

Annex to the PGGM Responsible Investment in Infrastructure Guidelines

December 2021 (v2021.20)

1. Applicability

The Responsible Investment in Infrastructure Guideline is applicable to the following products of PGGM Vermogensbeheer B.V.:
The PGGM Infrastructure 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 Infrastructure Fund.
- B) Disclosures with respect to article 8 SFDR:

PGGM Infrastructure 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.

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. Currently, the investments of this Fund do not (yet) take into account these EU criteria for environmentally sustainable economic activities.

Environmental and Social Characteristics

The Fund invests in principle in unlisted infrastructure investment entities. PGGM seeks to ensure that relevant ESG issues are taken into account when taking the ultimate investment decision. Through the predominantly direct investment and active asset management strategy aims to steer and challenge its portfolio companies to adapt more responsible business practices in the environmental, social, and governance areas.

Portfolio companies, in which the Fund is directly or indirectly invested:

- a. will have to comply with PGGM's Implementation Guideline on Exclusions (exclusion);
- b. will have to comply with all applicable environmental and social (such as health, safety, labor) laws and regulations (Legal compliance);
- c. will have to, where relevant, assess material environmental and social risks of their operations and work over time towards relevant international

best practice standards to mitigate environmental and social risks with targets and timelines for improvement and adhere over time to best practice with regard to corporate governance. This can mean that PGGM may invest in portfolio companies with weak ESG practices as long as ESG shortcomings are addressed and resolved during the investment period. International best practices include among others the IFC Performance Standards, OECD Principles of Corporate Governance, OECD Guidelines for Multinational Enterprises, and UN Global Compact (Voluntary standards);

- d. are expected, where appropriate, to work over time to realize potential value through improving ESG performance and operational efficiency, such as ecoefficiencies.

Portfolio companies in which the Fund is directly or indirectly invested are encouraged:

- a. to identify, where appropriate, opportunities for developing or offering products or services that can positively contribute to solving societal challenges, such as climate change, water scarcity, health and health care and food security.
- b. via the investments along the aforementioned themes of PGGM, subject to the precondition of optimised risk/return characteristics. condition of the optimised risk/return characteristics, to create social benefits at the same time.

How the Environmental and Social Characteristics Are Met
PGGM has integrated ESG considerations into the investment and portfolio management process.

The ESG integration process covers the whole portfolio and it is organized around the different investment stages: selection, commitment, and ownership. In the selection stage, PGGM Infrastructure assesses whether the potential investments will treat ESG risks and opportunities appropriately and in line with PGGM's responsible investment strategies and beliefs. The PGGM Infrastructure Investment Committees consider the ESG Quickscan to assess material ESG risks to the potential investee company as well as its adverse impact. An investment opportunity can be rejected if PGGM does not see an opportunity to implement improvements to mitigate identified risks. During the on-boarding process PGGM Infrastructure assesses the quality/scope of the ESG data collected and reported by each investee company to the Board of Directors; any gaps and improvement actions are identified. In the ownership stage, PGGM actively monitors and engages with portfolio companies on ESG integration.

As regards the exclusion set out under a), 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>. 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 ensures that portfolio companies follow good governance practices by applying an engaged shareholder strategy. As part of the shareholder strategy, PGGM engages with portfolio companies on having responsible and ethical business practices and culture instilled as “tone at the top”, effective critical incident management and employee engagement, diversity and inclusion.

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, Infrastructure takes SASB Materiality Map into account when analysing ESG risks and opportunities in the investment process. The company-specific objectives are reviewed annually, and changes are reported quarterly and ESG performance and ESG risks are monitored quarterly. Each investee company reports adverse impact through the annual GRESB Infrastructure assessments. In addition, the executive management and Board of Directors at the portfolio company, if applicable, are responsible to oversee reporting on all material breaches and incidents, including health & safety, industrial disputes, legal and regulatory compliance and environmental pollution. As direct shareholders PGGM continuously monitor the development of our investments through the formal reporting and governance forums, such as Board, Board committees and shareholder meeting as well as regular contact and dialogue with the executive teams. Each quarter PGGM Infrastructure provides an update of its responsible investment activities in the PGGM Infrastructure Fund quarterly report. This includes information regarding stewardship activities and integration of ESG-factors in its investment decisions.

PGGM

Noordweg Noord 150
PO Box 117, 3700 AC Zeist, Netherlands
T +31 (0)30 277 99 11
www.pggm.nl

