

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 Private Real Estate Fund
 Legal entity identifier: 549300VVIN2KT18NS329

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 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 E/S characteristics, we apply the following sustainability indicators:

- Number of investments/fund managers that violate the UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises

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

- Exposure to fossil fuels through real estate assets
- Exposure to energy-inefficient real estate assets
- Energy consumption in GWh of owned real estate assets per square meter
- Managers in the portfolio accounting for x% of AuM have committed to a science-based carbon reduction target

- ***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.

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.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes,

No

PGGM takes the principal adverse impacts (PAIs) into account for this financial product, by:

- Performing a screening to identify violations of OECD guidelines for Multinational Enterprises and UN Global Compact.
- Measuring the exposure to fossil fuels through real estate assets
- Measuring the exposure to energy-inefficient real estate assets

The OECD/UNGC screening is performed as follows:

- Pre-investment phase: In all investment proposals, a short summary of the due diligence confirmation on compliance with the UN Global Compact and OECD is included. New investments that violate the OECD Screening criteria are prohibited.
- Periodic monitoring: The existing portfolios are screened for investments violating the OECD Screening criteria twice per calendar year (in April and September) by the responsible investment department of PGGM. In case severe controversies would arise in already existing investments, engagement will be performed to mitigate the negative impact.

The exposure to fossil fuels through real estate assets and exposure to energy-inefficient real estate assets is taken into account by making use of the SFDR Principle Adverse Impacts methodology. The portfolio is screened in order to assess the exposure on a regular basis. 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.

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

What investment strategy does this financial product follow?

The Private Real Estate team aims to build a globally diversified non-listed real estate portfolio in order to deliver a stable high-quality return. The objective is to beat a region-weighted real estate index based on total returns. Investments are made in real estate investment vehicles which invest in rented real estate of good quality, with low financing and a low percentage of project development. The investment objectives are summarized in the following graphic:



Portfolio investments 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 and increase (expected) returns of the portfolio. A focus on ESG is part of our investment beliefs for over a decade already – in the long run there will be a suboptimal risk/return profile for the overall portfolio if ESG factors are not an integral part of the investment strategy and process.

During the selection process, the ESG practices of the managers are screened by the PGGM Private Real Estate investment managers as well as by other teams within PGGM such as Risk Analysis and Control and the Operational Due Diligence team. ESG themes covered during the selection process include but are not limited to; GRESB participation and results, responsible investment policies in place, responsible investment policies and projects, approach to climate risks.

If the parties involved cannot find comfort in the ESG practices of the investee company, PGGM Private Real Estate will refrain to invest. In addition to this, as established by the IMVB Covenant, (new) investments of Private Real Estate are systematically screened for controversies related to severe violations of OECD Guidelines for Multinational Enterprises during the due diligence process using an external data provider (RepRisk). This is an addition to the already established contractual obligation for managers to notify eventual related incidents.

ESG is incorporated and taken into account in the investment process in two different ways:

1. in the screening process to select investments;
2. via active engagement

In order to incorporate ESG into the above processes the fund manager uses the following information:

- Information from the Global Real Estate Sustainability Benchmark (GRESB);
- Screening for controversies in relation to OECD Guidelines for Multinational Enterprises and/or the UN Global Compact principles

The above information gives insights into how well each company has performed on relevant ESG factors, indicates the robustness of management quality, and offers insight into how well companies have performed against competitors on managing known ESG risks.

The goal of PGGM Private Real Estate is:

- to understand companies' plans of action on ESG;
- to identify material environmental, social and governance issues and risks;
- influence companies for a resilient path forward.

Investment Strategy and continuously alignment

1. OECD/ UN Global Compact screening

Pre-investment phase:

In all investment proposals, a short summary of the due diligence confirmation on compliance with the UN Global Compact and OECD is included. New investments in companies that violate the OECD/ UN Global Compact screening criteria are prohibited.

2. Science-based carbon reduction target

The PGGM Private Real Estate Fund has in addition the following carbon reduction target: By 2025, at least 40% of the assets under management in the portfolio have committed to the goals of Paris Agreement, prepared a plan in line with a Paris Aligned scenario (minimum 2-degree path), and report on it. In order to achieve this target, PGGM exercises its influence via engagement with the managers. In this way, we aim to achieve positive impact by convincing a growing number of managers to set meaningful carbon reductions targets and we expect that, in the longer term, the climate strategies of our managers will also translate the measured emissions of our portfolio to steadily decrease as they decarbonize.

Periodic monitoring

During the monitoring process, the team remains in close contact with the investee companies to discuss and encourage progress on the relevant ESG themes that are also part of the selection process. The ESG performance of the investee managers is monitored and updated on a regular basis. This provides input for engagement- meaning the period review meetings with the managers. These meetings consist of constructive dialogues and are aimed to continuously improve the ESG performance of the investee. These meetings occur generally on an annual basis which is consistent with the yearly update of disclosures. Ad hoc meetings are organized more often in case of severe ESG controversies arising from the monitoring or in case a manager shows disappointing results on the GRESB survey and the team has demanded a periodic update on improvement plans.

1. OECD/UN Global Compact

The existing portfolios are screened for investments violating the OECD/ UN Global Compact screening criteria twice per calendar year (in April and September) by the responsible investment department of PGGM. In case severe controversies would arise in already existing investments, engagement will be performed to mitigate the negative impact.

2. Science-based carbon reduction target

The monitoring of the carbon reduction target is done on a yearly basis. The funds' carbon reduction targets are internally checked and validated by the Responsible Investment department. Funds with a validated carbon reduction target are counted towards the overall target of 40% of assets under management that should have a science-based carbon reduction target by 2025

- ***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:

- Applying an OECD and UN Global Compact 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 use the OECD screening that is performed using RepRisk. In addition to that, during the due diligence stage, the private real estate team assesses the governance practices of the individual investment companies including but not limited to; management structures, employee relations, remuneration of staff and tax compliance. In case a company does not follow good governance practices they are not invested in.

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?

PGGM Private Real Estate invests in non-listed real estate structures (funds, joint ventures, separate accounts and club deals) across the globe. The invested capital is diversified across a multitude of factors including the following criteria: type of real estate sector, geographical region and type of investment.

- Type of real estate sectors includes among others Retail; Logistics; Residential; Office and Senior Housing.
- Geographical region includes Americas; EMEA; Asia Pacific and within these regions a further diversification across countries and cities.

All investments by the PGGM Private Real Estate portfolio are aligned with E/S characteristics because prior to all investments and ongoing the OECD screening is performed.

Besides that, 40% of assets under management in the PGGM Private Real Estate portfolio need to have a science-based carbon reduction target by 2025.

The portfolio does not have a sustainable investment or taxonomy aligned investments as a target, thus all investments are aligned with #1B other environmental- and social characteristics promoted that do not qualify as sustainable investments. Although no sustainable investments are currently planned for the product, it could be that in practice investments are made that fulfil the criteria for sustainable investment or taxonomy alignment.

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

Derivatives are not used in such a manner.

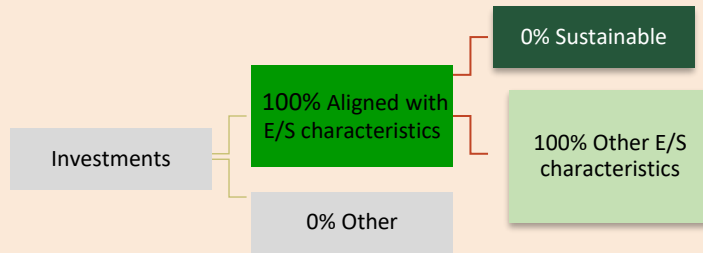


To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Asset allocation

describes the share of investments in specific assets.

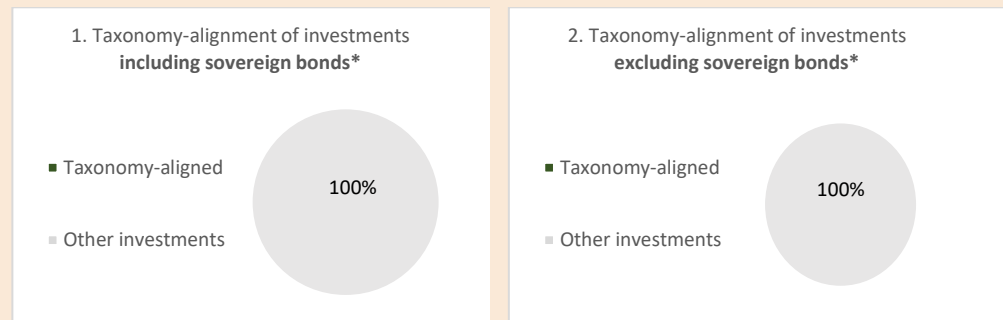
The two graphs below show in green the minimum percentage of investments that are aligned with



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

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?

Not applicable



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?

Not 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>