

Annex to the PGGM Guidelines Responsible investment in Investment Grade Credits

January 2021 (v2021.10)

1. Applicability

The Guidelines Responsible investment in Systematic Equity Strategies are applicable to the following products of PGGM Vermogensbeheer B.V.:

The PGGM Credits 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 Credits Fund.

B) Disclosures with respect to article 8 SFDR:

PGGM Credits 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

Environmental, social and governance factors are actively integrated in PGGM's investment activities where relevant. Portfolio companies are analysed and monitored on their strategic and financial merits as well as their ESG performance. The latter is expected to help reduce investment and reputational risks or increase (expected) returns of the portfolio. 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

PGGM will rate individual companies based on ESG scores. The Fund does not invest in companies which have excessively poor ESG performance. These are companies that have a lower ESG score than their peers in the same industry or on a portfolio level. For the corporate plain vanilla green bonds in the portfolio PGGM has developed a decision tree which allows for structural integration of ESG and positive impact in the investment process. PGGM continuously monitors its investment portfolio and on a monthly basis reviews all of its investments, with a strong focus on inter alia ESG risks and positive impact opportunities. It is monitored whether the issuers of green or social bonds fit the criteria at the time when they were added in the portfolio. PGGM's

engagement activities are focused on (improving) portfolio companies' measurement of impact, on improved reporting and on integrating the SDGs into the business strategy of portfolio companies.

As regards the exclusion 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>. The PGGM-wide product-based Exclusion List consists of companies engaged in controversial weapons, tobacco, tar sands as well as thermal coal utilities and mining companies. 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

PGGM actively uses its influence as a bondholder to achieve improvements in the ESG field, thereby contributing to the quality, sustainability and continuity of companies and markets. PGGM sees it as its responsibility to engage with market parties and companies about their policies and activities. In this way, it attempts to realise ESG-related improvements. If PGGM is also shareholder in a specific company it applies customized voting principles, written down in the 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 ESG issues per sector. Similarly, External Management takes SASB Materiality Map into account when analyzing ESG risks and opportunities in the investment process. Each quarter PGGM provides an update of the responsible investment activities in a quarterly report. This includes information regarding stewardship activities, impact investing and integration of ESG-factors in investment decisions. Also, any relevant negative impacts and the monitoring of these impacts, are reported.

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