- a. will have to comply with the PGGM Implementation Guideline on Exclusions (Exclusion policy compliance).
- b. will have to comply with all applicable environmental and social (such as health, safety, labor) law and regulation (Legal compliance).
- c. will have to, where relevant, assess material sustainability risks, specifically environmental and social risks of their operations and implement or work over time towards implementing relevant international best practice standards in their company/asset management to mitigate environmental and social risks with targets and timelines for improvement. This can mean that PGGM may invest in infrastructure assets with weak ESG/Sustainability practices as long as ESG/Sustainability shortcomings are addressed and resolved during the investment period (Voluntary standards).

Expectations a, b and c are minimum requirements.

- d. are expected, where appropriate, to work over time to realize potential (long-term) value through improving ESG performance and operational efficiency (Process / operational sustainability).

PGGM will, where possible, encourage the executive management of its assets and infrastructure funds to:

- e. identify opportunities for investing in infrastructure assets that can positively contribute to solving societal challenges, such as climate change, loss of biodiversity and social inequity (Product/service sustainability).
- f. ensure that the invested assets create financial returns which at the same time advancing the economic and social conditions in the communities in which it operates (Shared value).

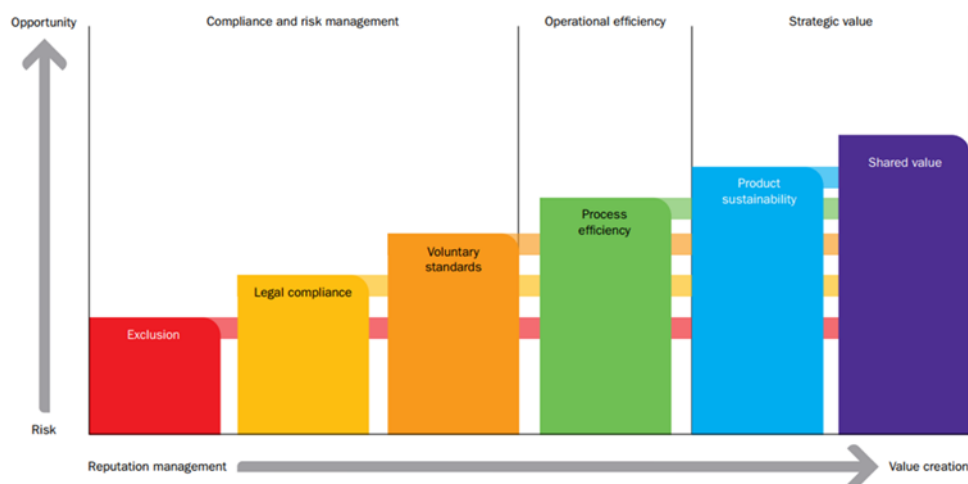


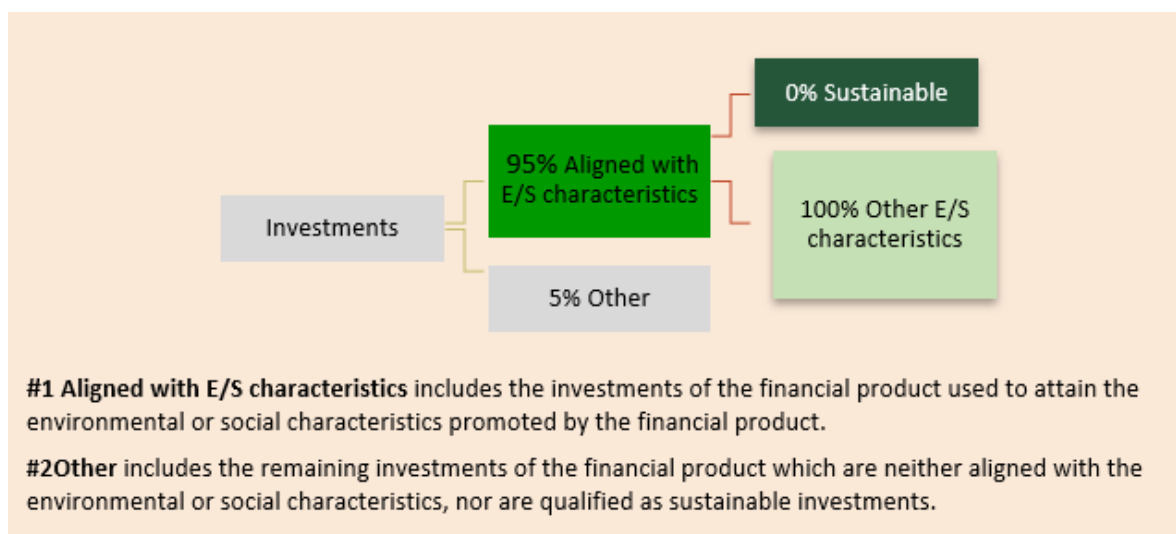
Figure 1. PGGM's Sustainability Stairway

PGGM Infrastructure invests in a diverse range of assets including toll roads, renewable energy and fiber network operators, which means ESG/Sustainability risks and opportunities need to be assessed on an individual asset basis and cannot be generalized.

What is the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance?

PGGM's Infrastructure Fund assesses the companies it invests in during the investment selection process. In the due diligence phase several workstreams assess the company, the market, the technology et cetera. With regard to good governance practices (GGP), the Fund looks also into sound management structures, employee relations, remuneration of staff and tax compliance.

### (e) Proportion of investments



### (f) Monitoring of environmental or social characteristics

How are the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product monitored throughout the lifecycle of the financial product and what are the related internal or external control mechanisms?

#### *Exclusions*

We choose to exclude certain investments. This prevents investments managed by PVBV from contributing financially to certain practices that have a negative impact on sustainability factors and that therefore do not match the standards and values of PVBV, its clients and their participants. We adhere to a strict lower limit, which applies to all PGGM funds managed by PVBV and all public and private segregated mandates for individual clients managed by PVBV. The companies in the benchmark that do not meet the criteria of the lower limit will be placed on a list referred to as the exclusion list. This list is regularly updated, at least twice per calendar year. We use external data providers (such as Sustainalytics, Trucost and Bloomberg) and our own analyses to compile the list of exclusions. The list of exclusions is available on [our website](#).

Agreements have been made with all internal and external managers regarding compliance with the exclusion lists. For our internal managers, PVBV has set up monitoring, management and compliance systems, in Bloomberg, among others. This should prevent trading in companies that are on the exclusion list. External managers are responsible for complying with and monitoring the exclusion list in accordance with the contractual agreements.

#### *Sources*

We use different sources to calculate CO<sub>2</sub> emissions. We try to calculate the so-called 'Scope 1' and 'Scope 2' emissions for each company. Scope 1 emissions concern the direct CO<sub>2</sub> emissions: the CO<sub>2</sub> emissions caused by the company itself, internally (for example in its manufacturing activities). Scope 2 emissions are indirect

CO2 emissions: the CO2 that is emitted due to the consumption of electricity and heat by a company (which is generated by another party, such as a power station).

#### *OECD screening*

In the OECD screening, companies are given a score based on incidents within their own production locations and in the supply chain.

To assess the seriousness of the negative impact of companies on people and the environment, we have developed a screening method based on data from RepRisk to screen our portfolio for UN Global Compact and OECD Guidelines violations, as well as high impact incidents.

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 than 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.

### (g) Methodologies

What are the methodologies to measure how the social or environmental characteristics promoted by the financial product are met?

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

- Number of 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);
- Number of companies deriving more than 1% of their total revenues from producing oil out of tar sands/oil sands;
- Number of 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);
- Number of companies deriving more than 1% of their total revenues from Arctic oil drilling;
- Number of 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');
- 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

## (h) Data sources and processing

- What are the data sources used to attain each of the environmental or social characteristics promoted by the financial product?
- What measures are taken to ensure data quality?
- How is data processed?
- What is the proportion of data that are estimated?

### Data sources

PGGM Infrastructure Fund makes use of ESG data from the following external data sources:

- Exclusions and minimum sustainability requirements:
  - RepRisk: ESG data is used as input for screening methodology for non-listed companies, based on OECD Guidelines for Multinational Enterprises and UN Global Compact Principles
- CO2:
  - GRESB: Company self disclosure of CO2 emissions and intensity data

### SDI Asset Owners Platform

PGGM, APG and two large foreign asset management companies have founded the Sustainable Development Investments Asset Owner Platform (SDI-AOP). As part of the SDI-AOP, a methodology has been developed to determine in an automated way if a company within the investment universe substantially contributes to the UN Sustainable Development Goals (SDGs).

### Data quality and processing

When selecting data vendors, multiple aspects of data quality are assessed, including the completeness of the data for the intended investment universe of the product, the methodology and data quality controls performed by the data vendor. Data vendors are evaluated prior to the date of contract extensions.

The screening methodology on OECD Guidelines for Multinational Enterprises and UN Global Compact Principles is part of a wider and partly qualitative process in which the data driven results are checked and validated manually for every company that is flagged as a result of the screening.

Data collection and further processing of ESG data is performed in multiple ways. The guiding principle for this is to automate the data collection and further processing as much as possible in order to reduce operational risk.

## (i) Limitations to methodologies and data

What are potential limitations to the methodologies or data sources and how do such limitations not affect how the environmental or social characteristics promoted by the financial product are met?

### *Missing ESG data*

The most prominent limitation to methodologies and data is the lack of availability of complete and consistent ESG data caused by incomplete, inadequate and/or non-standardized reporting by investee companies in the field of sustainability and sustainability risks. This is a challenge faced by the entire asset management industry, but the expectation is that this will improve over time as more companies adhere to existing initiatives and standards on sustainability (risk) reporting (e.g. CDP, TCFD, PCAF) and because of new legislation in this area (e.g. the EU's Corporate Sustainability Reporting Directive in 2024).



It should be noted that the diverse nature of the assets in the portfolio limits the option to make general assumptions for CO2 emissions. Missing values are therefore not mitigated, but disclosed. PGGM Infrastructure CO2 reporting includes a coverage ratio, providing clarity on the percentage of the portfolio that is covered by data. Over 2020, the coverage is currently around 75% of the portfolio, measured by the net portfolio NAV of the Fund. The PGGM Infrastructure team pushes for a 100% coverage ratio of the portfolio by engagement with- and support of the management of the portfolio companies.

#### Limitations to GHG methodologies

Since absolute GHG emissions (financed emissions), footprint and intensity indicators all make use of financial data (i.e. Gross Asset Value), these indicators can be impacted by market factors like inflation, volatility in asset prices and FX effects. Still, this is inherent to all commonly used GHG methodologies. PGGM is committed to follow industry standards with regards to GHG calculations and reporting. Most noticeably, PGGM aims to follow the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard and the Task Force on Climate-related Disclosures (TCFD) framework if possible.

### (j) Due diligence

What due diligence is carried out on the underlying assets of the financial product (including the internal and external controls)?

PGGM's Infrastructure Fund assesses the companies it invests in during the investment selection process. In the due diligence phase several workstreams assess the company, the market, the technology et cetera. With regard to good governance practices (GGP), the Fund looks also into sound management structures, employee relations, remuneration of staff and tax compliance.

### (k) Engagement policies

What is the engagement policy applied, in the case that engagement is part of the environmental or social investment strategy (including any management procedures applicable to sustainability-related controversies in investee companies)?

#### *Active and involved shareholdership*

PVBV uses its influence as a shareholder to constantly monitor developments in the companies in its portfolio and, where necessary, making improvements in the area of ESG. We do this by engaging in conversation (dialogue), by implementing predefined improvements in the area of ESG (engagement), by exercising our voting rights and, in extreme cases, by issuing legal proceedings.

#### *i) Dialogue and engagement*

PVBV has a Responsible Investment (RI) team for setting up, monitoring and reporting on the implementation of engagement. RI uses an assessment framework (see 'Figure: Assessment Framework for Implementation of Engagement' in the Responsible Investment Implementation Framework) to establish the most appropriate way to implement engagement - as established in the policy. Depending on the theme and/or sector, RI uses various (external) data sources and data providers. Information is also involved via our membership organizations and collaborations with like-minded institutional investors. PVBV monitors the progress of executed engagement processes by recording these in an Engagement Data Base (EDB) that we ourselves have built. At the end of the engagement programs and processes, PVBV will establish whether

the engagement program has had the desired result. This is where PVBV distinguishes between successful and unsuccessful engagements.

In the event of (a reactive or proactive) engagement, we distinguish between engagement to prevent, mitigate or resolve negative issues in the investment portfolio ('sound basis') and reinforcing the positive contribution to the Sustainable Development Goals (SDGs) that are a focus area ('sustainable world'). In the event of a reactive approach, PGGM will monitor whether there is (a risk of) an incident. As concerns the sound basis, a screening in accordance with the OECD standards (incorporated in the IMVB covenant) is used in order to discuss with clients which companies they wish to engage with.

*(ii) Voting (proxy voting)*

PVBV will cast active and informed votes on behalf of its clients. PVBV does this on the basis of publicly accessible voting guidelines (the [Global Voting Guidelines](#)) that are evaluated and updated annually. In order to cast votes, PVBV uses a specialist voting service provider (Glass Lewis). This voting service provider also gives voting advice based on PVBV's aforementioned voting guidelines. This voting platform allows PVBV to vote remotely in the listed portfolio companies. Every quarter, a sample is used to verify whether the voting advice is in line with the voting guidelines at PVBV and the voting service provider itself will make a compliance statement to confirm compliance.

*(iii) Legal proceedings*

PVBV has set up internal systems that enable it to monitor on a worldwide scale where possible proceedings relating to our investments (in listed companies) could be conducted in the interest of its clients. PVBV will look into those opportunities and will provide its clients with reasoned advice as to whether or not to get involved in these proceedings, and if so, in what capacity. Where appropriate, we will use a specialist law firm to conduct a feasibility analysis and/or to conduct proceedings, whether or not jointly with other affected institutional investors.

### (I) Designated reference benchmark

Has an index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product? If yes, how that index is aligned with the environmental or social characteristics promoted by the financial product, and where can one find information with regards to input data, methodologies used to select those data, the rebalancing methodologies and index calculations?

Not applicable