ESG Investment Restrictions and Guidelines (the ESG Guidelines)
Stichting Pensioenfonds Rail & Openbaar Vervoer

Effective from January 1st, 2023

These are the ESG Guidelines of Pensioenfonds Rail & Openbaar Vervoer ("Investor") that must be complied with.

1 Socially Responsible Investment Principles

1.1 The external manager and/or fund manager (the **Manager**) confirms that it has received and reviewed Investor's ESG Guidelines and that it will act accordingly.

1.2 In case of infringement of this ESG Guidelines the Manager will notify the Investor promptly upon becoming aware thereof and in any event within five (5) business days. In addition, the Manager will provide periodic updates on actions to stop, prevent or mitigate such controversies of significant ESG incidents.

1.3 The Manager acknowledges that the Investor is a signatory of the Principles for Responsible Investment (**PRI**), its pension plan opted-in for Article 4 and qualifies as Article 8 of the Sustainable Finance Disclosure Regulation (**SFDR**), aims to report EU-Taxonomy alignment, and has committed to the Ten Principles of the United Nations' Global Compact (**Global Compact**), OECD Guidelines for Multinational Enterprises and OECD Responsible business conduct for institutional investors (together the **OECD Guidelines**) and the United Nations Guiding Principles on Business and Human Rights (**UNGP**).

1.4 The Manager confirms that it will meet with the following principles:

i. Businesses should support and respect the protection of internationally proclaimed human rights;

ii. Make sure that they are not complicit in human rights abuses;

iii. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

iv. The elimination of all forms of forced and compulsory labour;

v. The effective abolition of child labour; and

vi. The elimination of discrimination in respect of employment and occupation.

vii. Businesses should support a precautionary approach to environmental challenges;

viii. Undertake initiatives to promote greater environmental responsibility; and

ix. Encourage the development and diffusion of environmentally friendly technologies.

x. Businesses should work against corruption in all its forms, including extortion and bribery.

If, after the investment was made, it becomes clear that the investment does no longer comply with the above ten principles, the Manager shall work on a best effort basis to ensure the investments again fully comply with the ten principles stated above within a reasonable time frame.

For tradable companies, if it is not possible to ensure these companies again fully comply, or if these efforts are unsatisfactory, the Manager shall terminate the investment in the infringing company.

1.5 The Manager agrees to use its reasonable best efforts and/or endeavours to comply with the following principles:

i. Implement ESG in policy and management systems and use long-term value creation as a leading principle;

ii. Identify and prioritise the actual and potential adverse impact of activities undertaken in the asset classes, while involving relevant stakeholders in this effort;

iii. Use and, where necessary and possible, increase leverage to ensure that the adverse impact of activities undertaken in the asset classes is prevented or mitigated;

iv. Use and, where necessary and possible, increase leverage by imposing time-limited demands in which it encourages investments that cause or contribute to an adverse impact to prevent and/or mitigate that adverse impact and/or to provide access to remediation;

v. In case of contribution to negative impacts, set up processes to provide access to remediation;

vi. For investments in tradeable companies, when (temporarily) reducing an investment position in or divesting from such companies that have been prioritised owing to the severity of the adverse impact, also consider the potential adverse impacts on disadvantaged groups;

vii. Render accountability by monitoring results and by reporting to the Investor applying the following requirements:

a) The Manager reports on the progress it has made in implementing its own and the Investor's ESG policy;

b) The Manager reports on its ESG risk-identification methodology and on its findings concerning the adverse impact identified in the Portfolio;

c) The Manager reports on how it has attempted, on behalf of the participants in the Fund, to prevent and/or mitigate the adverse impact of activities in the Portfolio and/or to encourage the provision of remediation;

d) The Manager provides information on the investments that have been prioritised based on the severity of the adverse impact and over which its leverage has not led to sufficient progress within the designated time frame.

1.6 The Manager shall not invest in companies that have a more than 20% stake in subsidiaries and/or joint ventures that are non-compliant with paragraph 1.4 and 1.5 above.

1.7 A Manager can be responsible for adverse impacts in various levels of responsibility. The OECD Guidelines and UNGPs refer to:

(a) 'causing' an adverse impact means if there is direct connection between the actions or failure to act of an investment and the adverse impact.

(b) contribute to an adverse impact should be interpreted as a substantial contribution, meaning an activity that causes, facilitates or incentivises another entity to cause an adverse impact and does not include minor or trivial contributions.

(c) or that are directly linked to its activities, products or services by a business relationship (cases where a company has not contributed to an adverse impact on third parties, but where that impact is nevertheless directly linked to its activities, products or services by way of a business relationship with another entity).

In case the Manager falls in the category "caused" and "contributed to" as defined above under (a) and (b) of this paragraph 1.7, the Manager should meet the criteria laid down in Article 31 UNGP. This entails remedy of actual impacts and cease or prevent potential impact in the case of causing an adverse impact. In case of contributing to an adverse impact it is expected to cease or prevent of use leverage to mitigate any remaining impacts to the greatest extent possible.

In case the Manager falls in the category "directly linked to" as defined under (c) of this paragraph 1.7 above, the Manager should use its leverage to encourage investments that have caused or contributed to an adverse impact to take responsibility in the manner formulated in the OECD Guidelines and the UNGPs. This means that these investments must provide for or cooperate in providing access to remediation through existing legitimate judicial and non-judicial processes.

1.8 The Manager is responsible for its classification of the levels of responsibility as defined above in this paragraph 1.7. Further clarifications are available in document 'Responsible business conduct for institutional investors. Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises'.

2 Controversial Weapons

2.1 The Investor is not allowed to (directly or indirectly) invest in companies which are involved in the design, production, maintenance, refurbishment and/or sale of and/or research into controversial weapons and/or the greater part of such a weapon and/or essential components of such a weapon. Controversial weapons are weapons that cause disproportionate number of civilian victims compared to its military purpose. Examples of controversial weapons are cluster weapons, anti-personnel mines and biological, chemical and nuclear weapons, weapons with depleted uranium and white phosphor.

3 Tobacco

3.1 The Investor is not allowed to (directly or indirectly) invest in tobacco producers. Tobacco producers are defined as those companies that are active in the manufacturing and/or production of cigarettes, e-cigarettes and/or other tobacco products. Companies that are listed in the Global Industry Classification Standard (**GICS**) tobacco subsector are excluded from investment.

4 Thermal coal

4.1 The Investor is not allowed to (directly or indirectly) invest in (i) companies that generate more than 1% of revenues from thermal coal mining activities; and (ii) companies whose energy generation mix accounts for more than 25% from thermal coal and that derive more than 1% of their total revenues from thermal coal-related energy generation. Thermal coal is defined as coal used to generate power, also known as steam or energy coal. This also includes recovered slurries, middlings and other low grade coal products not further classified by type.

5 Artic Drilling

5.1 The Investor is not allowed to (directly or indirectly) invest in companies that generate more than 1% of revenues in artic drilling. Arctic drilling is defined as owning an offshore lease or having exploration or production activities within the Arctic Circle (latitude 66° 33′ 44″ north of the equator). Operations will take place mainly in the US (Chukchi Sea, Bering Sea, and Beaufort Sea in Alaska), Canada (Beaufort Sea), Greenland (Baffin Bay and Greenland Sea), Norway (Barents Sea), Russia (whole Arctic littoral). Arctic conditions are extreme (ice, frost, restricted accessibility, i.e. taking time to respond to an incident), and costly as well, resulting in higher and unpredictable technology expenditure.

6 Oil Sands

6.1 The Investor is not allowed to (directly or indirectly) invest in companies that generate more than 5% of revenues from the extraction of oil sands. Oil sands are also known as tar sands or bituminous sands. What is extracted from oil sands is bitumen, or tar, a highly viscous and thick form of oil, which is not fluid unless heated or diluted. The American Petroleum Institute (API) confers bitumen a gravity of less than 10°, which is a measure of how light or heavy a petroleum liquid is in comparison to water. Any substance less than 10° is heavy and usually sinks. Bitumen is later upgraded into synthetic (crude) oil, or syncrude.

7 Shale Gas

7.1 The Investor is not allowed to (directly or indirectly) invest in companies that generate more than 5% of revenues from the extraction of shale gas. Shale gas (or oil) is a type of unconventional natural gas, trapped in shales (sedimentary rocks), making it more complex and cost-intensive to produce due to the need of advanced technologies.

8 Country exclusions

8.1 The Investor excludes certain countries, their government bonds and government entities, both central and local, from its investment universe. Companies (quasi-sovereign) that are more than 20% state-owned are also excluded due to ESG considerations. Other investments in these countries are not excluded. The country exclusions are determined by the Investor and are provided in Appendix 1.

9 Monitoring of excluded sectors and countries

9.1 The Manager is responsible for monitoring and screening investments for involvement in excluded sectors (as described in paragraphs 2 - 7 above) and/or countries (as described in paragraph 8 above) as specified under 2.1, 3.1, 4.1 5.1, 6.1, 7.1. In case involvement in excluded sectors and/or countries is identified, Investor should be notified within five (5) days.

10 Exclusion List

10.1 The Manager shall not, for or on behalf of the Fund invest, directly or indirectly, in any of the companies and countries (as described in paragraph 8 above) mentioned on the exclusion list, which is attached hereto as Appendix 1. Appendix 1 may be updated from time to time and any such update will be sent to the Managers. For the avoidance of doubt, the Investor reserves the right to add to the Exclusion List investments that do not meet the UN Global Compact standards and/or where engagement is unsuccessful.