

Annex to the PGGM Guidelines Responsible investment in Listed Real Estate

January 2021 (v2021.10)

1. Applicability

The Guidelines Responsible investment in Listed Real Estate are applicable to the following products of PGGM Vermogensbeheer B.V.:

The PGGM Listed Real Estate 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) The following products of PGGM Vermogensbeheer BV are article 8 products within the meaning of the SFDR; The PGGM Listed Real Estate PF Fund.

B) Disclosures with respect to article 8 SFDR:

PGGM Listed Real Estate 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.

Environmental and Social Characteristics

PGGM takes ESG information systematically into account in the investment decision-making framework and these factors are weighted together with other-financial and nonfinancial- factors in constructing the investment portfolio. The investments are monitored on a structural basis and periodical meetings will take place with the management of these companies, in which the ESG factors will be discussed explicitly. PGGM has declared the Exclusions and Exclusion Lists Implementation Guideline, as restrictions with regard to responsible investment, applicable to the Fund.

How the Environmental and Social Characteristics Are Met

In the fundamental investment analysis of potential portfolio companies, ESG integration is aimed at identifying and translating relevant ESG factors in upside potential and/or downside risk. PGGM looks into environmental and social factors, but also corporate governance issues (executive and director compensation, board composition and oversight abilities and shareholder rights and minority shareholder protections). PGGM focuses on the ESG risks that are most likely to materialize and would have the greatest impact on financial performance of the portfolio companies.

These are:

- Governance risks: Poor board oversight, low pay-for-performance based executive compensation, and lacking minority shareholder protections.
- Low-Carbon Transition risks: Energy and emissions profiles of buildings, carbon taxes, and reporting requirements.
- Physical climate risks: Extreme weather events, sea level rise, and temperature rise.
- Social and reputational risks: Diversity, health and safety, and satisfaction of workforce.

The Manager engages with all benchmark companies in order to improve the ESG performance.

As regards the exclusions 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>. In addition, PGGM screens and monitors all its investments for their observance of the OECD Guidelines for Multinational Enterprises (hereafter OECD guidelines) and the UN Guiding Principles for Human Rights (UNGPs). 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

Good corporate governance is expected to be reflected by the companies in shareholders' rights, independence of board members and financial reporting. In those cases where the level of corporate governance is substandard, PGGM will address issues with the management in order to improve the corporate governance. If management provides insufficient disclosure with regard to strategy and/or other aspects the Fund Manager deems relevant, PGGM may give a zero allocation to the portfolio company, irrespective of its benchmark weight.

Where applicable, 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. As a shareholder, PGGM applies customized voting principles, written down in our PGGM 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.

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 environmental and social issues. Similarly, LRE takes SASB Materiality Map into account when analysing environmental and social risks and opportunities in the investment process. PGGM combines indicators from the SASB Materiality Map, corporate governance datasets, GRESB (a real asset ESG benchmark), and Bloomberg ESG, to arrive at company level ESG peer analyses. PGGM annually reports its carbon footprint using GRESB reported data. Each quarter PGGM provides an update of its responsible investment activities in the clients quarterly report. This includes information regarding stewardship activities, impact investing and integration of ESG-factors in its investment decisions.

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