

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 Infrastructure Fund
 Legal entity identifier: 549300KC6RI3H74SW364

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**

- It will make a minimum of **sustainable investments with an environmental objective: ___%**
 - in economic activities that qualify as environmentally sustainable under the EU Taxonomy
 - in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- It will make a minimum of **sustainable investments with a social objective: ___%**

- 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
 - with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
 - with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
 - with a social objective
- It promotes E/S characteristics, but **will not make any sustainable investments**



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

The PGGM Infrastructure Fund promotes both environmental and social characteristics.

- Social characteristics promoted regard Human Rights, Healthy living, Employment Relations, Combating Bribery, Bribe Solicitation and Extortion.
- Environmental characteristics promoted are climate change mitigation and sustainable use and protection of water and soil via the exclusion of companies in the coal and tar sands industry and via GHG reduction targets

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

- No reference benchmark is used to attain the social or environmental characteristics
- **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, social characteristics are promoted via OECD/UN Global Compact screening of investee companies and via the exclusion of:

- 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 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 (tar Sand, OECD, and UN Global Compact).

Sustainability factors include environmental, social and employment issues, respect for human rights, and the fight against corruption and bribery. This definition has been given by European legislation and further elaborated in the form of so-called principal adverse impact (PAI) indicators.

Specifically, the Fund considers principle adverse impacts (PAIs) on sustainability factors, by:

- 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);

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

- **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;
 - **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');
- excluding companies that violate, or lack processes and compliance mechanisms to monitor compliance with, UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
 - Only investing in companies that have set medium-term CO2 reduction targets for scope 1 and 2 emissions in line with limiting global warming to 1.5°C:
 - For all new investments, the Infrastructure intends to engage companies to formulate scope 1 and 2 reduction targets within 12 months after transfer of ownership rights
 - The funds commits that 60% by 2025 of the directly managed portfolio by EUR invested capital will have set CO2 reduction targets
 - By 2030 this will be 100% of the directly managed portfolioIn the case of external managers managing assets of the PGGM Infrastructure Fund (indirectly managed portfolio), these requirements are incorporated into the contract for new investments and as much as reasonable possible for existing investments.

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?

The primary objective of PGGM's Responsible Investment in Infrastructure is to ensure that PGGM's Infrastructure Fund structurally and systematically takes environmental, social and governance factors into account that can form material risks to the portfolio. PGGM calls this 'outside-in (ESG) risk' assessment. Where possible, PGGM's Infrastructure Fund will also leverage opportunities to create positive environmental- and societal benefits through its investments. This is what PGGM calls 'inside-out (sustainable) impact'.

PGGM's Infrastructure Fund does not seek to specifically target companies with leading sustainability practices or low carbon footprint. Instead, the Fund seeks to select potential investee companies based on their risk/return profile and potential to enhance financial returns and societal benefits by improving on the ESG/Sustainability profile.

The Funds Sustainability Stairway (figure 1) illustrates how ESG/Sustainability can evolve within a company and sets forth the expectations PGGM has with regard to its (potential) infrastructure investments.

All infrastructure assets, in which PGGM's Infrastructure Fund is directly or indirectly invested:

- a. will have to comply with the PGGM Implementation Guideline on Exclusions (Exclusion policy compliance).
- b. will have to comply with all applicable environmental and social (such as health, safety, labor) law and regulation (Legal compliance).
- c. will have to, where relevant, assess material sustainability risks, specifically environmental and social risks of their operations and implement or work over time towards implementing relevant international best practice standards in their company/asset management to mitigate environmental and social risks with targets and timelines for improvement. This can mean that PGGM may invest in infrastructure assets with weak ESG/Sustainability practices as long as ESG/Sustainability shortcomings are addressed and resolved during the investment period (Voluntary standards).

Expectations a, b and c are minimum requirements.

- d. are expected, where appropriate, to work over time to realize potential (long-term) value through improving ESG performance and operational efficiency (Process / operational sustainability).

PGGM will, where possible, encourage the executive management of its assets and infrastructure funds to:

- e. identify opportunities for investing in infrastructure assets that can positively contribute to solving societal challenges, such as climate change, loss of biodiversity and social inequity (Product/service sustainability).
- f. ensure that the invested assets create financial returns which at the same time advancing the economic and social conditions in the communities in which it operates (Shared value).

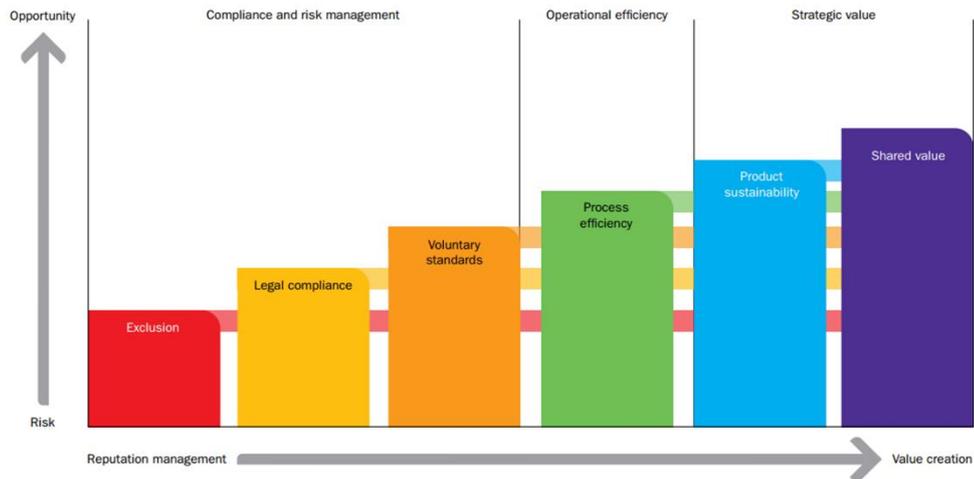


Figure 1. PGGM's Sustainability Stairway

PGGM Infrastructure invests in a diverse range of assets including toll roads, renewable energy and fiber network operators, which means ESG/Sustainability risks and opportunities need to be assessed on an individual asset basis and cannot be generalized.

- ***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 products/industries that are inconsistent with the identity of PGGM and its clients. Therefore, companies involved in controversial weapons, tobacco and coal and tar sands
- Excluding governments bonds of countries on which UN Security Council and/or European Union sanctions have been imposed
- Applying an OECD/UN Global Compact screening before an investment is made and ongoing.
- Only investing in companies that have set medium-term GHG reduction targets for scope 1 and 2 emissions in line with limiting global warming to 1.5°C:
 - The funds commits that 60% by 2025 of the directly managed portfolio by EUR invested capital will have set GHG reduction targets
 - By 2030 this will be 100% of directly managed portfolio
 - For all new investments, the Infrastructure intends to engage companies to formulate scope 1 and 2 reduction targets within 12 months after transfer of ownership rights

In the case of external managers managing assets for PGGM's Infrastructure Fund (indirect managed portfolio), these requirements are incorporated into the contract for new investments and as much as reasonable possible for

- **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?**

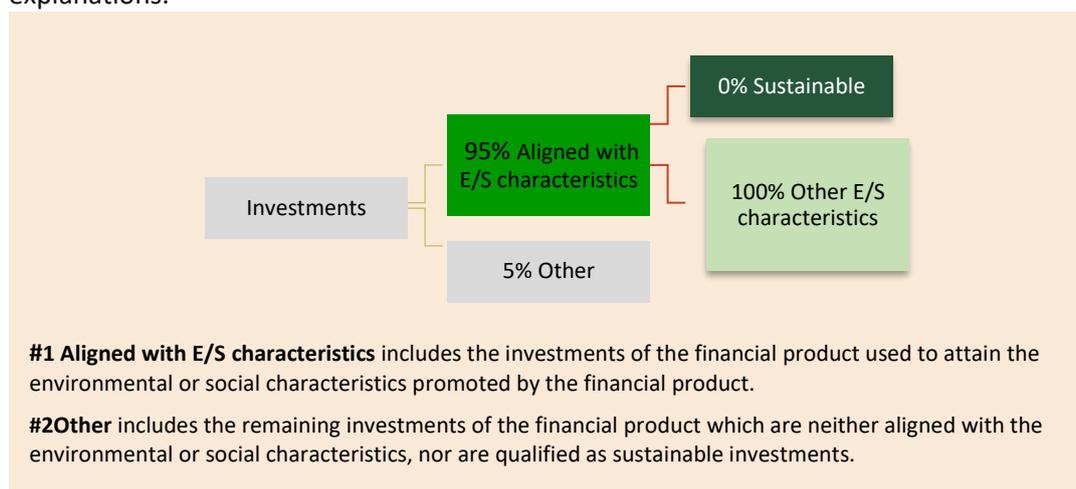
PGGM's Infrastructure Fund assesses the companies it invests in during the investment selection process. In the due diligence phase several workstreams assess the company, the market, the technology et cetera. With regard to good governance practices (GGP), the Fund looks also into sound management structures, employee relations, remuneration of staff and tax compliance.

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



What is the asset allocation planned for this financial product?

All new assets in PGGM's Infrastructure Fund will be allocated to box 1B. See previous explanations.



Asset allocation describes the share of investments in specific assets.

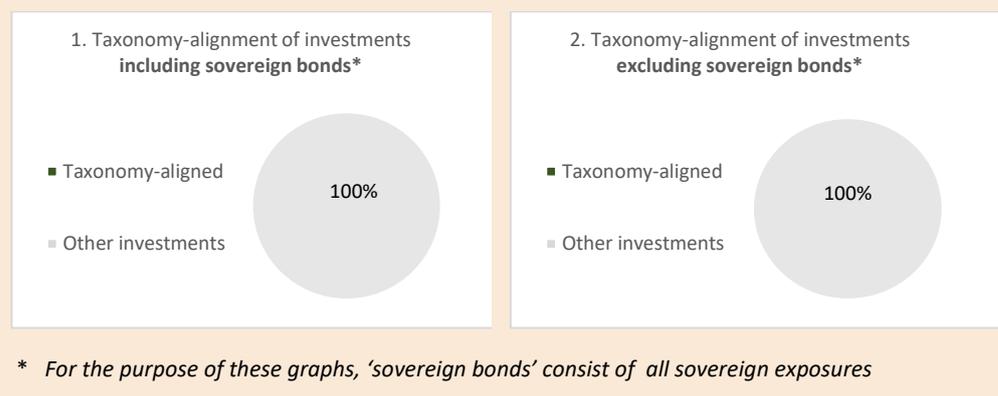
- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

No derivatives are used to attain the environmental or social characteristics.



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.



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 approximately 5% to fund investment opportunities, pay fee & expenses and do regular cash management. Due to the nature of cash and money market fund it is not possible to apply our minimum standards.



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 applicable.

- ***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:

<https://www.pggm.nl/onze-diensten/compliance/>