

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 Credits Fund

Legal entity identifier: 549300TC3ZH0W5INWJ42

Environmental and/or social characteristics

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.

Does this financial product have a sustainable investment objective?

Yes

No

- | | |
|--|--|
| <p><input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___%</p> <p><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%</p> | <p><input type="checkbox"/> 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</p> <p><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> with a social objective</p> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments</p> |
|--|--|



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

- 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.

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

● ***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:

- 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.
- Companies that are involved and/or have (revenue) exposure to companies involved in the production of tobacco
- Companies that are involved and/or have (revenue) exposure to companies involved in the coal sector
- Companies that are involved and/or have (revenue) exposure to companies involved in tar sands (extraction)
- 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

● ***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

— *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 “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.



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

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.

- ✘ Yes, 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.

OECD Screening/OECD Due Diligence (hereafter “OECD-screening”):

Performing an OECD and UN Global Compact 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. It is based on 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 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. 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 PGGM Beliefs and Foundations for Responsible Investment specify strict minimum standards for our investments. The minimum standards are applicable to all our investee companies 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.

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

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 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.

OECD screening

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 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.

The investment strategy

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

- ***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. Also companies in the fossil 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 are excluded.
- Applying an OECD screening on the negative impact of companies on people and the environment

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

Not applicable

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

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

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.

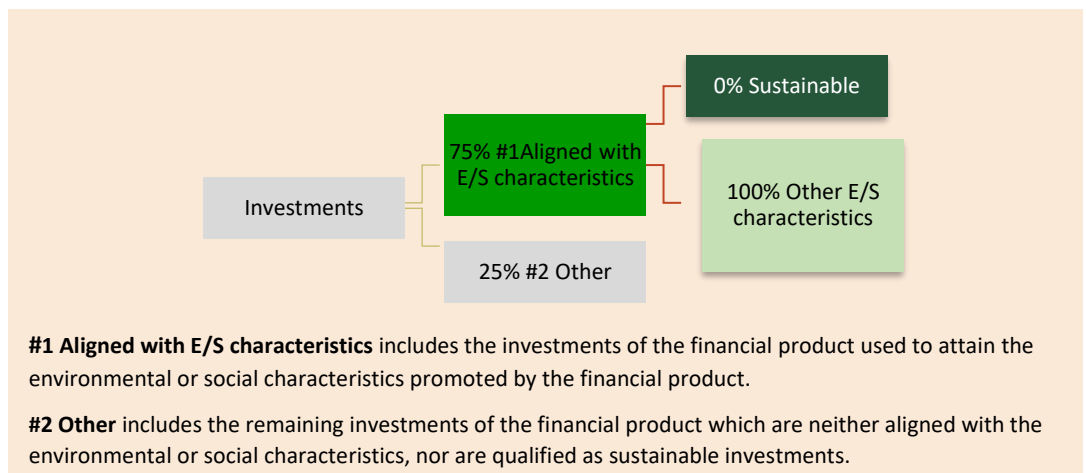


What is the asset allocation planned for this financial product?

The planned asset allocation is an investment portfolio of bonds. The Investment Grade Credit fund can directly invest in bonds from corporates with euro denomination. The core focus is on high grade companies. A moving cash balance and the use of interest rate futures with the purpose of hedging are also part of the planned asset allocation.

The percentage of the investments aligned with the E/S characteristics (#1) promoted is 75% and the percentage of the investments aligned with other (#2) is 25%. Other (#2) includes the 5% cash, 10% futures and 10% off-benchmark room. The financial product does not intend to invest in sustainable investments, resulting in 0% of sustainable investments and 100% investments in other E/S characteristics (#1B). See the flow chart below for a graphical representation.

Asset allocation describes the share of investments in specific assets.



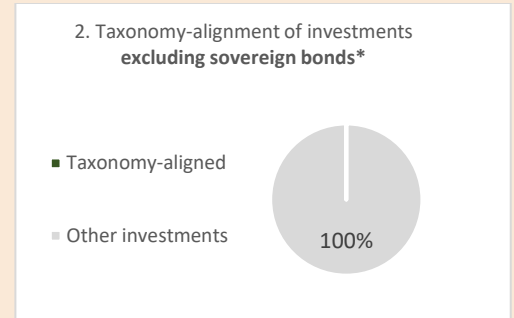
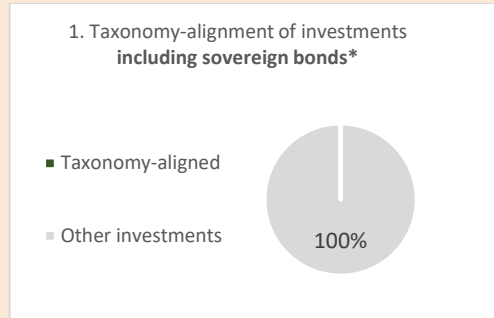
● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable



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.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



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?

Cash, money market instruments and various derivatives such as Credit Default Swaps and Futures can be held for a maximum of 25% and are used as “dry-powder” for investment opportunities, to reduce risk of the portfolio, optimize the duration, and/or liquidity management.

Due to the nature of the characteristics of the instruments, no minimum environmental or social safeguards are applicable. 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 and that the investment risk- and performance objective can be met.



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 the Bloomberg Euro Agg Corp 75% ex Financials ex Tobacco 25% Index and designated to (partly) align this product with the environmental and social characteristics that it promotes. The benchmark is adjusted for the negative effects on Health & wellbeing (tobacco). Note that the portfolio does exclude on the negative effects on 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 Impact).

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

N/A

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

The Benchmark is customised by Bloomberg on behalf of PGGM. The Benchmark will be adjusted accordingly on tobacco or a new benchmark will be constructed should a different investment strategy be adopted.

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

The designated index differs from the broad market index because it is customized for Exclusions on tobacco.

- ***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.

Reference

benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



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/>