

From investing to responsible investing to investing

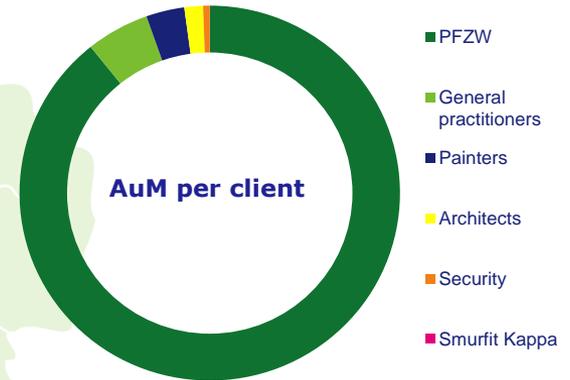
Marcel Jeucken
Managing Director Responsible Investment



PGGM : Key figures

Key figures

- Established by social partners (employers and employees) in the Health Care Sector
- Split from PFZW as of 2008
- Organized as Cooperative, with over 700.000 members
- Pension fund Administration for 2,6 mln people
- Total Assets under Management: € 200 bln



Multi-client (6 IM clients)

pensioenfonds
Particuliere Beveiliging

PENSIOENFONDS ZORG & WELZIJN

PENSIOENFONDS ARCHITECTENBUREAUS

SPH
Stichting Pensioenfonds voor Huisartsen

Smurfit Kappa
Pensioenfonds

BPF Schilders

Pension Management

Board Advising

Asset Management

PGGM Investment Management

Public markets

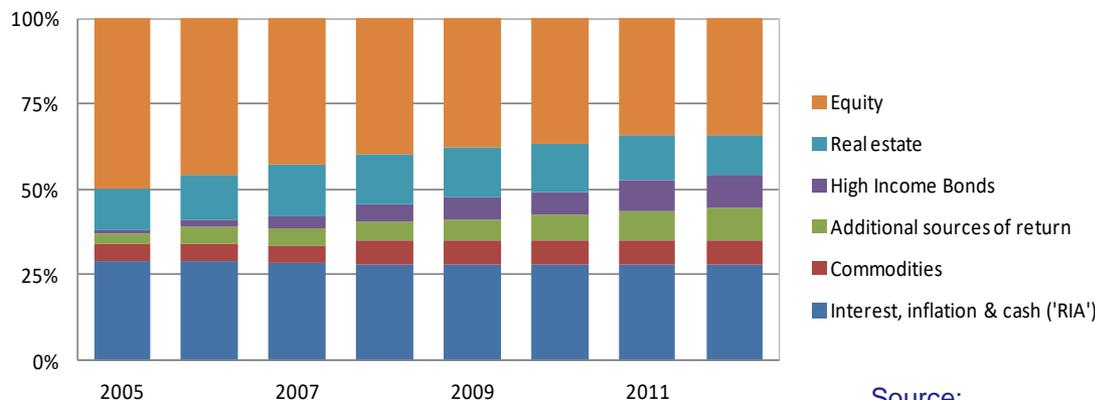
- 75% of the portfolio
- 150 FTE, including Risk and Ops
- Majority is internally managed
- Smart Beta focus
- Active ESG integration

Private markets

- 25% of the portfolio
- 210 FTE, including Risk and Ops
- Majority is externally managed
- Active management, direct deals
- Active ESG integration



Strategic asset allocation



Source:
PFZW

PFZW	PGGM
Before 2008: PGGM	Before 2008: pension fund
After 2008: pension fund / asset owner	After 2008: pension service organization / asset manager
90% of AUM: 161 bln euro	Multi client model: 180 bln euro

- PFZW & PGGM: strong partnership

THE WHY:

Why responsible investment?

Our ambitions

To provide good and stable pensions for the members of our clients, now and in the future.

In order to achieve this, we want to create **tangible societal impact** through the investments.

As asset manager for pension funds we want to be **market leader and thought leader** by providing excellent execution and innovative product development.

Our beliefs

- **Responsible investment pays off** by producing a positive risk-return profile
- **Good and stable returns in the long term** are not possible without sustainable development
- **Capital is a driving force** for sustainable development.

Responsible Investment

Ambition: to have a tangible impact for a sustainable world

AREAS OF FOCUS

Climate and Environment



Water



Food



Health



Human Rights



Corporate Governance



Sustainable Financial System



Instruments for Responsible Investment

NO

What we do not want

Direct exclusions:

- Controversial weapons
- Tobacco

Exclusions after engagement on:

- Human rights and social circumstances
- Environment
- Corporate governance

Instrument:

Exclusions

CHANGE

What we want to improve

Making companies and markets more sustainable through ESG integration, active ownership and collaboration with financial service providers

Instruments:

- ESG integration (including ESG Index)
- Engagement
- Voting
- Legal proceedings

YES

What we want to stimulate

Creating societal returns in the area of:

- Climate and environment
- Water
- Health
- Food

Instrument:

Investing in Solutions

These areas need attention



Climate and environment

Temperatures 20th century rised by 0,6°C



Water

780 mln people without drinking water



Health

2 bln people without access to medicine



Food

883 mln undernourished people



Human rights

Human rights violations in 160 countries



Corporate governance

Precondition for well functioning markets



Sustainable financial system

After 2008 crisis GDP declined worldwide

... and they become a financial risk if we don't pay attention



Climate and environment

Risk of downward valuation of energy companies due to restrictions on reserves (stranded assets)



Water

“A \$23 Billion Stock Drop Shows India's Rising Water Risks” (Bloomberg, June '15)



Human rights

Human rights violations can result in over 50% share price drop



Sustainable financial system

Pension fund returns declined by 35% due to the 2008 financial crisis

...but they also provide great investment opportunities



Climate and environment

€39 trillion investments in sustainable technologies & clean energy needed



Health

In 2015, 50% revenue growth pharma comes from developing markets



Food

€74 billion investments per year needed in food production technology

Focus on 2 activity areas



ESG integration



Investing in solutions



Engagement



Voting



Shareholder litigation



Exclusions

ESG screening minimizes financial risks

We believe that ESG can have a material impact on investments.

- **Example: Water scarcity as an investment risk**

"A \$23 Billion Stock Drop Shows India's Rising Water Risks" (Bloomberg, June 2015)

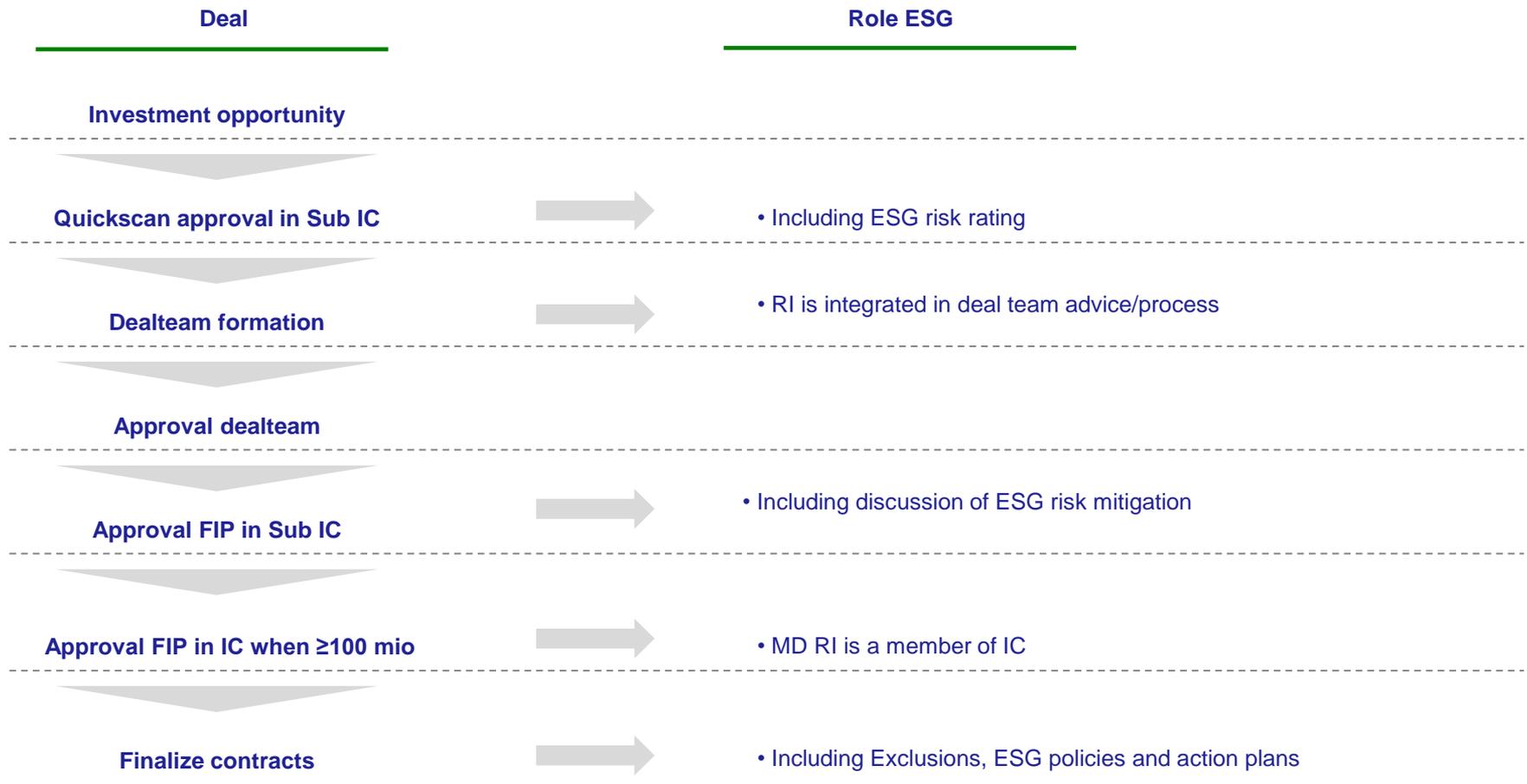
"Investors speak out on California's drought and growing global water risks" (Responsible Investor, June 2015)

- Information on *business value at water risk* enables investors to identify water opportunities and risks.
- This information should be used as a basis for making investment decisions.

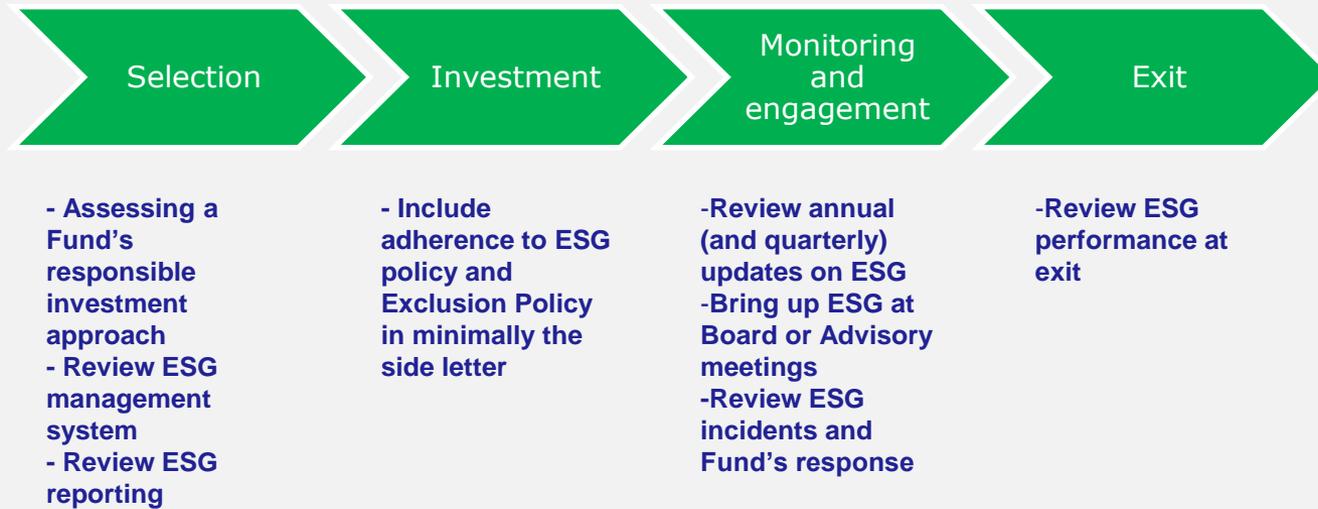
ESG integration at all levels



ESG in investment deals



External managers process



Vantage London Office Partnership

Location	United Kingdom
Business	Investing in and redeveloping offices in London
Asset class	Private real estate
Investment size	€ 200-250 mln.
Partners	Legal & General
Description	The Partnership invests in and redevelops London offices and aims to reduce energy use of the buildings, using sustainable energy, reducing waste and water use and reducing the carbon footprint. By (re)developing sustainable buildings and managing them efficiently, the Partnership reduces the risk of obsolescence and enhances the long-term value of the assets.

Focus on 2 activity areas



Investing in solutions



ESG integration



Engagement



Voting



Shareholder litigation



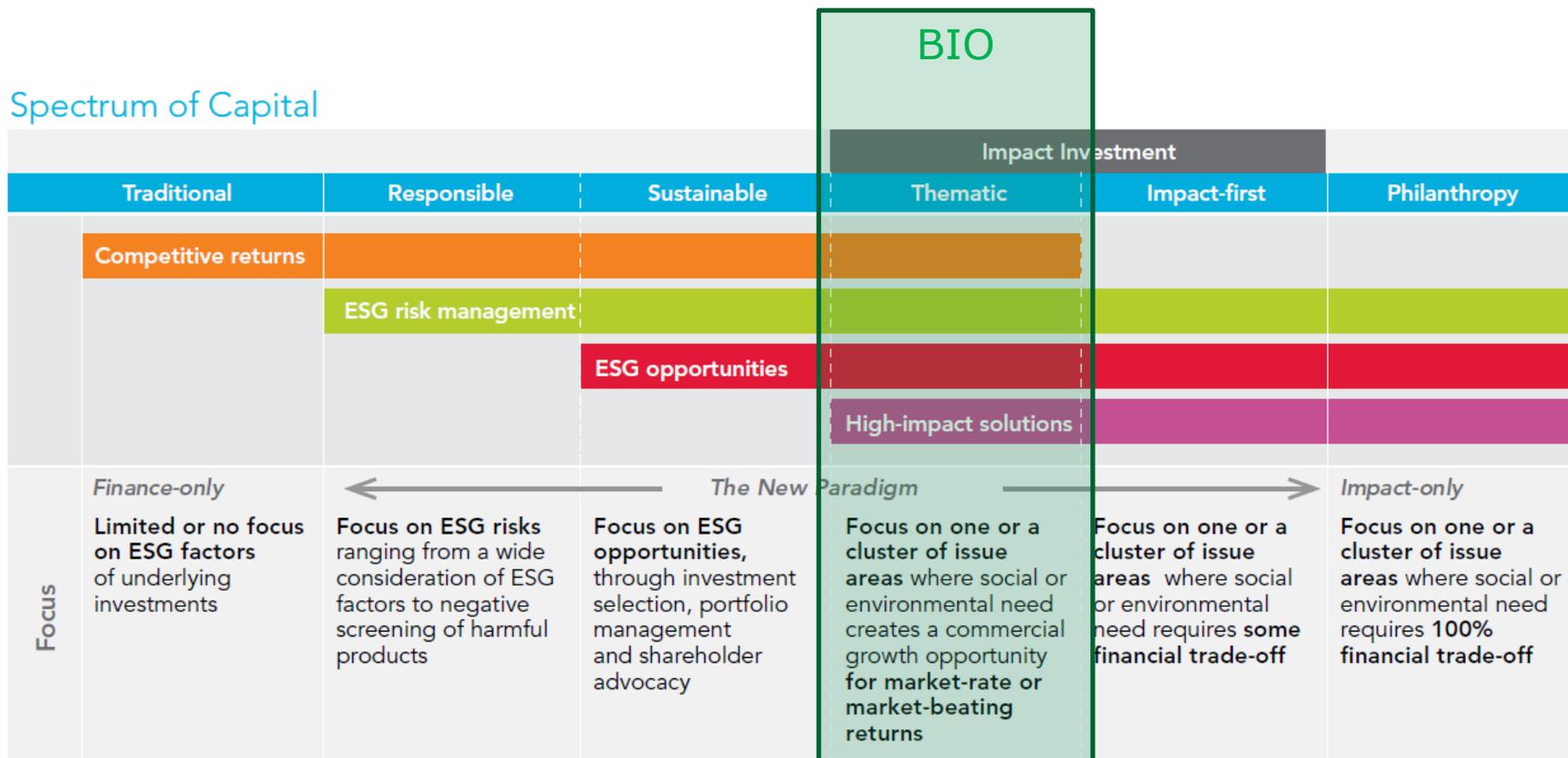
Exclusions

- **Sustainability** is one of the three pillars of the investment policy
- 3 out of 10 policy initiatives focus on sustainability:
 - **Quadruple investing in solutions**
 - Halve carbon footprint of investments
 - Systematic ESG integration in all investment decisions



Impact at market rate returns

Spectrum of Capital



BIO

Impact Investment

Sustainable Development Goals and SDIs



Theme	Climate and environment				Food	Health	Water	
Related SDG								



Institutional investment into the Sustainable Development Goals

Committed to the SDGs

Mounting social and environmental challenges underline the urgency for investing into a sustainable economy whose needs are codified by the United Nations in the Sustainable Development Goals (SDGs) for 2030. As institutional investors we believe that it is essential to invest pension fund assets in these goals, and to do so at scale.

... at market rate returns or above

As a group of investors we strive to facilitate a steep increase in what we call Sustainable Development Investments (SDIs):

“We invest in solutions that contribute to the UN Sustainable Development Goals. These investments meet our financial risk and return requirements and support the generation of positive social and/or environmental impact through their products and services, or at times through acknowledged transformational leadership. We distinguish between investments where impact has and those where it has not been measured, and stimulate the latter to report on measurable impact.”

Gilde Healthcare Services

Location	Netherlands, Belgium, Luxemburg, Germany
Business	Healthcare services
Asset class	Private equity
Investment size	€ 50-100 mln.
Description	Gilde Healthcare Services is a fund manager that focuses on healthcare services, for example elderly care, clinics and mental healthcare.

Results in 2015 – Investing in Solutions

INVESTING IN SOLUTIONS



Mandate: at least € 20 billion invested in solutions by 2020

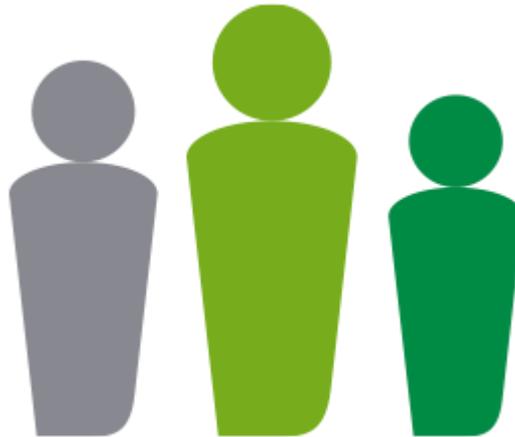
€ 8.9 billion

Total: € 8.9 billion

New in 2015: € 994 million

Area of Focus	Euros Invested	Impact in 2014
Climate and Environment 	€ 2,140 million (€ 761 million in 2015)	 Generated 1.6 million megawatt-hours of sustainable energy;  Avoided 4.6 million tonnes of CO ₂ emissions. 
Water 	€ 253 million (€ 0 in 2015)	 Treated 170 million m ³ of water. 
Food 	€ 1,208 million (€ 165 million in 2015)	 Produced 113,000 additional tonnes of food. 
Health 	€ 473 million (€ 68 million in 2015)	 116,000 persons provided with access to good healthcare. 
Other*	€ 4,817 million (€0 in 2015)	Impact not measured.

www.pggm.nl/responsibleinvestment
www.pggm.nl/investinginsolutions



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