

**EXH. MJV-4  
DOCKET U-180680  
WITNESS: MARTIJN J. VERWOEST**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**IN THE MATTER OF THE JOINT  
APPLICATION OF PUGET SOUND  
ENERGY, ALBERTA INVESTMENT  
MANAGEMENT CORPORATION,  
BRITISH COLUMBIA INVESTMENT  
MANAGEMENT CORPORATION,  
OMERS ADMINISTRATION  
CORPORATION, AND PGGM  
VERMOGENSBEHEER B.V. FOR AN  
ORDER AUTHORIZING PROPOSED  
SALES OF INDIRECT INTERESTS  
IN PUGET SOUND ENERGY**

**Docket U-180680**

**THIRD EXHIBIT (NONCONFIDENTIAL) TO THE  
PREFILED DIRECT TESTIMONY OF**

**MARTIJN J. VERWOEST**

**ON BEHALF OF PGGM VERMOGENSBEHEER B.V.**

**SEPTEMBER 5, 2018**



## Summary memo – PGGM Fund for Joint Account Structure

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### 1. THE PURPOSE OF THIS SUMMARY MEMO

This memo endeavours to provide more background information enabling counterparties to interpret the PGGM fund for joint account structure. This memo has been prepared solely for informational purposes and is not an offer or a solicitation of an offer to buy or sell any security or financial instrument and does not provide any investment or legal advice. This memo does not confer any rights on any third parties. PGGM Vermogensbeheer B.V. has taken all reasonable care to ensure that the information contained in this memo is correct, but does not accept liability for any misprints. The information contained herein can be changed without notice.

### 2. PGGM FUNDS: BACKGROUND

2.1 PGGM N.V. is a major Dutch pension administration organisation specialised in the administration of collective pensions. The group provides products and services for pension funds in the field of pension administration, communication, asset management and management support.

2.2 PGGM N.V.'s wholly-owned subsidiary, PGGM Vermogensbeheer B.V. ("**PGGM Vermogensbeheer/Fund Manager**"), has established and manages a number of asset class-related pooled investment vehicles (the "**PGGM Fund(s)**"). Currently, PGGM Vermogensbeheer is fund manager (*beheerder*) of 19 funds.

2.3 Most of the assets previously managed by PGGM Vermogensbeheer for its clients on a discretionary basis have been transferred to the PGGM Funds in exchange for participation rights ("**Units**") in these funds. The activities of PGGM Vermogensbeheer B.V. essentially consist of managing the PGGM Funds, performing discretionary portfolio management, providing investment advice and acting as intermediary in the receipt and transmission of securities orders. The AFM has granted the Fund Manager all licences required under the Act to perform these activities.

2.4 A diagram of the operational fund flowchart (**Annex I**) is attached hereto.

### 3. KEY LEGAL ASPECTS OF THE PGGM FUNDS

3.1 PGGM Funds have the form of a fund for joint account (*fonds voor gemene rekening*) established under Dutch law.

3.2 A Dutch fund for joint account is a contractual arrangement *sui generis* between (a) a manager (the "**Fund Manager**" or *beheerder*), (b) a title holder (the "**Title Holder**" or *entiteit die juridisch eigendom houdt*) and (c) the investors in the fund ("**Participants**"). Individually, Dutch funds for joint account do not have legal personality (*rechtspersoonlijkheid*) and therefore cannot hold rights and obligations in their own name.



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- 3.3 The contractual arrangements for each PGGM Fund consist of the Prospectus (and relevant Supplement, if any) and the General Terms and Conditions of Management and Custody, which must be read in conjunction with each other (together the “*Fund Terms*”). The Fund Terms are the key organizational documents of the PGGM Fund. The Fund Terms set forth, *inter alia*, the PGGM Fund’s investment objectives and restrictions, the duties and responsibilities of the Fund Manager, the duties and responsibilities of the Title Holder, provisions of fund governance, conditions of subscription to and redemption from the PGGM Fund and the PGGM Fund’s distribution policy.
- 3.4 The Fund Manager is charged with the entire management of the PGGM Fund, including investment management, the exercise of any voting rights attached to its assets, fund organizational affairs, fund governance, administration, valuation and reporting.
- 3.5 The Fund Manager has appointed a depository (the “*Depository*”) for each Fund, who is charged with *inter alia* holding financial instruments owned by the Fund in custody, the verification of the ownership rights of the Fund’s assets, the monitoring of cash flows and the oversight of the Fund, specifically whether the Fund Manager adheres to the Fund Terms. The Depository is liable to the Fund and its participants for loss of the financial instruments it or its delegate holds in custody for the Fund and for all other losses suffered by the participants as a result of the depository’s negligent or intentional failure to properly fulfill its obligations.
- 3.6 The Title Holder acquires and holds legal title to all rights and other assets of the PGGM Fund. All accounts and contracts of a PGGM Fund must be entered into in the name of the Title Holder acting in its capacity as title holder of that PGGM Fund and this entity is accordingly the counterparty for all agreements and obligations of the PGGM Fund. The Title Holder enters into such obligations for the account and risk of the Participants, however the Title Holder cannot represent or bind Participants vis-à-vis third parties. In principle, the Title Holder will not act on its own initiative but solely at the instruction of the Fund Manager.
- All material contracts entered into by the Title Holder on behalf of a PGGM Fund provide for a limited recourse provision providing that the counterparty cannot take recourse on assets other than the rights and other assets for which legal title is held by the Title Holder for and on behalf of the relevant PGGM Fund. The key purpose hereof is to ensure that the counterparty does not have and cannot take recourse on assets of the Participants or on assets belonging to another PGGM Fund for which the Title Holder acts as title holder.
- For all of the PGGM Funds in the PGGM Pooled Asset Funds fund family, the Title Holder is: **Stichting PGGM Depository**. This Title Holder is a foundation (*stichting*) validly organized and existing under the laws of The Netherlands. The Title Holder is a “stand-alone vehicle” that does not perform other activities than those to be performed as title holder of such PGGM Fund.

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For illiquid asset classes, a single title holder has been established for PGGM Funds in each asset class. There are consequently Title Holders for the private real estate, private equity and infrastructure funds. These title holders act as Title Holder for all of the PGGM Funds within that asset class.

3.7 The Participants are admitted to the PGGM Fund following acceptance by the Fund Manager of a subscription form completed and executed by the Participant. The circle of possible Participants in the PGGM Funds is restricted to qualified institutional investors (*gekwalificeerde beleggers*) and professional investors (*professionele beleggers*) under the Netherlands Financial Markets Supervision Act. Participants are each entitled to certain governance rights, redemption and distribution rights, all as set forth in the Fund Terms.

### 4. DUTCH REGULATORY ASPECTS OF THE PGGM FUNDS

4.1 A PGGM Fund qualifies as an investment fund (*beleggingsfonds*) within the meaning of the Netherlands Financial Markets Supervision Act (*Wet op het financieel toezicht*).

4.2 PGGM Funds are registered and operated under the prudential and conduct of business supervision pursuant to the Netherlands Financial Markets Supervision Act under AIFM number 15001196.

4.3 PGGM Funds shall comply with the Dutch anti-money laundering Act (“*Wet ter voorkoming van witwassen en financieren van terrorisme*”), the Foreign Financial Relations Act (“*Wet financiële betrekkingen buitenland 1994*”), each as amended from time to time, and the European Directive 91/308/EEG (as amended by the European Directive 2001/97/EG).

4.4 If and to the extent necessary, PGGM Funds will request representations/warranties from its Participants in order to be able to represent vis-à-vis investee funds and other third parties that the PGGM Fund complies with the above positions/policy.

### 5. TAX ASPECTS OF THE PGGM FUNDS

#### 5.1 Summary of Dutch tax aspects

For Dutch tax purposes PGGM Funds qualify as tax transparent investment funds (“**Tax Transparent Fund**”). A Tax Transparent Fund is not subject to corporate tax in The Netherlands.

Tax Transparent Funds are generally expected to be treated as tax transparent in the jurisdictions of residence of the Participants and the jurisdictions of source of income and gains. This would mean that the benefits of any tax treaties between those jurisdictions (including any provisions regarding the exemption or reduction of withholding taxes) are available, provided that the relevant requirements are met. The only Participants in the PGGM



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Funds are Dutch pension funds (which are not tax-transparent and have the legal form of a foundation under Dutch law), which have access to the benefits/protection offered by bilateral treaties for the avoidance of double taxation as agreed between the Netherlands and third countries.

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### Annex 1



#### PGGM Funds - Operational flowchart Dutch FGR

