

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

**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.

**Product name:** PGGM High Yield Fund  
**Legal entity identifier:** 549300I5T2WY2AYO0S38

## 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**

<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective:</b> ___% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective:</b> ___%	<input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



### 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.
- No reference benchmark has been designated for the purpose of attaining environmental or social characteristics.

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

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

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

**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.

● ***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 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 or 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.

- 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 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 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.

#### 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.

#### 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

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

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.

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

- ***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 are excluded.
- Excluding governments bonds of countries on which UN Security Council and/or European Union sanctions have been imposed.
- 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.
- 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

- ***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.

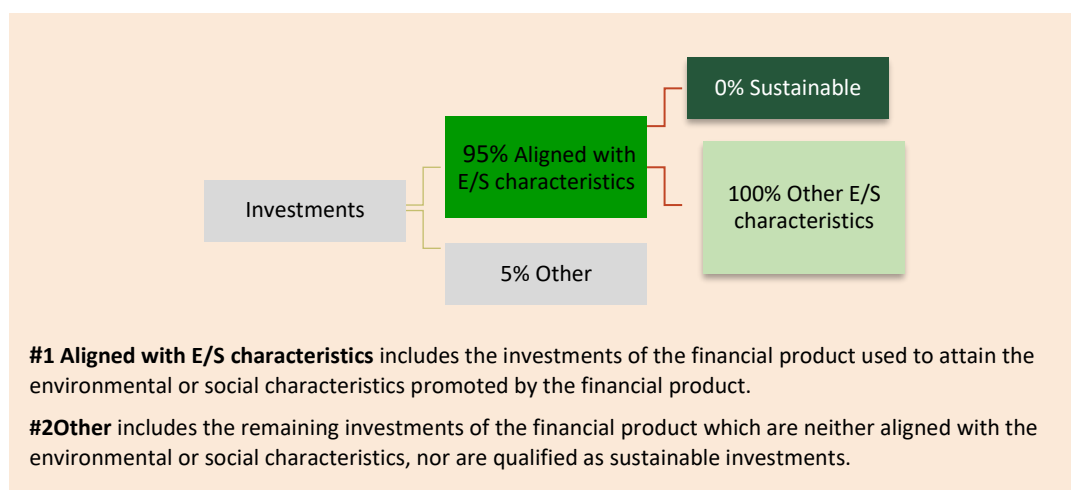


## What is the asset allocation planned for this financial product?

The Fund invests in bonds, loans, hybrids and derivatives as well as cash and FX instruments. Bonds, loans and hybrids are aligned with E/S characteristics because they have to meet the E/S guidelines of the fund through the Exclusion list.

A maximum of 5% can be invested in cash. As we do not consider cash to contribute to the E/S characteristics, 95% of the investments are aligned with E/S characteristics. 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:



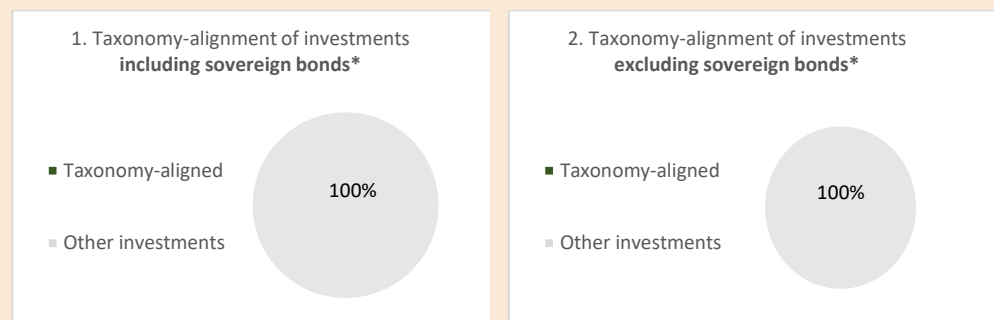
- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

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



**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- 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 and the characteristics of the cash, no minimum environmental or social safeguards are applicable and not used to achieve the E/S characteristics.



**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?**

No reference benchmark is used to align the product with the E/S characteristics.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***  
Not applicable
- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***  
Not applicable
- ***How does the designated index differ from a relevant broad market index?***  
Not applicable
- ***Where can the methodology used for the calculation of the designated index be found?***  
Not applicable



### **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/>