



# PGGM N.V. Annual Report

2016



The original financial statements were drafted in Dutch. This document is an English translation of the original. In the case of any discrepancies between the English and the Dutch text, the latter will prevail.

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# Foreword

“The more than 2.9 million pension participants of our clients, the pension funds for whom we work, are counting on a good and reliable collective pension. We work in partnership with pension funds, because we are convinced that the complexity and challenges we see ahead of us can best be tackled by working together.

The worldwide investment climate, impending Brexit, the US elections, the consequences of a low interest rate environment: these continue to be important topics for our clients and for us. We hear from our clients that they feel the support from PGGM is quick and helpful when these kinds of major world events occur.

In order to provide the participants at our clients with quick and easy online access to their pension details and enable them to enter changes themselves, Pension Management has worked to further digitalise the mandatory pension communication, online service concepts and the transition to the Uniform Pension Report (UPR) for employers. Innovation and further digitalisation are important priorities for Pension Management in 2017 in order to foster more participant involvement in pension.

We undertook a number of large transactions on the private markets in 2016. A non-controlling interest was acquired in Leaseplan and, on behalf of our clients, we became co-owner of 2,400 telecommunication towers in France. Our client Pensioenfondsg Zorg en Welzijn (Pension Fund for the Healthcare and Social Sectors, PFZW) was named most sustainable investor among pension funds in the Netherlands for the tenth time, which makes us at PGGM very happy too, of course. At the initiative of the Pensioenfondsg voor Huisartsen (Pension Fund for General Practitioners, SPH), the Netherlands Investment Institution (NLII) launched the Apollo Zorgvastgoedfondsg (Healthcare Real Estate Fund), developed together with PGGM, which facilitates investing in primary care centres.

With effect from 2016, we started providing service to the Philips Pensioenfondsg (Philips Pension Fund). In the autumn, Volo pensioen (a so-called ‘general pension fund’) received a licence from De Nederlandsche Bank. PGGM signed the contracts with our new client, the Pensioenfondsg voor Personeelsdiensten (Pension Fund for the Flexible Employment Sector, StiPP). The transition will take place in 2017; we will be providing pension administration services for StiPP from January 2018.

Our PGGM&CO Members’ Organisation is taking steps to create connection with the more than 710,000 members. Over the past year, we made significant progress in (re)establishing three online communities for informal care, nursing home care and home care. In these communities, members share knowledge, experiences and solutions in the areas of care, living and work.

From the basis of our social agenda, we contribute to the transition to a circular economy: an economy focused on re-use, which wastes significantly less raw materials than the present economy. As a social partner of the Delta Plan for Dementia, we started the five-year awareness campaign “Dementia-Friendly Together” along with Alzheimer Nederland (Dutch Alzheimer Foundation) and the Ministry of Public Health, Welfare and Sport.

In 2017, we will remain focused on the needs of our clients and keep our sights set on the future by continuing to invest in IT, digitalisation and innovation.

In 2017, we will be concluding the Decisive Innovation change programme that we started in 2014. The objective is to realise more versatility and lower costs by the end of the year. This has some ramifications for PGGM employees. On the one hand, significant cost savings and having to say goodbye to colleagues. On the other, getting to work themselves on becoming more versatile and working together in multidisciplinary teams. Major efforts have taken place throughout PGGM and we see that these are now bearing fruit. Also on behalf of my colleagues on the Executive Committee, I would like to thank all our employees for their dedication to working with each other for an even better PGGM.”

Else Bos  
Chief Executive Officer PGGM N.V.

# About PGGM

PGGM Group is a not-for-profit cooperative pension fund service provider. PGGM Coöperatie U.A. (PGGM Coöperatie) was founded in 2007 by the social partners in the health and social sector. Employees and pensioners from this sector are members of the cooperative. PGGM N.V. is a 100% subsidiary of PGGM Coöperatie. PGGM N.V. is the pension fund service provider of PGGM Coöperatie.

Providing pension fund services is our core activity and we work for our clients, the pension funds. Via PGGM N.V. (PGGM) and its subsidiaries, we offer them good board advising, reliable and effective pension management, and financially and socially responsible asset management. In an ever more complex landscape characterised by increasing legislation and regulations, the expertise of a professional and reliable pension fund service provider helps achieve optimal implementation. PGGM provides appropriate service provision and economies of scale, always tailored to the specific pension fund's policy.

## Board advising

We advise pension funds, Stichting Rabo PGGM PPI and Stichting Algemeen Pensioenfonds Volo pensioen (Volo pensioen) on their pension scheme, the financing of the scheme, ALM studies, their investment policy and risk management. We have the knowledge and competencies required to advise clients across the board.

Read more about board advising at [www.pggm.nl/wat-doen-we/Bestuursadvisering](http://www.pggm.nl/wat-doen-we/Bestuursadvisering)

## Pension management

We help pension funds with implementation of the pension scheme and communication with their participants. Our clients can count on us for reliable service using proven systems. Our administration system was developed from the perspective of efficient pension administration and being able to quickly adjust to changing circumstances. In performing our services, our aim is to work with our clients to provide high-quality service at an appropriate cost level. Our clients have access to our knowledge, expertise, pension experience and experience communicating with participants.

Read more about pension management at [www.pggm.nl/wat-doen-we/Pensioenbeheer](http://www.pggm.nl/wat-doen-we/Pensioenbeheer)

## Asset management

PGGM is the cooperative pension investor of choice in the Netherlands. We support pension funds with fiduciary management and asset management. We invest the collective pension assets cost efficiently. We do that in accordance with the investment policy desired by the pension fund, with attention to a good financial and socially responsible return.

Fiduciary management and advice helps our clients in their role as principal across the board. This means both board advising and implementation of that advice and management activities relating to implementation itself: risk management, the management of overlay portfolios and the selection and monitoring of external managers.

We have the expertise to invest our clients' assets in line with their wishes. In doing this, we work with leading managers worldwide and also have our own leading, award-winning investment teams (see table on page 17). These internal investment teams help to keep the total costs of asset management low. Our actions towards the financial markets are guided by values, conduct and a culture that are appropriate for pension.

Read more about asset management at [www.pggm.nl/vermogensbeheer](http://www.pggm.nl/vermogensbeheer)

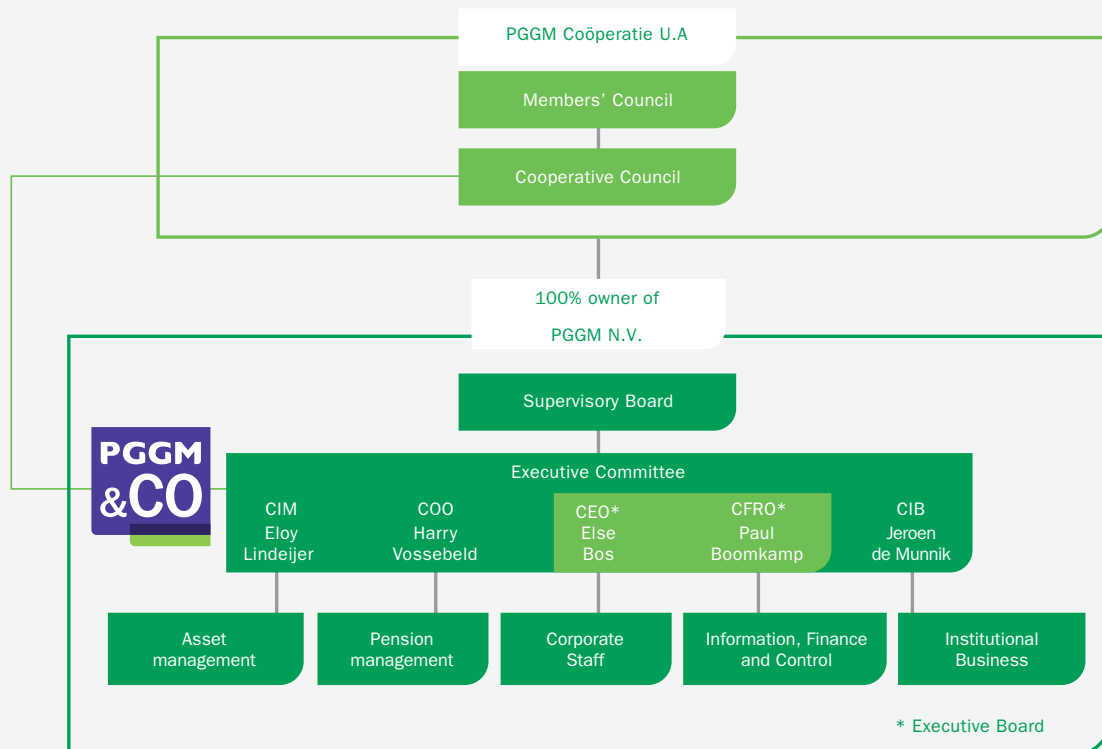
## PGGM clients in 2016

	Services				
	Board advising	Pension management	Asset management	Number of participants	Managed assets (in millions)
Stichting Pensioenfonds Zorg en Welzijn [Pension Fund for the Health and Social Sector]	✓	✓	✓	Approx. 2,632,000	185,428
Stichting Pensioenfonds voor Huisartsen [Pension Fund for General Practitioners]	✓	✓	✓	Approx. 19,000	10,122
Stichting Bedrijfstakpensioenfonds voor het Schilders-, Afwerkings- en Glaszetbedrijf [Sector Pension Fund for Painting, Decorating and Glazier Businesses]	✓	✓	✓	Approx. 111,000	6,561
Stichting Rabo PGGM Premiepensioeninstelling [Rabo PGGM Premium Pension Institution]	✓	✓		Approx. 27,000	
Stichting Philips Pensioenfonds [Philips Pension Fund]	✓	✓		Approx. 102,000	
Stichting Pensioenfonds Smurfit Kappa Nederland [Pension Fund Smurfit Kappa Netherlands]	✓		✓		631
Stichting Beroepspensioenfonds Loodsen [Occupational Pension Fund for Maritime Pilots]		✓		Approx. 1,300	
Stichting Bedrijfstakpensioenfonds voor de Particuliere Beveiliging [Industry Pension Fund for the Private Security Sector]			✓		432
Stichting Pensioenfonds voor Architectenbureaus [Pension Fund for Architecture Firms]			✓		2,578

## Organisational structure

The structure of our organisation is as follows:

### PGGM Organisation Chart



## PGGM Coöperatie

PGGM Coöperatie has two management bodies: the Members' Council and the Cooperative Council. The Members' Council is the most senior body of the cooperative and consists of 45 members. The Members' Council represents the more than 710,000 members of the cooperative. The Cooperative Council is responsible for PGGM Coöperatie's identity, mission, vision and (financial) policy frameworks and is accountable for this to the Members' Council. PGGM Coöperatie is the sole shareholder of PGGM.

## Supervisory Board

The Supervisory Board consists of six members and oversees the functioning of PGGM's Executive Board and the general affairs of the company. The Supervisory Board has two committees: the Audit, Risk and Compliance Committee and the Remuneration, Selection and Appointments Committee.

## Executive committee

The Executive Committee (EC) undertakes the day-to-day management of PGGM. The EC consists of the two members of the Executive Board, the Chief Executive Officer (CEO) and the Chief Financial & Risk Officer (CFRO). The responsible officers from the business units for pension management, asset management and institutional clients also have seats on the EC. These are the Chief Operations Officer (COO), the Chief Investment Management (CIM) and the Chief Institutional Business (CIB). The Executive Board is responsible for PGGM. The Executive Board can be called to account for this by both the shareholder and the Supervisory Board.

## PGGM&CO

PGGM&CO is the members' organisation of PGGM Coöperatie. The more than 710,000 members of PGGM&CO are represented by the Members' Council. In collaboration with partners, PGGM&CO develops supplementary products and services in the areas of pensions, healthcare, living and work for its members. These supplementary products and services are offered via the PGGM Group.

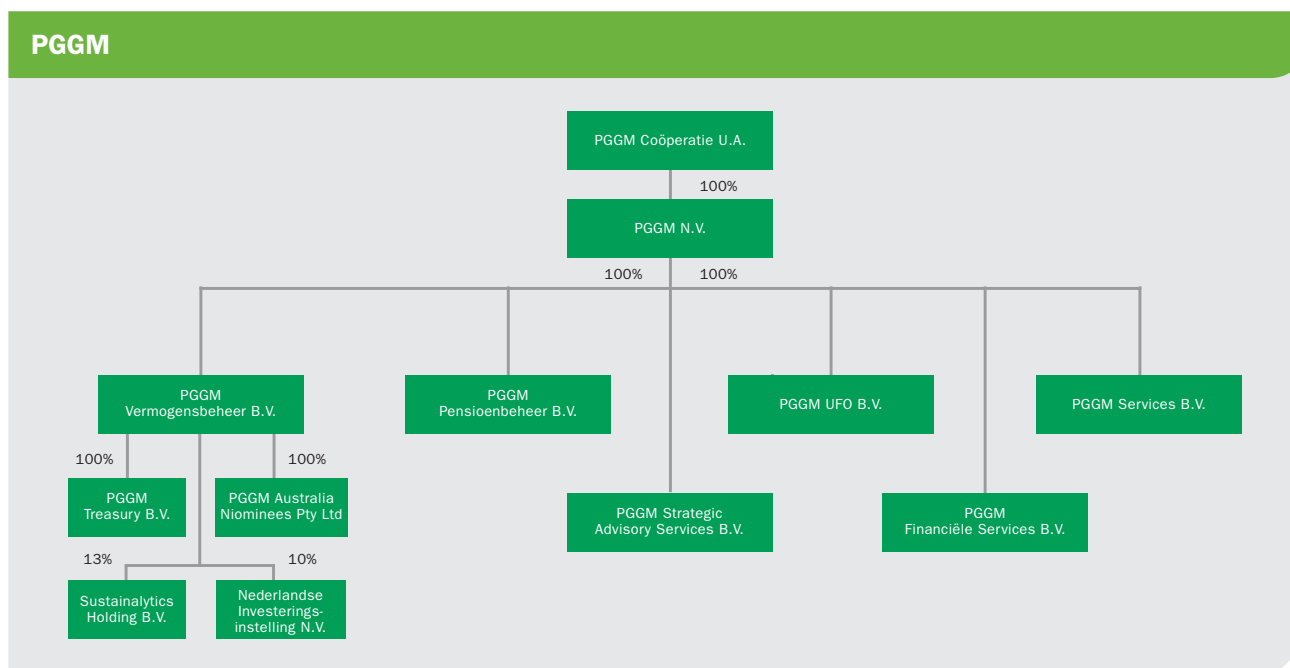
## Client Council

Representatives of our institutional clients are members of the Client Council. The chairman of the Client Council is Ms C.M. van der Werf, chairman of Stichting Bedrijfs-takpensioenfondsvoor het Schilders-, Afwerkings- en Glazetbedrijf [Sector Pension Fund for Painting, Decorating and Glazier Businesses]. The Client Council advises the EC on matters such as service provision, product development, strategy and the result appropriation. We can act together with the Client Council on serious, contemporary pension issues, as well as on improving our service provision. The EC can also share information with the Client Council on the course the organisation is pursuing and how, together with our clients, we intend to confront future uncertainties.

## Group structure

Pension fund service provider PGGM is a holding company which has undertaken activities in the areas of board advising, pension management and asset management to our clients since 1 January 2008. PGGM has a two-tier board and is the holding company of eight direct and indirect subsidiaries; PGGM and its shareholder, PGGM Coöperatie, together form the PGGM Group. A number of subsidiaries have a licence from the Netherlands Authority for the Financial Markets (AFM). When the legal structure was set up, it was decided that the various licences should be linked to individual companies, so that there was maximum clarity regarding the conditions associated with a particular licence and the supervision of these conditions.

The overview below shows the legal structure of PGGM Coöperatie, PGGM and its subsidiaries and participating interests (the PGGM Group) as of 31 December 2016.



## Corporate Governance Code

The Corporate Governance Code contains rules of conduct to which listed companies must adhere. We are not a listed company. Nonetheless, we voluntarily apply the Corporate Governance Code (2011) on the level of PGGM. We do this because we subscribe to the thinking behind this code of conduct. We want to be as transparent as possible for all our stakeholders and the parties with whom we do business. We also believe it is important that the companies in which we invest on behalf of our clients adhere to the Corporate Governance Code ('practise what you preach'). The revised Dutch Corporate Governance Code (2016) was published in 2016. The revised code is being evaluated and implemented where applicable.

We see it as our societal duty to act with care, transparency and integrity. That is why we have a code of conduct, a whistleblower's scheme, a PGGM Incidents Policy and a Social Integrity scheme. We also adhere to the Principles for Responsible Investment, the Global Compact, the OECD guidelines for Multinational Enterprises, the IFC Performance Standards and the Human Rights Treaties in the Netherlands. We followed the GRI G4 (Core) international reporting guidelines, supplemented with the Financial Services Sector Supplement (FSSS), in preparing this integrated directors' report.



# Key figures

The key figures for the last three years are presented below:

Key figures			
	2016	2015	2014
Annual revenues (*€ millions)	263.6	260.7	271.7
Net result (*€ millions)	1.3	2.1	-24.6
Number of clients	9	8	7
Number of participants (* million)	2.9	2.7	2.8
Assets under management (*€ billion)	205.8	183.3	181.5
Assets under management in NL (*€ billion), excl. derivatives	20.8	19.9	16.9
Number of FTEs at year-end	1,322	1,311	1,412
Male/female ratio general	61%/39%	59%/41%	58%/42%
Male/female ratio on management level	68%/32%	70%/30%	73%/27%
Male/female ratio directly reporting to the EC	65%/35%	75%/25%	78%/22%
Personnel expenses (*€ million) <sup>1)</sup>	153.5	150.2	156.2
Number of PGGM&CO members	Approx. 710,000	Approx. 700,000	Approx. 690,000

1) Salary expenses, pension charges, social security expenses and other employee expenses

# Directors' Report PGGM N.V.

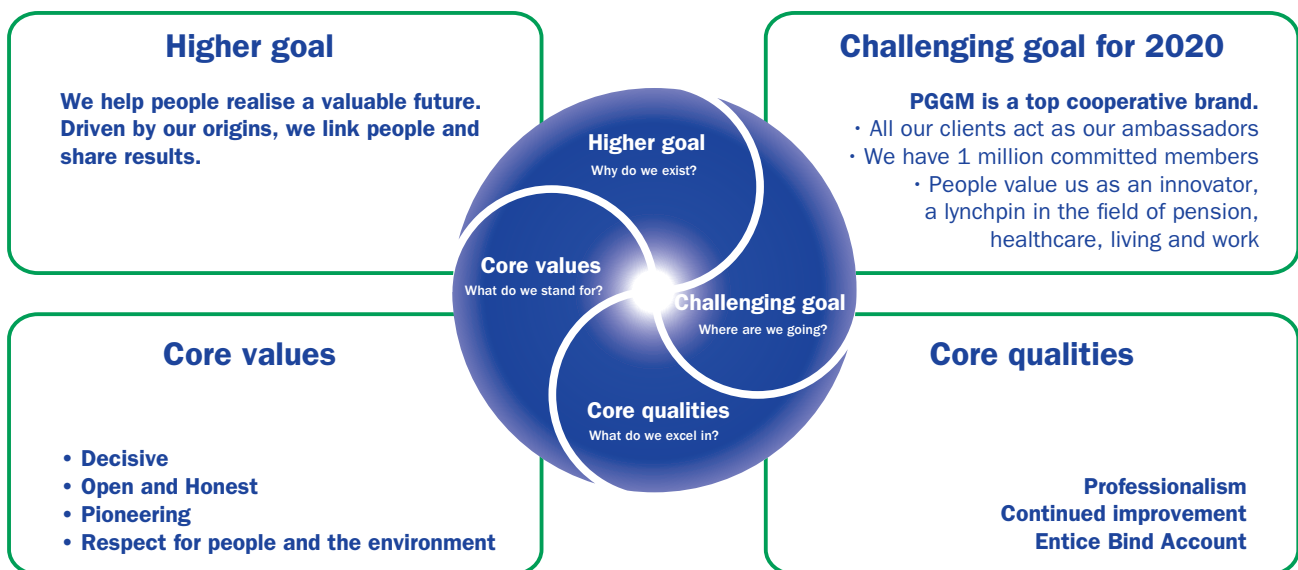
2016



# Our vision, mission and strategy

## Vision

Anyone involved in pensions on a daily basis must keep an eye on the future. Our vision of the future is a future in which pensions are properly arranged. However, a pension is more than just money. It also concerns one's living situation, because the majority of people want to live independently for as long as possible. It also concerns healthcare, whether it is affordable and accessible to everyone. And it concerns work, because we have to work longer, but at the same time we have to be able to do so and we want to be fit enough to enjoy our pension when the time comes. A future in which all of these things are well provided for is what we mean by a valuable future.



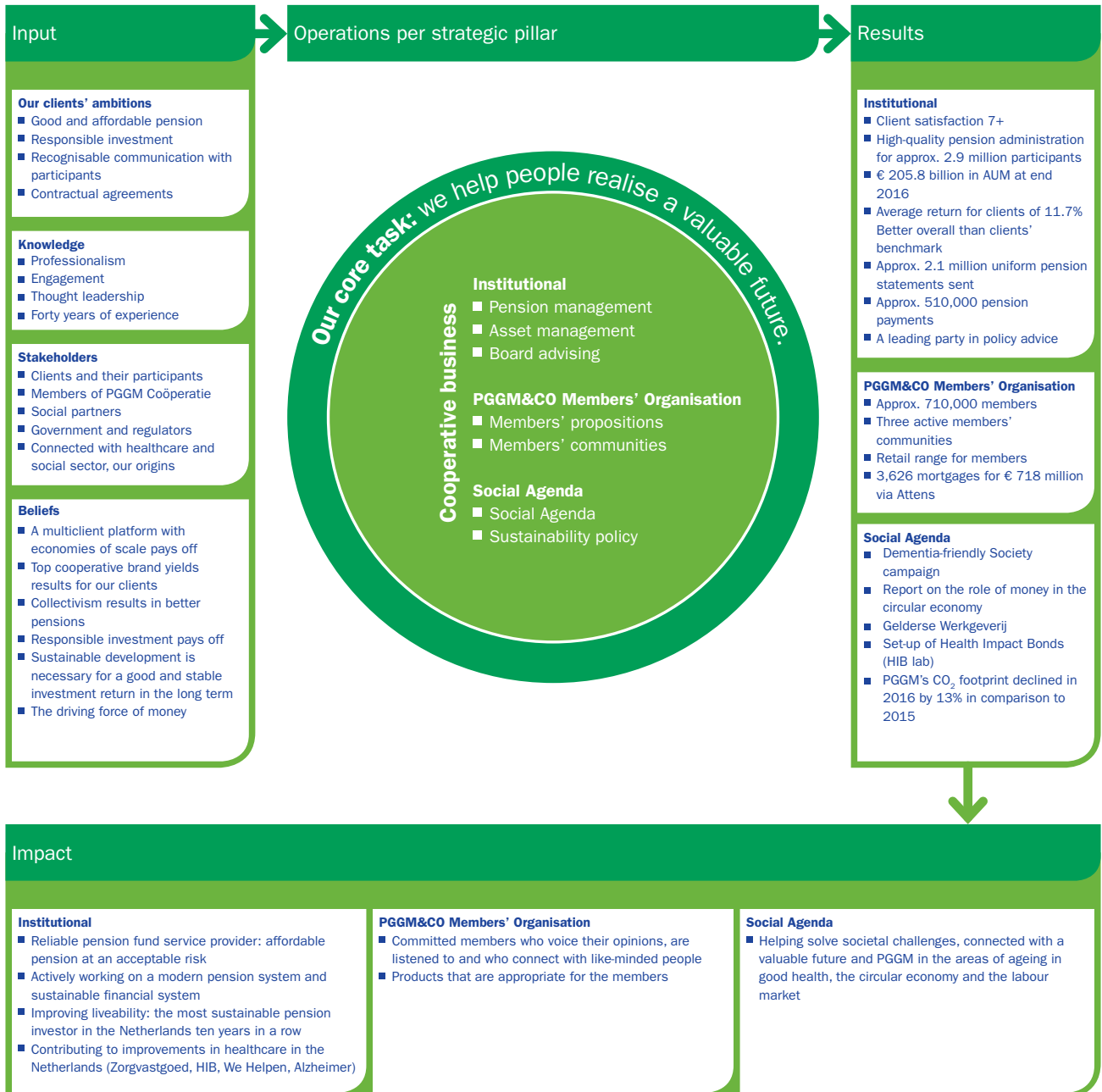
## Mission and strategy

For us, helping people realise a valuable future is our key focus. That is our mission and our strategy is focused on this. This starts by providing excellent pension management, asset management and board advisory services from our Institutional pillar. Because for our clients, their participants and our members, a good and reliable collective pension is a first and foremost prerequisite. This must be in good order. Virtually all our people therefore work to this end. They occupy themselves with today's pension, as well as the pension for the future. The needs of our clients are always a key focus in this respect.

But that is not all. From the PGGM&CO Members' Organisation and Social Agenda pillars, we search for solutions for the future together with our members and other parties. This way, we offer people options that enable them to create a valuable future for themselves. In this respect, we base ourselves on our origins, the health and social sector, strengthened by our belief that principles such as collectivity, solidarity and sustainability create value.

## Value creation in the long term

Our value creation model indicates how we create value in the long term for our institutional clients, our members and society as a whole.



## From strategy and spearheads to themes

Using a strategy map, we have formulated five spearheads for our three strategic pillars for the period 2016-2020. In talks with our stakeholders, within these spearheads, eleven themes were defined, which were the subject of our special attention in 2016 and on which we based our annual goals.

The spearheads can be found as chapters in this directors' report. The table below indicates which themes from the stakeholder analysis were formulated within which spearheads.

From strategy and spearheads to themes 2016		
Strategic pillar	Spearhead from strategy map (also chapter in the directors' report)	Theme from stakeholder analysis
<b>Institutional</b>	The client as ambassador	Reliable pension fund services Responsible investment Investing in solutions Controlled growth Pension awareness
	Transition to pension product with more individual characteristics	Future pension system
	Higher versatility at a lower cost level	Pension administration costs Cost conscious and versatile
	A strong and future-proof reputation	Footprint reduction Top cooperative brand
<b>PGGM&amp;CO Members' Organisation</b>	Towards a supported members' proposition and a social agenda with impact	Members' Organisation
<b>Social Agenda</b>		

### Multiclient strategy

In 2016, the number of pension funds in the Netherlands dropped to under three hundred, compared to more than six hundred a few years ago. We aspire to a role in this consolidation. Our multiclient strategy ensures that we can offer our clients continuity, quality and innovation and that we can divide the costs of pension administration among a larger number of clients. This improves service provision and lowers administration costs.

We have a controlled growth ambition. New clients can join in with existing clients, whereby we help bring about consolidation in the Dutch pension landscape. New clients can also purchase services from PGGM independently.

### Sustainability policy

A valuable future is unthinkable without respect for people, the environment and society. In our view, sustainability means that you must invest today for a valuable future later. By focusing our efforts on a valuable future, we contribute to a sustainable society for today's and tomorrow's generations. This means handling the resources entrusted to us by clients responsibly.

It also means that we look critically at how our actions impact the environment and society. That means that we reduce our own footprint, we practise responsible procurement, we show our social engagement and take on our responsibility in this respect.

### Top cooperative brand

The effective implementation of our strategy must produce results for our clients and members. Because it is our ambition that all our clients are so satisfied with us that they also become our ambassadors. That one million committed members feel the value that the PGGM&CO Members' Organisation offers them is so relevant that they deliberately want to connect with this organisation and contribute where possible. And that people value us as an innovator and connecting player in the area of pensions, healthcare, living and work. At that point, we will also have achieved our challenging goal for 2020, to transform PGGM into a top cooperative brand.

# The client as ambassador

Pension funds are our clients. It is our goal that in 2020, all our clients will be ambassadors for PGGM because of the quality of our service. We work to provide high-quality service by implementing a long-term collaboration with our clients. And by being a front-runner in realising client-specific wishes. We continue to innovate in the areas of advising, online service concepts and responsible investing in all parts of our portfolio. We aspire to controlled growth of our client portfolio. Both for pension management and for asset management, we expect that this will ultimately result in economies of scale and lower costs for our clients.

## Reliable pension fund services

**We understand that for our clients' participants, it is of primary importance that they receive the right information and the right payments, and consequently that we provide effective pension administration services and pay on time. They must be able to rely on this. We aim to provide excellent pension administration services: accurate and timely collections and payments, data registration and information provision. Our clients' investment policy must be implemented in accordance with the investment mandate they give us. This must culminate in a good and stable long-term return, in which financial and social return go hand-in-hand for participants.**

### Service Level Reporting and client satisfaction

Our aim is loyal and satisfied clients. This is why we have formulated agreements with our clients concerning the quality of our services. We report on this every quarter in Service Level Reports (SLRs).

For board advising, pension management and asset management, the reports show a stable picture over 2016. The operational services scores were good: most of the key performance indicators (KPIs) in the SLRs were achieved in 2016. Our average client satisfaction score is seven, representing a slight decrease compared to 2015. We want to grow towards a client satisfaction score of eight. This is a challenge in today's drastically changing environment with pressure on the pension system, costs and returns.

### Distinctive service

Our aim is to provide our clients with distinctive service and innovation. We are realising that ambition. We take a proactive role in the pension system discussion and are a front-runner in sustainable investing and client communication.

In these and other areas, we have been able to demonstrate thought leadership in the outside world, in

particular with PFZW. We have been honoured with a number of awards for this, including the PBM prize for 'Best brand and reputation promotion in 2016' for PFZW. For the tenth year in a row, PFZW has also come in first place on the sustainable ranking of the Dutch Association of Investors for Sustainable Development (VBDO). Together with PFZW, we have managed to push down investing costs and increase the impact on sustainability.

## Controlled growth

**In addition to the objective of attracting new clients, one of the aims in 2016 was to help our existing clients grow. We went through a number of processes to this end.**

### Integrations and transitions

In 2016, the service for Stichting Philips Pensioenfond (Philips Pension Fund) was started and the service for Volo pensioen was set up. The service provision for Volo pensioen starts as of 1 January 2017. The contract for pension management with Stichting Pensioenfond voor Personeelsdiensten (Pension Fund for the Flexible Employment Sector) (StiPP) was signed on 16 December 2016. The transition will take place in 2017; service to StiPP will start in 2018.

Stichting Pensioenfond Particuliere Beveiliging (Pension Fund for Private Security Firms) decided to switch to another provider for board advising and asset management. The transfer of the service provision started on 1 July 2016 and the transition is progressing according to plan. In 2017, SPH decided not to renew the contract expiring as of 27 March 2018 for part of the service provision.

### Focus in 2017

It is our ambition to welcome at least one new client in 2017. We are also working on new processes that support existing clients with growth.

## Pension management

**Digitalisation and innovation are high on the agenda at Pension Management, with a view to further optimising the pension management processes and communication with participants. We took important steps in this area in 2016 with the digitalisation of the mandatory pension communication and the transition to the Uniform Pension Report. This enables participants to quickly and easily access their pension information online and notify their pension fund of changes.**

### Pension awareness

We realise that increased pension awareness is important to everyone involved in pension schemes. However, we are also seeing that people's interest in and knowledge of pensions is still relatively low.

Pension awareness emerges to be low especially among the large group of participants under 40. These participants have little contact with their pension fund. That is why, in 2016, we developed a programme in which pension information is brought to participants' attention at moments relevant for participants. For example, by offering a more appealing welcome package at the start of a new job. Or by developing a more accessible variant alongside the mandatory Uniform Pension Statement, one that is better attuned to the participant's experience. These developments are always tested first on a relatively small scale. New tools are used across the board once they have been proven effective.

### Digital Unless

Until 2016, mandatory pension communication, like the Uniform Pension Statement, was always provided to participants on paper, unless they themselves indicated they wanted to be informed digitally. The Pension Communication Act makes it possible to inform participants digitally from 2016 onwards, unless the participant indicates he/she would rather not be informed in this way, via a so-called opt-out request. We are working on this development under the heading of Digital Unless. We send opt-out mailings to all clients, collect email addresses, make a link to the Inbox on MijnOverheid.nl and make it technically possible to send mandatory pension communication to participants digitally.

### Uniform Pension Report and MijnOrganisatie

All organisations affiliated with PFZW will be switching over to the Uniform Pension Report (UPR) from 1 January 2017. We worked hard on this in 2016. The Pension Federation, the umbrella organisation that promotes the interests of virtually all Dutch pension funds, developed this format, which is supposed to ensure that the submission of information on employment relationships and salary details by employers (via administration offices and services agencies or otherwise) to all pension funds takes place uniformly. The UPR ensures the fully automatic exchange of salary and pension details between organisations and/or administration offices and pension funds. This improves the quality of the information submitted, makes quality control easier and implementation cheaper.

Parallel to the realisation of the UPR, we worked on the development of MijnOrganisatie, an employer portal for employers affiliated with PFZW. We did this using the agile development method. Agile working means that we develop the products and services in small steps and with a great deal of interaction with end-users. MijnOrganisatie gives organisations more insight into their invoices and enables them to count on better process handling. This portal also takes the transition to the UPR into account.

### Focus in 2017

Further digitalisation and innovation continue to be a high priority for Pension management. In 2017, we will be working to develop online self-service concepts for participants and we will involve participants in pension more. We will also be using big data to set up our processes for pension management more effectively.

## Asset management

**Asset management is divided into two domains: the public and private markets. The largest part of the portfolio of PGGM's clients is taken up by public markets. Within public markets, there are both actively and passively managed portfolios. Within the private markets platform, we invest in non-listed products, such as infrastructure, real estate and private equity. In private markets, there is by definition an active investment policy, whereby the best investments are specifically sought out. As such, the private markets platform is a welcome supplement to listed investments.**

Assets under management		
amounts x € 1 billion	Investment class	Total
<b>Public markets</b>	Fixed-income securities	80.2
	Listed equities	61.5
	Listed real estate	11.4
	Commodities	8.9
	Mortgages	1.3
<b>Total public markets</b>		<b>163.3</b>
<b>Private markets</b>	Private real estate	12.9
	Private equity	11.3
	Infrastructure	7.5
	Credit risk sharing transactions	5.5
	Insurance	3.8
	Other real assets	1.5
<b>Total private markets</b>		<b>42.5</b>
<b>Total assets under management as of 31 December 2016</b>		<b>205.8</b>

### Market developments and risks

In 2016, the effects of a low interest rate environment and an initial assessment of climate risk were the key focal points in the portfolio. The investment climate was also affected by geopolitical tensions and events like Brexit and the US elections. We received indications from our clients that we respond quickly and well to these kinds of major events in the world.

### Private investments

Private investments help our clients achieve an absolute investment return and realise a tangible impact on the real economy, in the Netherlands as well. These investments offer our clients a solution in today's financial markets, in which interest rates and returns are lower than in the past. Because of their long-term character, private investments are also a good match for the longer investment horizon of pension funds.

The private market platform enables us to realise our clients' impact objectives by investing in, for instance, rental care homes, wind turbine farms, food producers and drinking water facilities.

### Fewer external managers for private investments

We are improving the comprehensibility and manageability of the private investments by increasingly investing ourselves instead of via external managers. A nice example of this is our growing infrastructure team, which, working with other long-term investors, invests directly in infrastructure companies. Investing directly ensures lower costs than if external managers are used.

### Investment transactions

In 2016, we managed to perform a number of large transactions in private markets. As part of an international consortium, we acquired a non-controlling interest in LeasePlan, a Netherlands-based global market leader in operational car leasing. With joint venture American Tower Corporation Europe, we reached agreement for the acquisition of FPS Towers, owner and operator of approximately 2,400 telecommunication towers in France.

With Koninklijke BAM Groep, too, we strengthened the cooperation in our joint venture. The joint venture is focused on public-private partnership (PPP) projects in the Netherlands and several Northwest European countries. In the Netherlands, the joint venture invested in seven PPP projects, including the new Supreme Court building in The Hague. The joint venture is currently involved in the construction of a new complex of sea locks near IJmuiden.

### Focus in 2017

In addition to implementing clients' investment plans, the implementation of laws and regulations, including MIFID II and EMIR, is an important focal point in 2017. We are also continuing the further integration of responsible investment in the investment processes.



The focus of the private markets platform is on further internalising the investments, with the main goals being cost reduction and greater manageability of our investments. Another important project for 2017 is the research into building up an Infra+ portfolio (investments in the infrastructure sector with private equity characteristics) internally. We also hope to welcome our first Volo pensioen clients and attract new clients for our private markets platform.

## Investing awards PGGM received in 2016

Award	Explanation
Private Equity International Awards 2015	Private Equity team named European Limited Partner
Private Equity International Game Changer Award 2015	Award for transparency and drafting of remuneration guidelines
Securitisation Award 2016	Organisation that has had a large positive impact on the securitisation market
Extel Award 2015: Best equity investment specialist	'Oscar' for the financial sector
Extel Award 2015: Best individual equity analyst	For Marek van Genderen
PEN Most influential European investor in private equity	For the Private Equity team
IPE pension award	PFZW named pension fund with the most responsible investments
PFZW took first place in sustainable ranking from VBDO (Dutch Association of Investors for Sustainable Development)	Tenth year in a row

## Investing in the Netherlands

**A strong and sustainable Dutch economy contributes to a valuable future for pension participants. This is why our clients believe it is important to invest in the Netherlands. These are investments in regular real estate and infrastructure, but also in other investments. We encourage initiatives like the Nederlandse Investeringsinstelling N.V. (NLII), designed to make investing in the Netherlands simpler.**

### Growth in invested capital in the Netherlands

In 2016, 10.1% of the capital of our clients was invested in the Netherlands, representing a total of € 20.8 billion. Approximately 66.2% of this is invested in government bonds. At the end of 2016, a total of € 1 billion had been invested in solutions for social issues. In 2015, over € 19.9 billion of our clients' pension assets was invested in the Netherlands.

### Apollo Zorgvastgoedfondsen

At the initiative of SPH, the NLII expanded its products in 2016 with the launch of the Apollo Zorgvastgoedfondsen. PGGM is shareholder of NLII and worked in close cooperation with NLII to develop the fund for, among others, SPH. The Apollo Zorgvastgoedfondsen invests in sheltered housing, nursing homes and primary care centres. Via the fund, we invest in healthcare solutions on behalf of our clients.

### Attens Mortgages for the health and social sector

Attens Mortgages, provided by Attens Hypotheken B.V., a subsidiary of Syntrus Achmea Real Estate & Finance, fits well with PFZW's long term investment horizon, in a market in which banks are withdrawing as mortgage lenders because of the capital requirements. Attens Mortgages took off to a flying start in 2016. The intended portfolio of € 600 million for the first year had already been realised after nine months.

The mortgage, which is only available for PFZW participants, has attractive features for employees and former employees in the health and social sector. For instance, irregular hours allowance and income from temporary and zero-hour contracts can be taken into account for the calculation of the maximum earning capacity. Attens Mortgages was developed in cooperation with our PGGM&CO Members' Organisation.

# 2016 Responsible Investment Overview

## AREAS OF FOCUS

Climate and Environment



Water



Food



Health



Human Rights



Corporate Governance



Stable Financial System



## INSTRUMENTS

INVESTING IN SOLUTIONS





















**Mandate: at least € 20 billion invested in solutions by 2020<sup>1</sup>**

**€11.3 billion**

**Total: €11.3 billion<sup>2</sup>**

**New in 2016: €2.8 billion**

Area of Focus	Euros Invested (millions)	Impact in 2015 <sup>3</sup>
Climate and Environment 	€3,860 ( <b>€820</b> in 2016)	 <b>3.8</b> million megawatt-hours of sustainable energy generated;      <b>4.0</b> million tonnes of CO <sub>2</sub> emissions avoided.
Water 	€867 ( <b>€451</b> in 2016)	 <b>38</b> billion litres of water saved  <b>65 billion litres</b> of waste treated 
Food 	€2,800 ( <b>€629</b> in 2016)	 <b>111,000</b> tonnes/hectare improvement in return.  <b>640 million litres</b> of milk produced.
Health 	€3,690 ( <b>€893</b> in 2016)	 <b>530,000</b> people provided with access to good healthcare.  
Other	€117	Impact not measured.

## ESG INTEGRATION



**Mandate:** CO<sub>2</sub> footprint of the investment portfolio halved by 2020. 

**Baseline measurement of the equity portfolio on 1-1-2015:**

relative CO<sub>2</sub> footprint = 339 tonnes of CO<sub>2</sub> per million dollars of company turnover. 

On 1-1-2016, the relative CO<sub>2</sub> footprint = 326 tonnes of CO<sub>2</sub>

## ENGAGEMENT



**Engaged companies and market parties in dialogue**

**76** results achieved among companies

**5** results achieved among market parties

## VOTING



Voted at **3,657** shareholder meetings.

**41,855** votes cast.

## LEGAL PROCEEDINGS



**€3 million** in investment losses recovered.

## EXCLUSIONS



**Total: 113 companies** and government bonds of **12 countries**

**New in 2016:** exclusion after engagement concerning improvements in corporate governance did not yield any results.

1 On the instructions of our largest client.

2 For all clients, segregated as well as in the funds.

3 The impact was measured for the investments at year-end 2015. Of the € 8.9 billion invested in solutions, the impact of € 4.9 billion in investments has been calculated. This represents 55% of the total investments in solutions.

## Responsible investment

**We are convinced that financial and social returns go hand-in-hand. This enables our clients to realise a valuable future for the pension participants.**

**Commissioned by our clients, we work on investment solutions that not only realise the pension ambition, but also contribute to a sustainable, liveable world. We use six instruments to implement responsible investment activities. We use these instruments to encourage solutions for social challenges, urge companies to make sustainability improvements and exclude companies that conduct activities that we do not want to support.**

### Investing in Solutions

In 2016, we invested € 2.8 billion in these solutions. By investing in solutions for social issues, we contribute to the Sustainable Development Goals (SDGs). In working for our clients, we invest in solutions in the areas of climate and environment, water, food and health.

We were active on many fronts to promote and further develop responsible investment in 2016. We want to motivate others to improve and in the meantime work on developing guidelines and reporting standards. This year, together with APG Asset Management N.V. (APG), we worked on standardising the definition and approach to investing with impact on the SDGs. We call these investments Sustainable Development Investments (SDIs). We want to create an international standard for institutional investing in the SDIs which will increase the comparability and consistency of impact investments.

### Motivating others to improve

As a member of the Platform Carbon Accounting Financials (PCAF), we actively contribute to the development of reporting standards for the CO<sub>2</sub> footprint of investments. Eloy Lindeijer, chief investment management at PGGM, participates in the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB), which published its recommendations concerning transparency about the financial aspects of climate change in December. We are also working with other parties to develop a national SDG strategy. In the report 'Building Highways to SDG Investing (SDGI)', to which we contributed, the financial sector calls on the private sector and the government to work together closely in contributing to the SDGs.

### Areas of focus

In consultation with our clients, we have selected seven areas of focus for which we want to make a contribution. Each area of focus is summarised below for 2016.

#### Climate and environment

The Paris Climate Agreement went into effect in 2016. Building further on our previous work and following on this, we initiated a broadly-composed internal climate working group in order to identify and manage climate risks in the portfolio.

In order to contribute to counteracting climate change, we invested over € 820 million in climate solutions in 2016 on behalf of our clients. In 2015, the total quantity of sustainable energy generated through these investments amounted to 3.8 million megawatt-hours. In 2015, the total CO<sub>2</sub> emissions avoided due to these investments was more than 4 million tonnes of CO<sub>2</sub>. This is equivalent to the average CO<sub>2</sub> emissions of more than 175,000 households per year. Among other things, we invested in green bonds from Alliander N.V. The proceeds of these green bonds were used to finance sustainable buildings and heat networks. We also invested in making office buildings in London and Paris more sustainable.

From 2016, we have been selling shares in the most CO<sub>2</sub> intensive companies in the three sectors with the highest CO<sub>2</sub> emissions: energy, utilities and materials. The freed-up capital will be reinvested sector-neutrally in more carbon-efficient companies in these sectors: companies with lower CO<sub>2</sub> emissions per dollar. We have written the companies whose shares we have been selling to explain the sale and to confront these companies about their CO<sub>2</sub> intensity. Our intent is to encourage sustainable production. We received 75 responses to our letters by the end of 2016. Many companies state that they have started down the path towards cleaner energy and see our message as support for continuing in this direction. We will continue our dialogue with these companies in 2017.

#### Water

We want to contribute to counteracting water scarcity in order to promote public health and economic growth and achieve better investment results. At the end of 2016, we had invested a total of € 867 million in water scarcity solutions on behalf of our clients. We invested in, among others, Suez Environnement S.A. (Suez), which focuses on the production of drinking water in Europe, the United States and Asia. We also talked to a number of companies about water usage and risks.

The talks with Tyson Foods Inc. and Hormel Foods Corporation prompted improvements in the management of water risks by these food and meat producers.

### **Food**

On behalf of our clients, we concentrate on investment opportunities in solutions for food production, access to food and food quality. In 2016, we invested over € 629 million in food solutions on behalf of our clients. We made a new investment in a solution related to food security: a bond from artificial fertiliser producer Eurochem Global Investments Designated Activity Company. This company distributes artificial fertilisers throughout the world, in particular in developing countries. Artificial fertiliser contributes not only to greater food security, it also provides better income for local farmers in developing countries.

### **Health**

On behalf of our clients, we invest in companies that work on strategic solutions for improved (access to) healthcare. At the end of 2016, we had invested a total of € 3.7 billion in healthcare solutions on behalf of our clients. In 2015, more than 530,000 people throughout the world had access to healthcare, or benefited from better quality healthcare, due to these investments. In 2016, we invested in, among others, pharmaceutical companies and in suppliers to this industry, such as suppliers of laboratory equipment capable of accurately and quickly performing high volumes of diagnostic tests. In 2016, we wrote to large pharmaceutical companies in North America, Europe and Asia to ask them to better integrate access to healthcare in their strategy. We also engaged in dialogue with companies on improving access to medicines. Our engagement with Takeda Pharmaceutical Company, the largest medicines manufacturer in Japan, helped prompt this company to introduce a new Access to Medicine policy.

### **Human rights**

In 2016, PGGM drafted its own human rights policy in which we indicate how we fulfil our responsibilities in the area of human rights, both at our company and in our investments. Together with several other investors, we also developed and published a statement in which investors declare that they will engage in a dialogue with food companies concerning working conditions in the agricultural chain. We are also engaged in dialogue with companies in the mining sector.

At Glencore plc and Freeport-McMoRan Inc. we find that the assessment of potential human rights violations is being charted out better and that their reports on these risks have improved.

### **Good corporate governance**

Properly functioning companies are a condition for sustainable development and contribute to better returns. In 2016, we worked on Eumedion's response to the revision of the Dutch principles for corporate governance and good shareholdership. We also worked on a framework for good corporate governance and good shareholdership for the American market, which was published at the beginning of 2017. 2016 marked the first instance in which we excluded a company following engagement about its corporate governance: cable company Altice N.V. After numerous talks about the introduction of unequal voting rights and other governance issues, Altice proved unwilling to make the desired changes.

### **Stable financial system**

To contribute to a stable financial system, we continued developing our Sustainability Ladder for Banking Counterparties in 2016. We use this tool to score banks in terms of their contribution to a stable financial system. We hold talks on these scores with the leading banks. We also work with a fee protocol for all asset classes.

### **Further anchoring of sustainability in the investment chain**

Our real estate funds once again outperformed the Global Real Estate Sustainability Benchmark (GRESB) that compares funds in terms of sustainability. In addition, more and more of our investments qualify as Green Star, the most sustainable category.

Effective from 2016, the investment and advisory teams in the investment chain have been given full ownership of responsible investment. The investment chain took up this transition energetically. In line with the objective of the transition programme, 75% of the investment teams are currently positioned in the standardisation, internalisation and even the innovation phase as far as the attitude and ESG integration aspects are concerned.

To read more about our activities, results and focus in the area of responsible investment in 2017, see our Annual Responsible Investment Report.

# Transition to pension product with more individual characteristics

We strive towards a sustainable pension system with a sustainable pension product. We see the pension sector - and with it our clients - gradually moving towards pension schemes with more individual features and freedom of choice. We are adapting our service provision, client servicing and therefore also the underlying system landscape and processes so that we can facilitate this development for our clients.

## Adjustments to the system landscape and organisation

**We are originally an organisation oriented to Defined Benefit (DB) schemes. Our systems, processes and organisation have mainly been set up on the basis of this. We also invested in 2016 in the necessary changes to be able to facilitate other types of pension schemes as well, such as Collective Defined Contribution (CDC) or Individual Defined Contribution (IDC).**

### Prepared for transition and second administration platform

We concentrate mainly on changes to our system landscape and in our organisation. In 2016, we invested in our MAP pension administration platform and a second administration platform selected for clients who are looking for a standard solution without customisation. Both platforms offer the possibility of implementing a pension scheme with multiple individual features. The second administration platform was completed for the service provision to Volo pensioen. The focus in 2017 is to set up the service provision to StiPP on this platform, which will commence on 1 January 2018. At Asset Management as well, systems have been prepared for the upcoming transition. We also invested in the transition to a pension product with more individual features by setting up a General Pension Fund (GPF) and updating the Rabo PGGM PPI proposition. For the time being, the GPF is focused on consolidation in the pension world and implements a CDC scheme.

## Volo pensioen

**In 2016, PGGM set up an GPF with the business name Volo pensioen. An GPF provides a solution for pension funds by enabling them to unite and implement the move towards consolidation in the pension world.**

### Accessible investment solutions

Stichting Algemeen Pensioenfonds Volo pensioen (Volo pensioen) is an GPF without profit motive where pension funds and employers can have their pension scheme administered.

An GPF offers the versatility to respond to new developments in pension products and a pension market that is becoming increasingly liberalised. Partly via private markets, Volo pensioen offers unique investment solutions for a supplementary return, options which are usually not accessible for smaller pension funds and participants, such as private equity and infrastructure. This gives participants additional possibilities of achieving the returns they need for a good pension result. De Nederlandsche Bank N.V. (DNB) granted Volo pensioen a licence in November 2016. Volo pensioen has outsourced the provision of board advising, pension management, asset management and fiduciary consultancy to PGGM.

### Focus in 2017

We will be ready to provide service to Volo pensioen from 1 January 2017. In 2017, Volo pensioen is focusing mainly on acquisition. Our ambition is to have the first clients (pension funds and employers) make the move to Volo pensioen in 2017.

## Rabo PGGM PPI

**Together with Rabobank, we set up the Stichting Rabo PGGM Premiepensioeninstelling (Rabo PGGM PPI) in 2012. In this venture, we join with Rabo PGGM PPI to retain the good elements of the current pension system in a more individually-oriented, non-mandatory pension environment.**

### Online client preparation

Just over five hundred new employers became clients of Rabo PGGM PPI in 2016 by taking out the Rabo BedrijvenPensioen product. The target of four hundred employers was easily exceeded, therefore. Rabo PGGM PPI also launched the online client preparation. This enables the employer to complete the first part of the advisory process at home or at work, whenever it suits him/her. This saves the employer both time and money. Almost half of the new contracts in 2016 were concluded via online client preparation.

## Focus in 2017

For Rabo PGGM PPI, much of 2017 will be taken up by the continued development of the Rabo BedrijvenPensioen. It was decided to contract a new insurer for risk cover and a new investment solution with choices. This investment solution implements the statutory possibility for participants to opt for either a fixed or variable payment after pension starts.

## Involved in laws and regulations

**There are many changes in law/rules and regulations related to pensions. In the Netherlands itself, drastic changes to the pension system continue to be a topic of political and public debate. Outside the national borders, the Dutch system is increasingly becoming an exception.**

### Seeking engagement

Together with our clients, we operate within a strict regulatory framework in which laws and regulations are subject to change on many fronts. Monitoring these developments and anticipating these changes is crucial. However, we want to be more than a passive recipient of changes: we intend to actively exert influence on them. As a stakeholder and large party, we feel a responsibility, acting with and for our clients, to seek engagement with regulatory parties to encourage balanced laws and regulations in the interest of employers and employees. In 2016, we were involved with a number of dossiers both in The Hague and in Brussels.

### Future pension system

In 2016, together with other parties such as the Pension Federation, we spoke regularly with the ministries of Finance and Social Affairs and Employment about numerous pension topics. Below are a number of the larger dossiers:

- Net pension: we work to realise a more appropriate purchase price for pension participants.
- Consolidation possibilities for industry-wide pension funds that have been made mandatory: we support smaller industry-wide pension schemes being able to consolidate as well if their size dictates that they merge with other pension funds.
- Value transfer: a legislative process is under way to limit the possibilities of commuting pension in the event of dismissal/resignation. We support this from the view that a pension made up of many small pieces put together can still provide for a good retirement.
- GPF legislation: we have made efforts towards ensuring that there are adequate possibilities for general pension funds (GPFs) to play an important role in the consolidating pension landscape.

- Future of the pension system: we support modernising the pension system in order to accommodate the trends in demographics, the labour market and society whilst retaining the valuable elements from the current system, such as collectivity and risk sharing.

### Pension Federation's European strategy

In 2016, we helped develop a European strategy for the Pension Federation. By developing the European strategy together with our key partners, we ensured broader support and better connection between the Pension Federation and the pension providers active in Brussels.

### European Pension Directive (IORP-II)

The European member states and the European Parliament reached agreement at the end of June 2016 on the Pension Funds Directive, which concerns the way in which pension institutions must administer the pension schemes they manage. It confirms the Netherlands' control of its own pension.

For many other European countries, it results in higher standards for managing occupational pensions. The Netherlands has until 2018 to transpose the directive into its own Pensions Act. Because matters like governance and communication have already been regulated to a far-reaching extent in the Netherlands over the past several years, we expect a limited impact. Naturally, we will continue to follow developments closely.

### Capital Market Union

The Capital Market Union, a spearhead of the current European Commission, is supposed to result in a single European capital market. The plan for the Capital Market Union involves various projects that are relevant for us and our clients, such as:

- Withholding tax: dividend tax is a cost item for our clients involving millions of euros each year. In 2016, we provided 'evidence' of this. From 2017, we are involved in a project to draft a Code of Conduct for member states to simplify withholding tax procedures.
- EFSI: we were asked to contribute ideas on the role of Dutch pension funds in European investment plans.
- STS Securitisation: STS Securitisation is a regulation for simple, transparent and standardised securitisations. We would like to see synthetic securitisations in this regulation because we are one of the few players in the market that has specialised in this form of securitisation
- EMIR: together with other (European) pension providers, we are seeking a solution so that pension funds can be exempted from being required to clear derivatives transactions.

- Personal European Pension Plans: we are positive and critical of the plan of the European Commission and EIOPA for a European personal pension product (PPP or PEPP) and are following the European Commission's plans in this respect closely.
- Financial Transaction Tax: we are still involved in working out the exemption for pension funds.

### Focus in 2017

For 2017, the emphasis is on EMIR legislation and further shaping the Capital Market Union.

# Higher versatility at a lower cost level

Pension administration costs are becoming increasingly important for our clients. We must also be able to adapt more quickly to changes in our environment. That is why we started the Decisive Innovation change programme in 2014. In this programme, we set ourselves the ambition of achieving more versatility at structurally lower costs by the end of 2017: 20% lower than in 2013, in other words, € 50 million. This applies to the regular pension administration costs. The objective is also to achieve a 20% saving on the total investment costs for PFZW. For more versatility, we strive to have the right employee in the right place, in multidisciplinary teams. We encourage and facilitate employee development, both in the employee's specific field and in relation to our core qualities.

## Financially healthy business operations

**We strive for financially healthy and sustainable business operations that give substance to our cooperative ideology. Profit and growth are not our highest goals. This means that we want to achieve a healthy return on our activities in order to safeguard the continuity of the services we provide to our clients. We also use the results in the interest of the future of PGGM, PGGM Coöperatie and its members.**

### Positive operating result

We achieved a positive result of € 1.3 million in 2016 (2015: € 2.1 million). The profit before tax was positive € 1.9 million (2015: € 4.4 million). Turnover rose in 2016 by € 2.9 million in comparison to 2015. The profit before tax decreased in 2016 by € 2.6 million in comparison to 2015. The 2016 profit was in line with our expectations; the decrease compared to 2015 was due to the balance of incidental items, which are explained in the financial statements.

### Solvency

PGGM's solvency was strong as of 31 December 2016, at 72.4% (2015: 60.6%). Solvency is calculated as the ratio of equity to the balance sheet total. Solvency improved thanks to a decrease in the current liabilities. This decreased the balance sheet total, while equity increased slightly.

### Liquidity

Liquidity decreased by € 7.9 million in 2016. The decrease was due on the one hand to repayment of the temporary credit facility, the goodwill payment to PFZW, and the provision of a loan/gift to Volo pensioen and on the other to strong improvement in the cash flow from operational activities.

The balance of cash and cash equivalents as of 31 December 2016 was € 83.8 million (31 December 2015: € 91.8 million).

### Tax entity for value added tax

PFZW and PGGM Coöperatie form a tax entity for value added tax. This means that no VAT needs to be charged within this entity. Consultation was held with the Tax and Customs Administration in 2016 concerning the continuation of the tax entity. Amendments were made to the articles of association of PGGM Coöperatie as of 1 January 2017 to allow continuation of the tax entity. These amendments give PFZW the role of guardian. In the articles of association, the guardian has been given a role alongside the existing bodies of PGGM Coöperatie, specifically the Cooperative Council and the Members' Council of PGGM Coöperatie. This guardian role gives PFZW special rights with respect to PGGM Coöperatie in relation to a number of specifically designated topics. These rights pertain to amendment of the articles of association, merger, split-off or collaboration and the appointment of directors. This makes PFZW a related party as of 1 January 2017. This change has no impact on the agreements already in place between PFZW and PGGM Coöperatie.

### Change in accounting principles concerning building

Until 2015, PGGM's building was valued at replacement value. Because of a change in the regulations, this is no longer permitted from the 2017 financial year onward. We have opted for the alternative of current cost as the basis for the fair value ('actuele waarde'). This change in the accounting principles has been incorporated as of 1 January 2015. For an explanation illustrated with figures, see the 'Financial statements' chapter.



## Decisive Innovation

The three-year Decisive Innovation programme is focused on the topics of cost saving, versatility and behaviour in order to achieve our goal of more versatility at structurally lower costs. In concrete terms, 'structurally lower costs' means realising cost savings of € 50 million by the end of 2017. It is now clear where the savings come from and € 32 million in savings has been actually realised. We are therefore on schedule in this regard. The objective to achieve a 20% saving on the total investment costs for PFZW has also been achieved. The realisation of these initiatives will be closely monitored on the basis of scheduled milestones. We expect that constant attention to cost saving will continue to be necessary after 2017 as well. Versatility and behaviour are explained on page 26.

Read more about our financial situation in the 'Financial statements' chapter.

## Investing in future business operations

**We closely monitor the balance between efficiency in our current business operations and investing in our future business operations. Saving on costs gives us room to invest.**

### Innovative concepts

In 2016, we used just over 20% of our revenue for renewal and innovation. In 2017, that will be 25%. In 2016, for instance, we did that by further improving service to clients with innovative concepts, such as climate investing for the Asset Management business unit, investing in IT, far-reaching automation using robots and the development of digital online client servicing concepts for the Pension Management business unit.

### Robots

At Pension Management, we have been working with virtual employees, robots, since the first quarter of 2016. The robots process contribution waiver letters and grants of retirement pension. These are repetitive tasks that no longer need to be performed by employees. The effect is that employees can use this time for moments that are genuinely important for participants. The participants appreciate this, as evidenced by rising client satisfaction with the 'Occupational Disability' and 'Retirement' client journeys.

## Innovation spearheads

The spearheads below were used to flesh out our objectives for 2016:

- Experimenting and developing a client proposition using big data and mobile services. We also explored the possibilities of new technology and other market developments for our service provision.
- Building an external innovation network. For this reason, we became a partner of Techruption and Startupbootcamp. In our role as partner, we engage in topics like blockchain, artificial intelligence, climate change and cybersecurity.

We also used our PGGM&CO Members' Organisation as an innovation environment within PGGM where experiments are conducted with new concepts and technology.

### Focus in 2017

Innovation is a high priority in 2017 as well. We want to further expand the innovation network and carry out innovations that have an impact on the service provided to pension funds.

## IT as driver for innovation

**In 2016, we restructured our IT organisation as the result of integrated management from the CFRO. We realised integrated multiclient portfolio management. This results in more effective management of people and resources, and a tighter grip on the portfolio. We also invested in information security and can take the next steps in the IT improvement plans for Pension Management and Asset Management.**

### Pension Management IT improvement plan

In 2015, we started the Pension Management IT improvement plan. Our goals are to shorten the lead time for software development and improve the reliability of software and productivity in software development. The IT goals and innovations have been achieved in part. The process of largely automating the testing process for software development was completed in 2016. This enables us to put new and updated software into use faster and has increased the productivity for further automation of system development. We will continue to modernise the pension management system in 2017. We also started using agile working in the Pension Management department and there is close cooperation between the user organisation and the IT department.

## Asset Management IT improvement plan

The objective of the Asset Management portfolio is to realise a robust and scalable landscape for Asset Management IT. In the context of the Asset Management IT improvement plan, a set target architecture for the system was developed in 2016 and implementation recommendations were drawn up within Asset Management for the Front Office and Risk departments. In substantive terms, these recommendations contain system solutions for supporting processes and measuring risks. Another initiative within the IT improvement plan is the Data Warehouse project. The goals of this project are: to realise operational improvements to raise the quality of the data in the source systems, to implement a process for data management and to lay a generic foundation for making client, fund and mandate reports accessible from a single data source. Not all the ambitions of the Data Warehouse project were achieved in 2016.

## Focus in 2017

In 2017, we will be concluding the Pension Management IT improvement plan. This gives PGGM a firm foundation to continue developing the pension management system in future. We will also be working more efficiently in the client chains and realising cost savings in the area of procurement. The Asset Management IT improvement plan will be continued in 2017 with implementation projects based on the advisory documents produced in 2016. The emphasis in the Data Warehouse project is on complementing the data set for the reports from the liquid funds as much as possible.

## Versatility and behaviour

**In a changing pension landscape, it is essential that we are versatile and can adapt our behaviour. In this context, we strive for mature employment relationships in a results-focused culture. That means: having the right employee in the right place, with the right competences and the right behaviour. As part of the Decisive Innovation programme, we devoted more attention to staffing and culture in 2016. This is aimed at developing an organisation with structurally lower costs without compromising quality.**

## Behavioural change

We define a versatile organisation as one that can implement changes quickly and innovate and experiment strategically. In a versatile organisation, the employees move in the direction that the situation requires of them. Behaviour is an important part of becoming more client-oriented and versatile and operating at lower cost. Alongside the Decisive Innovation programme, we have also made company-wide efforts towards behavioural change. This change is steadily becoming visible throughout the organisation.

More knowledge is being shared, more cooperation is taking place beyond the departmental boundaries and attention is being devoted to personal development.

## A new way of working

Various departments are experimenting with a new way of working which focuses on employee self-management and autonomy. An example of this is that we have merged several departments into a single department, including HR, Strategy and Communication. Employees from these departments now work together in multidisciplinary teams to deal with the growing number of complex issues.

## High performing teams

We manage on the basis of staffing and strive for high performing teams. These are teams with members from various disciplines, both on the management and employee level. Many management teams followed training courses in 2016, among others in the areas of leadership and decisive management. Therefore, this helped these teams take a step forward. We are also systematically introducing agile working in many areas of our organisation. High performing teams are a condition for this.

## Managing on Staffing

What important internal and external developments and behavioural topics have an impact on our future staffing? This is the key question in Managing on Staffing (in Dutch: Sturen op Bezetting). By actively managing staffing, we are able to retain the right people with knowledge, skills and experience and attract new people. In doing so, we pay attention to the further development of professionalism and healthy business operations. In 2016, we plotted out our organisation's current workforce against the desired situation over a period of three to five years, in terms of both quality and quantity. This provided us with a picture of the difference between the current and the desired staffing: the gap analysis. Based on this, we prepared action plans that can serve as a guide for managing this area in the coming years. Always in dialogue with the employee, of course, who is essential to our versatility.

## Powers of habit

In the area of culture, the right behaviour, we elaborated on the five 'powers of habit' described in 2015. Our aim is to have these familiar to all employees and train managers in the concepts of 'powers of habit', 'versatility' and 'servant leadership'. In 2016, we therefore started workshops with a hundred employees and training for all managers.

## Focus in 2017

In 2017, we will be further integrating versatility into our day-to-day operations. The organisation must become so versatile that the Decisive Innovation programme is no longer needed. We also want to see even more behavioural change. Among other ways, in the form of more discussions and conversations via email, intranet and other (social) media and even more spontaneous collaboration in cross-unit networks. We will be further executing action plans for Managing on Staffing, in which the sustainable employability of the employee is the focus. We also want to continue developing managers' qualities and we are concentrating on an organisation-wide roll-out of high performing teams.

Employees and training costs				
	2016		2015	
Distribution of employees by department	Number	FTEs	Number	FTEs
Institutional Business	144	138	129	127
Pension Management*	441	397	567	517
Asset management	321	329	332	343
PGGM&CO Members' Organisation	13	13	27	25
IT, Finance, Control*	357	349	221	214
Corporate Staff	99	96	87	85
Subtotal	1,375	1,322	1,363	1,311
<b>Full-time/part-time distribution</b>				
Full-time	988		972	
Part-time	387		391	
Total	1,375		1,363	
<b>Male/female distribution</b>				
Male	832		810	
Female	543		553	
Total	1,375		1,363	
<b>Age distribution</b>				
Younger than 25	22		19	
25-34	249		248	
35-44	410		431	
45-54	467		461	
55 and older	227		204	
Total	1,375		1,363	
<b>Staff turnover</b>				
Status at year-end	1,363		1,477	
Joined PGGM	131		90	
Left PGGM	-119		-204	
Status at year-end	1,375		1,363	
<b>PGGM absence due to illness</b>				
	3.2%		2.6%	
<b>Education/training costs</b>				
	€ 2,717,291		€ 2,999,671	

\* Pension Management's IT department was moved to IT, Finance and Control in 2016.

## Diversity

**We are convinced that teams with a diverse composition realize better results than more homogeneous teams and contribute more to the realisation of our mission, vision and strategy. One of our goals is to have women serving in 35% of the management positions. This goal was achieved in 2016 for the layer reporting directly to the EC. Of the other management positions, 32% are filled by women.**

### Mix & Match

We started the Mix & Match programme in 2014 in an effort towards achieving the goal of women in 35% of influential positions. This programme links ambitious women to experienced managers for better advancement of women into management positions. The women also followed an intensive learning and experience programme. The third group of Mix & Match participants 'graduated' in 2016.

### MIP

We believe that work experience for people with a physical disability can be a springboard to a better, more valuable future. That is why we initiated the programme Make It Possible! (MIP) in 2013. This is a programme for occupationally disabled people with an educational level of at least mbo-4 (senior secondary vocational education level 4) and who are distanced from the labour market because of a physical disability. The programme shortens this distance by enabling them to acquire work experience in work placements. In 2016, ten MIP participants had a work placement at PGGM.

### Focus in 2017

In 2017 as well, we will be aiming to have 35% of all management positions filled by women. We also strive for this percentage for female professionals (scale 12+). That is currently 23%. In addition to this, we devote extra attention to encouraging (the influx of) multicultural talent. We also agreed in our collective labour agreement that in 2017, we would have twenty employees with an occupational disability employed via the MIP programme.

## Employee participation

**Our executive directors and Works Council aim for the optimal involvement of all of our employees in the decision-making process. We are constantly seeking opportunities to improve employee participation in our organisation. Participation in decision making in our organisation is the joint responsibility of the Works Council, management and employees.**

2016 was a busy year for the Works Council. As a result of the Decisive Innovation programme, many requests for advice and consent were submitted and responded to. Many employees demonstrated their commitment in dealing with these requests. By accepting supplementary and sometimes differing recommendations from the Works Council, planned decisions were improved.

In 2016, the cooperation between the EC, the Supervisory Board and Works Council was further strengthened, with, among other things, the first three-board meeting. We are proud that many other organisations are interested in our employee participation model.

### Focus in 2017

In 2017, elections will be held for a new Works Council. The aim is to improve on the success of 2014, which saw 28 candidates and turnout of 71%. In the coming year, another several requests for advice and consent are expected, stemming from the final year of the Decisive Innovation programme, but also from the regular desire to make PGGM more versatile and cost efficient. The emphasis in this respect continues to be on the participation of employees in dealing with these requests, as well as on their involvement in the daily decision-making process aside from these requests.

## Remuneration policy

**We have a prudent, restrained and sustainable remuneration policy which is in line with our strategy, risk appetite, cooperative objectives and core values. In the remuneration policy, the interests of the client are key, and our long-term interests and the relevant laws and regulations are taken into account.**

### Performance related pay (in Dutch: bewust belonen)

We are a cooperative pension fund service provider that strives for healthy financial management. We are aware of our social responsibility and therefore act accordingly in our remuneration policy. We aim for a transparent and responsible remuneration policy: 'fair remuneration for measurable performance'. The way in which performance is achieved (competences and values) is also taken into account in assessments and consequently in the remuneration.

In terms of policy and implementation, our remuneration policy is consistent with PGGM's culture, its values and competences. All of this gives rise to 'Performance related pay (in Dutch: bewust belonen)'. This policy applies to PGGM and its subsidiaries.

For the total remuneration at PGGM, we use the median of the appropriate reference markets as a guide. This is tested externally periodically.

For the remuneration of the members of the Executive Board, see the appendix 'Report on the Remuneration of the PGGM N.V. Executive Board'.

### Variable remuneration

We only grant one-year variable remuneration for senior employees working in the investment chain. Other employees are not eligible for variable remuneration. The Remuneration Policy (Financial Enterprises) Act (in Dutch: Wet beloningsbeleid financiële ondernemingen), which took effect at the beginning of 2015 and is integrated in the Financial Supervision Act, limits the maximum variable remuneration to 20% of the fixed salary. We voluntarily opted to also limit variable remuneration to 20% of the annual salary, partly on the basis of our position in society.

### Deferred Variable Income

As an exception to this voluntary cap of 20%, there is the possibility of granting a limited group of employees in the investment chain a Deferred Variable Income (DVI), in addition to the one-year variable remuneration. The DVI is a form of deferred remuneration. This is paid out in the fourth year after the year in which the key performance indicators (KPIs) applicable to attaining the DVI were achieved. A condition for payment of the DVI is that the organisation is sufficiently solvent and no particularities have arisen since the granting of the DVI which could prompt discussion as to whether the remuneration should still be granted. The total of the one-year variable remuneration and the DVI on annual basis can never exceed 100% of the fixed salary. The KPIs for one-year variable remuneration and DVI must be derived from the objectives of the clients, PGGM, the business unit and the department and must be at least 50% based on non-financial criteria.

For employees who receive DVI, the DVI accrued in the 2014-2016 period becomes payable in 2017. For six employees, the total of the annual variable remuneration (maximum 20%) and the DVI 2014-2016 exceeds the limit set internally by PGGM, with the result that 60% of this payment would have to be deferred for another three years. This rule is part of the remuneration policy revised in 2015, whereby the accrual of the DVI (1 year instead of 3, with deferred pay-out of 3 years after realisation of the targets) was also amended. Because of the transition situation from old to new DVI accrual, it was decided to pay out the DVI 2014-2016 as a whole in 2017 and not defer it for another three years extra.

From next year, all DVIs will be paid out in accordance with the new rules.

### Deferred Performance Interest

Eight employees in the Private Equity Team, six of whom still have active employment status, receive a different form of remuneration. These employees do not receive one-year variable remuneration or DVI but participate in the Deferred Performance Interest (DPI) scheme. As of 1 January 2015, this scheme is no longer open to new employees. As long as they are employed and they satisfy the conditions, the particular employees accrue a latent claim each year to a maximum of one annual salary. Payment of (part of) the accrued latent claims to an employee takes place after a number of conditions have been satisfied. One of these conditions is that the participants in the PGGM Private Equity Funds have earned back their entire investment, including a minimum return of 8% on annual basis. If an employee leaves PGGM prematurely as a 'good leaver', this employee retains the entitlement to the latent claims accrued to that point.

### Year-end bonus and gratuity

The collective labour agreement states that PGGM can increase the year-end bonus by a flexible portion of maximum 2 percentage points. The increase is only paid out if the operating result after tax in a given year is higher than zero and depending in part on the client satisfaction. The EC decides whether this additional payment is granted. In 2016, no flexible year-end bonus was paid out for 2015.

All PGGM employees who do not receive any form of individual variable remuneration can receive a gratuity on account of extraordinary dedication and/or performance.

### Publication requirements

Our website contains the publication requirements according to the Restrained Remuneration Policy Regulations (Financial Supervision Act) 2014.

## Variable remuneration paid out (x € 1,000)

Distribution of variable remuneration by type	2016	2015
One-year variable remuneration investment chain paid out*	2,810	3,722
DVI paid out**	869	638
DPI paid out	-	-
Gratuity paid out	282	438
Flexible year-end bonus paid out	-	-
Total variable remuneration paid out***	3,961	4,798

## Number of employees with variable remuneration paid out

Distribution of number of employees per variable remuneration paid out	2016	2015
One-year variable remuneration investment chain	165	170
DVI	28	24
DPI	-	-
Gratuity	117	118
Flexible year-end bonus	-	-

\* One-year variable remuneration paid out in relation to the previous financial year. One-year variable remuneration paid out in 2016 therefore relates to the 2015 performance year and one-year variable remuneration paid out in 2015 relates to the 2014 performance year. The decrease in 2016 compared to 2015 was due to the reduction in the percentage of fixed salary at which one-year variable remuneration is capped: from maximum 32% of fixed salary in 2014 to maximum 20% of fixed salary in 2015.

\*\* DVI paid out in 2016 and 2015 relates to the DVI granted in 2013-2015 and DVI granted in 2012-2014, respectively.

\*\*\* Amounts are excluding pension and social security costs.

# A strong and future-proof reputation

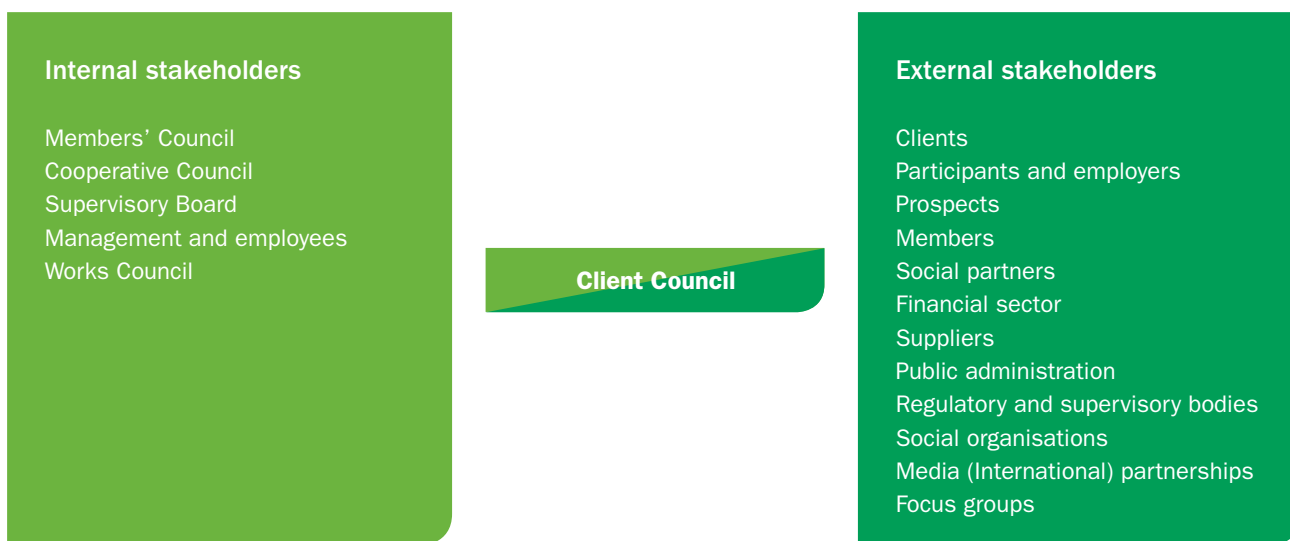
We position ourselves as the cooperative pension fund service provider of choice that stands up for a valuable future. Together with our clients, we realise a sustainable pension for their participants. In the context of sustainable business operations, we have high ambitions for our own footprint and procurement. We are taking the lead in working with our members and stakeholders to develop initiatives for the issues that really matter to people. Not just in terms of work and finances, but also in the areas of healthcare and living. This is how we will become recognised and acknowledged as a top cooperative brand.

## Sustainability policy embedded in the organisation

**One of our beliefs is that a valuable future can most easily be achieved through mutual cooperation. That is why we engage in dialogue with our stakeholders on topics that are important to them and to us.**

### Overview of PGGM's stakeholders

The stakeholders with whom we engage in this dialogue are internal as well as external, national as well as international and from both within and outside the pension sector. Each year we assess who our stakeholders are. We currently recognise the following stakeholders:

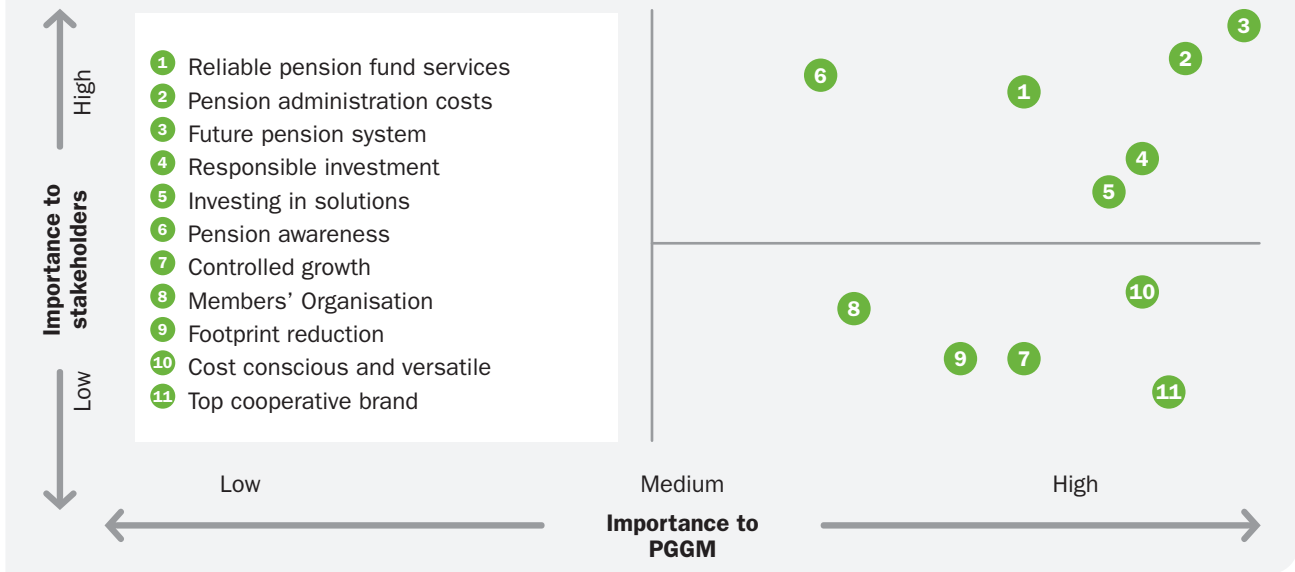


### From stakeholders to materiality analysis

Since 2014, we have made an overview annually of important themes that are issues for these stakeholders. We do this on the basis of discussions with our internal and external stakeholders and results from surveys. In this materiality analysis, we plot the themes in a matrix: the materiality matrix. The materiality matrix identifies the relevance of the themes for stakeholders, as well as for our own organisation.

The result of this process is good insight into the themes that are at issue both internally and externally and the importance that our stakeholders and our own organisation attach to these themes.

## 2016 Materiality Matrix



The key themes in the materiality matrix are the themes that are of major importance to our stakeholders, as well as ourselves. These themes are plotted in the top right of the materiality matrix. We decided to only include the most important themes in the matrix in 2016, so that these can be focused on. These themes are shown in the table 'From strategy and spearheads to themes' on page 13 of this directors' report.

In 2016, our approach to arrive at an integrated process of stakeholder management was further developed. This process now runs in line with the establishment of our annual plans. The outcome of the materiality analysis determines not only what is reported on, but especially also what can serve as a basis for management: the objectives, KPIs and targets. The materiality matrix has therefore also, for the first time, been included in preparing the annual plan for 2017.

### Focus in 2017

In 2017, we want to improve our stakeholder management even further. It is also our goal to present the information that culminates in our materiality matrix in a more convenient and easily accessible manner so that employees can actively use this information.



## PGGM's decreasing footprint

In the area of climate, we set ourselves an ambitious goal in 2016 with regard to reducing our own footprint, i.e. reducing our CO<sub>2</sub> emissions. We want to have lowered this by 30% by 2020. We took good steps towards this in 2016.

### CO<sub>2</sub> footprint

The CO<sub>2</sub> footprint measures the impact of our business operations on the environment, expressed in the form of CO<sub>2</sub>. Our objective is to lower our CO<sub>2</sub> emissions. We measure the magnitude of our footprint in various ways:

CO <sub>2</sub> emissions measurement methods	
CO <sub>2</sub> emissions originating from	Measurement method
Heating	On the basis of consumption data
Public transportation	On the basis of the percentage of employees that (presumably) uses public transportation
Paper usage	On the basis of the number of kilos (and type) of supplied paper
Cars	On the basis of the fuel consumption of our lease car drivers, a calculation of commuting mileage travelled and business kilometres claimed
Water	On the basis of consumption data
Flights	On the basis of data originating from a tool in our reservation system that calculates the CO <sub>2</sub> emissions for each flight booked. The costs for compensating these emissions are recovered from the department ('the polluter pays' principle).

### 2016 CO<sub>2</sub> footprint



We succeeded in lowering our CO<sub>2</sub> emissions in 2016. Our CO<sub>2</sub> emissions in 2016 totalled 5,330 tonnes. This represents a decrease of 775 tonnes (13%) in relation to 2015. This decrease was due mainly to the fact that we booked far fewer short flights and because of a lower emissions factor for flights in 2016. We also achieved a considerable reduction in the use of paper.

#### Sustainable mobility policy

We encourage sustainable transportation through the use of electric vehicles and with the Low Car Diet. Promoting the Low Car Diet resulted in a strong increase in the number of participants in this project in 2016. The pilot we conducted with e-bikes was also converted into a definitive option. In our lease scheme, too, we encourage sustainability and aim to lower CO<sub>2</sub> emissions.

#### Compensation of CO<sub>2</sub> emissions

We compensate any CO<sub>2</sub> emissions we cause. We do this for the CO<sub>2</sub> emissions caused by our gas consumption, our lease cars, our business trips by car, our use of public transportation, commuting traffic, and business flights. In 2016, we once again compensated our emissions via the Gold Standard Paradigm Project.

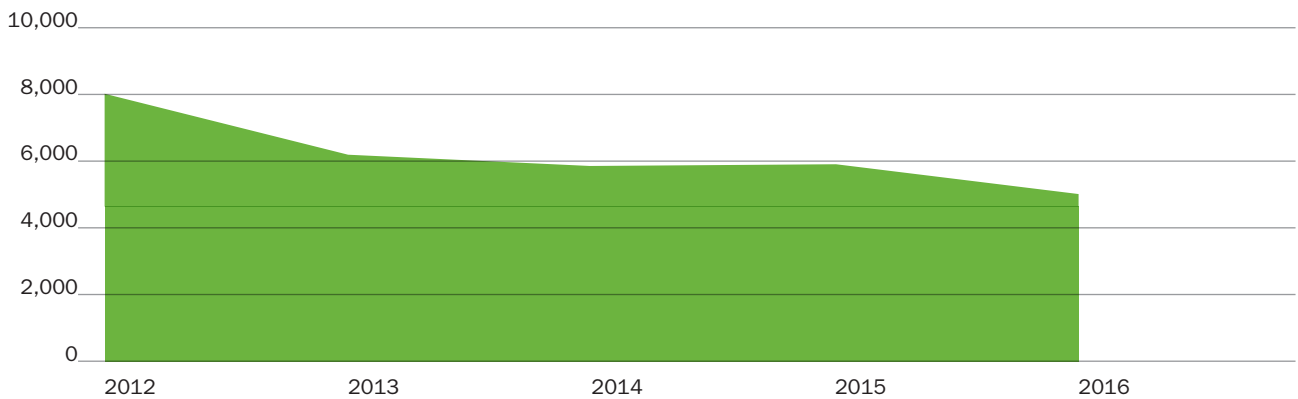
Special wood ovens have been developed for this project in Kenya that provide an alternative to traditional cooking on open fires, which causes significant CO<sub>2</sub> emissions. Since the wood ovens use much less fuel and cause little to no smoke, a substantial reduction in CO<sub>2</sub> emissions is realised.

### Focus in 2017

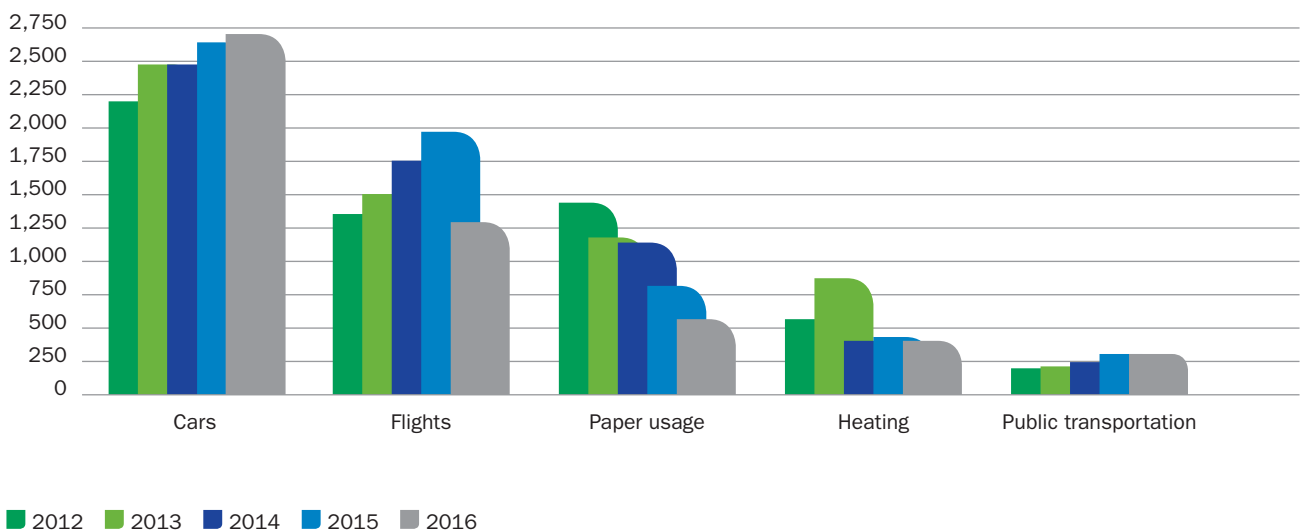
In 2017, we will take more concrete steps in reducing our footprint in order to realise our ambition of, by 2020, having lowered our own footprint by 30% compared to 2015.

We also actively contribute to making aviation more sustainable by supporting the KLM Corporate BioFuel Programme. This programme promotes the development and use of sustainable biofuel in aviation. In 2016, we achieved a reduction of 61.25 metric tonnes of CO<sub>2</sub> emissions on flights taken by employees thanks to our participation in the BioFuel Programme.

### Annual CO<sub>2</sub> emissions (in tonnes of CO<sub>2</sub>)



### Development in CO<sub>2</sub> emissions



## Socially responsible procurement

**Our procurement is socially responsible. Because we want to reduce risks, for instance the risks for our reputation and liability. Because there are economic, social and environmental reasons for this. Because we want to assume our chain responsibility and effectively work together in the chain from production to end use. But the most important reason is because we also want to add value via procurement. In this respect, we are devoting increased attention to circular procurement.**

### Socially Responsible Procurement (SRP) Code

Since 2014, our new suppliers are obliged to sign our code of conduct for socially responsible procurement (SRP Code). Of our current suppliers, 91% have signed the SRP Code in the meanwhile. During the year, we conduct spot checks to determine whether our suppliers in fact adhere to the SRP Code. If this is not the case, the contract manager engages the supplier in a discussion on this issue.

### Focus in 2017

In 2017, we will hold talks with the suppliers that have not yet accepted our SRP Code. This dialogue will focus on how to create engagement in the field of sustainability. This is also a focal point in the supplier assessment that we conduct for strategic suppliers.

# Towards a supported members' proposition and a social agenda with impact

We are a business that assumes its responsibility, engages in productive dialogue with its stakeholders and which has sustainable business at its core. We enrich pension with a good members' proposition. Every year, we make a standing investment in organising a communities platform and in products and services that contribute to supplementary pension administration solutions. We also assume our permanent responsibility to society. Between now and 2020, we are working with a defined social agenda incorporating three set themes and a maximum of nine varying projects. Both the members' proposition and the social agenda contribute to our vision: a valuable future.

## Transition of members' organisation

From the basis of the PGGM&CO Members' Organisation, we connect just over 710,000 PGGM&CO members with each other via online communities. In collaboration with them, we develop supplementary products and services in the areas of pension, healthcare, living and work. We do that by using our members' panel and by working with our PGGM&CO lab to listen to what members want and engage them in dialogue. In 2016, we took steps towards setting up a sound, versatile and affordable environment for this. We invested in IT systems, different work processes and a new online members' platform for our communities. As a members' organisation, therefore, we are versatile and prepared for the future.

### Updated online members' platform

PGGM&CO Members' Organisation encourages dialogue among members via online communities. In these communities, members share knowledge and experiences and propose solutions in the areas of healthcare, living and work. The communities 'Wij Mantelzorgers' [We informal caregivers], 'Verpleeghuiszorg' [Nursing home care] and 'Thuiszorg' [Home care] are on the new [www.pggmenco.nl](http://www.pggmenco.nl) members' platform realised in 2016. The Members' Council community has also gone online and there has been successful experimentation with the first local community, 'Wij Mantelzorgers Enschede'.

Alongside encouraging interaction among members, the goal in 2016 was to increase the number of active members, in other words, contributing members and ambassadors (see figure). The Members' Organisation also achieved progress in this area. The number of PGGM&CO members grew by 10,000 in 2016, to just over 710,000. An updated online store was also launched as part of the online members' platform. Here, members can purchase products and services and profit from a range of member advantages that we have put together in conjunction with members. When developing new services, our member store must always be financially self-sufficient.



### Investing in products and services

PGGM&CO Members' Organisation invested in its products and services in 2016. Attens Hypotheken B.V., for instance, which was developed based on the needs and feedback from members, easily achieved the objective of € 600 million in mortgage deeds executed. A low-threshold savings concept was also developed via our agile working method. With this concept, debit card payments are rounded up and the extra amount is transferred to a savings investment account. At the end of 2016, we started testing a prototype of this savings concept in healthcare institutions in cooperation with PGGM&CO members. Together with the members, we also selected the theme of 'Retiring with vitality'. This theme will be further elaborated in the social agenda.

## Focus in 2017

We want to connect even more members with each other via the PGGM&CO Members' Organisation in 2017. Our objective is at least 750,000 members for PGGM&CO. Of them, at least 75,000 members have an account on the PGGM&CO platform. We also aim to have more members make an active contribution to our members' organisation. They can do this as ambassador for a community or by being involved in further developing our range of products and services.

## Social agenda

**We actively make efforts for society.**

**We put together a social agenda with three themes in which we make a contribution via various projects: the circular economy, the vital employee and the fight against dementia.**

### Circular economy

We live in a throw-away economy. Many products disappear onto a mountain of waste or are incinerated. This represents a loss of valuable raw materials. We realise that raw materials are finite and that discarding them is more expensive than reusing them. That is why we want to contribute to an economy that wastes less resources. This requires a drastic turnaround in our economic system. This kind of turnaround is good for people, the environment and the economy.

### Less wastage

In 2016, we worked together with other organisations on a measuring instrument to measure the degree of circularity in businesses. We are also closely involved in Nederland circulair! This programme encourages people and organisations to do business circularly and produce, consume, finance and organise more innovatively. We also undertook research into the financial sector's role in the transition to a more circular economy.

### Financing issues

In 2016, we worked with the international FinanCE working group to produce the report 'Money makes the world go round'. We set up this working group in 2014; twelve financial institutions have since joined it. 'Money makes the world go round' is the first report to link the circular economy to financing issues, such as revenue models, cost structure, market conditions and financial indicators.

### Linear risks

In the light of the circular economy, we introduced the notion of 'linear risks'. These are the risks resulting from raw material shortages and price increases for

businesses that produce linearly.

Just like climate risks, in the long term these will be real risks that require measures. Together with Circle Economy, this topic was put on the agenda of the World Economic Forum in Davos in January 2017. Together with this and other organisations, the FinanCE working group further immersed itself in the financial differences between linear and circular business.

### Focus in 2017

In 2017, from the basis of our social agenda, we want to focus more on the Sustainable Development Goals of the United Nations. We are also writing a paper on the relationship between linear risks and circular solutions. We are doing that in cooperation with other financial institutions interested in the circular economy.

### The vital employee

Vitality on the labour market means remaining both physically and mentally vital until retirement age and concerns the vital position of people on the labour market. The labour market is constantly in flux: increasing flexibility, new technologies and globalisation demand that employers and employees have the capacity to adapt. How can we ensure that as many employees as possible reach retirement in good health in this shifting labour market? We must also remember here that many employees in the health and social sector also perform informal care duties.

### Retiring with Vitality

In 2016, we started the 'Retiring with Vitality' programme together with PFZW. Together we look into how we can tackle the vitality problems in the health and social sector. As is the case in society as a whole, employees in the health and social sector are ageing as well. This is due in part to the raising of the retirement age. In 2007, the average retirement age for PFZW was still below 61 years. Now, that is just over 64.5 years. The ageing of the population presents us with a major challenge, because doing nothing will result in more absence and occupational disability. In addition to the human suffering, the wage costs for employers will increase. At PFZW, the costs for the pension accrual of occupationally disabled people are rising.

### Gelderse Werkgeverij

We provide substantive support for flexibility issues outside our own organisation and give people elsewhere work opportunities if their job disappears. In 2016, we contributed to the establishment of the Gelderse Werkgeverij. This is a collaboration among a number of healthcare employers in Gelderland. The cooperating parties help one another with (temporary) staff shortages and surpluses.

## Health Impact Bond

The HIB lab was introduced in February 2016. This is a platform in which experiments with Health Impact Bonds (HIBs) can be started. The HIB lab is an initiative in which socially committed investors advance funds to achieve a health goal. We are pioneers in this initiative, together with Society Impact. In 2016, we examined promising proposals and strengthened the necessary preconditions. The first HIB was selected at the end of 2016: 'the social hospital'. In this project, 250 families in The Hague receiving debt counselling were helped. These families have a relatively high rate of health problems. The assistance was paid for in advance by investor CZ. If an achievement was demonstrated, the municipality of The Hague repaid CZ with a modest return.

## Focus in 2017

In order to generate broader support among members for the 'Retiring with Vitality' programme, we will be putting the fact that investing in vitality pays off on the agenda via the online members' platform, the communities and communication resources of PGGM&CO. This should ultimately result in measures and solutions that strengthen the vitality of employees in the health and social sector. We also want to work with specialists to help spread innovative interventions. We will realise the launch of the first HIB in January 2017. The objective is to start at least two other HIB projects in 2017.

## The fight against dementia

Since 2013, we have been a social partner of Alzheimer Nederland. Together, we want a valuable future without dementia. We support the fight against dementia for two reasons:

- Dementia is the number one cause of death and poses a bleak clinical picture that threatens a valuable future.
- Dementia is a condition that takes a heavy toll on informal caregivers and many people in the health and social sector are informal caregivers.

## Dementie.nl

Alzheimer Nederland launched its new online platform [dementie.nl](http://dementie.nl) in 2016 in cooperation with PGGM. Here, informal caregivers for people with dementia can share and find answers, tips and experiences. An informal caregiver can find out what kind of care is needed for his/her loved one with dementia at what point in time. In the Netherlands, over 750,000 people are caring for a loved one with dementia.

Many of these informal caregivers feel overburdened. On the platform, informal caregivers can take the 'informal care test' to see whether the care they give can be sustained for the long term. Participants receive specific advice to lighten their informal care load.

## Dementia-friendly together

We are also a founding partner of the Delta Plan for Dementia. Together with Alzheimer Nederland and the Ministry of Public Health, Welfare and Sport, we work on the "Dementia-Friendly Together" campaign.

This five-year campaign was launched in May 2016 to create a dementia-friendly society. In order to achieve this, we intend to raise awareness in society by recruiting Dementia Friends. The objective of the campaign is to come in contact with 1 million Dutch people before 2020. We want one third of them to recognise dementia in their environment and subsequently help someone with dementia or an informal caregiver.

On [www.samendementievriendelijk.nl](http://www.samendementievriendelijk.nl), people can register and follow online training. A television commercial for a dementia-friendly Netherlands was also started on 21 September, World Alzheimer Day.

## Focus in 2017

In 2017, we will also continue to work to increase the Dutch public's knowledge about dementia with 'Dementia-friendly together'. We want to recruit and train sixty thousand volunteers in the context of this campaign. Based on our role as initiator, we are also making our own services more dementia-friendly and encouraging our employees to become dementia-friendly.

# Risk management

## PGGM Risk framework

For the implementation of Enterprise Risk Management, we use the PGGM risk framework to structurally provide insight into risks, monitor risks and report on risks. The PGGM risk framework is based on the COSO II Enterprise Risk Management (COSO ERM) method which is accepted internationally as the standard. Applying COSO ERM ensures that, throughout our organisation, the risks are clearly controlled in the most efficient and effective way possible. The generally accepted 'three lines of defence model' forms part of the governance. In this model, the line management (first line), the Finance & Control and Risk & Compliance departments (second line) and Internal Audit (third line) all have their own responsibility. The EC has final responsibility for risk management in our organisation.

## Risk appetite

Taking risks is necessary in order to realise our ambitious goals. The degree to which we are willing to take risks is expressed in our risk appetite. This also serves as a guide in determining whether measures need to be taken to manage risks and uncertainties. In this context, we use a qualitative scale of Low (L), Low-Medium (L/M), Medium-High (M/H) and High (H) and have defined a quantitative risk tolerance for the financial impact resulting from incidents. The risk appetite is recalibrated and determined annually by the EC.

## Risk culture

Effective risk management cannot be achieved without the right behaviour from our employees, whereby the 'tone at the top' is essential for a broadly-supported risk culture. Soft controls are necessary for achieving our organisational objectives. These are part of the PGGM risk framework. The risk culture we strive for is focused on risk-aware behaviour in an open and honest environment in which we are accountable to each other for our behaviour. PGGM stands for a risk culture in which making mistakes is accepted as a risk and in which an open atmosphere is created where mistakes are reported. In order to establish clarity about how we wish to deal with clients, suppliers, colleagues and society in general and to safeguard confidence in our services, we maintain, among other things, a PGGM Code of Conduct and pursue a prudent, restrained and sustainable remuneration policy.

In addition to the annual audit of compliance with the code of conduct and the annual risk analysis of the remuneration policy by the Risk & Compliance department, the component of behaviour is explicitly included in the handling of any incidents. Five common behavioural patterns were also worked on via the 'Powers of Habit' culture programme in 2016.

## Risk management process

To implement risk management, we use a clear method that applies for all our business units. Enterprise risk management is a constant process on all levels of our organisation. The Risk & Compliance department is responsible for coordinating the risk management process and draws up a risk report for each business unit quarterly. This risk report presents the risk profile for each cluster of risks. This risk profile is based on risk drivers, base case scenarios and worst case scenarios compared to the risk appetite determined by the EC. The risk drivers are provided by Risk Self Assessments, second line reviews, incidents, risk control, compliance monitoring, key risk indicators (KRIs) and observations from audits. The content of the risk report is discussed and confirmed in the Unit Risk Committee of the particular business unit.

Based on the risk profile and risk reporting, each business unit issues an In Control Statement (ICS). With the ICS, the business unit's management team (first line) declares that the internal control measures have been adequately designed, are functioning effectively and provide a reasonable degree of assurance that the business operations took place in an ethical and controlled manner. The management team also states in the ICS that the risk profile provided accurately presents the risks faced by the business unit, which statement is endorsed by the second line with the Enterprise Risk Management manager's co-signing of the ICS.

The relevant risks from the confirmed risk reports for our business units are incorporated in the PGGM risk report. This report reflects the total risk profile of our organisation. Following the discussion of the PGGM risk report in the Corporate Risk & Compliance Committee (CRC Committee), the risk profile is discussed and adopted in the EC.

The risk profile, supplemented with decisions taken by the EC, is then reported to the Audit, Risk and Compliance Committee and the Supervisory Board.

## Developments in risk management in 2016

A restructuring took place in 2016 to make the Risk & Compliance (second line) and Internal Audit (third line) departments at PGGM more efficient and versatile. In this process, the Corporate Enterprise Risk Management team was merged with the Enterprise Risk Management team of the Asset Management business unit to form a central Enterprise Risk Management team within the new central Risk & Compliance department. At the same time, the audit activities of both teams were transferred to Internal Audit. This has created a central Risk & Compliance department that provides risk advising throughout the organisation and for clients as well as countervailing power and can focus more on strategic risks. The Internal Audit function was expanded to include the ISAE audit operations and additionally focuses more on IT, strategy, outsourcing, projects, and compliance.

## Key risks and uncertainties

In order to unequivocally identify and classify risks, the PGGM Risk Language was adopted, in which the various risks that can arise are divided into four clusters: strategic, governance, operational and financial risk. Each cluster contains multiple (principal) risks. Below, for each cluster, the key risks and uncertainties, the developments in 2016 and the measures for controlling the risk are discussed briefly.

### Strategic risk (risk appetite: Low/Medium)

Strategic risk is defined as the risk that the strategic objectives will not be achieved due to a lack of, or insufficient response to, changes in external influences.

We are explicitly monitoring and actively participating in the social debate currently taking place on the changes to the pension system. The transition to a more individual pension system has a far-reaching impact on our proposition and business operations and is a significant strategic uncertainty for us. With the Decisive Innovation programme, we are preparing our organisation for the future. This programme is focused on making our organisation more responsive and versatile.

Specific projects in preparation for a more individual pension system are part of this programme.

### Governance risk (risk appetite: Low/Medium)

We have defined governance risk as the risk that the strategic objectives will not be achieved due to ambiguous or conflicting tasks or the management thereof, within or between the (corporate) bodies and functions of the

organisation, or with clients and/or their supervisory authorities.

Over the past year, but in the coming years as well, many projects and initiatives have been and will be taking place concurrently, from various disciplines and angles of approach. These projects stem from changing laws and regulations, client wishes, the need to make our organisation more flexible and efficient and the implementation of new clients and products. A relevant governance risk in this context is the failure to properly align these various projects with our vision and strategy, the cohesion among the various projects and their feasibility. In order to mitigate this risk, we improved portfolio management in 2015 and drafted a new policy. This policy sets the frameworks for the implementation of change activities within our organisation and focuses on appropriate, balanced, effective and transparent project portfolio management. This gave rise to a better governance structure which, in 2016, visibly resulted in better control and management of the project portfolio.

In mid-2016, we decided not to go ahead with the proposed IT outsourcing to a third party at present. A start was made on recalibrating the IT infrastructure vision during the second half of 2016. This vision enables us to make information provision at PGGM more efficient, versatile and secure in the coming years and, if necessary, to increase availability even further. The risks related to this were identified and measures were taken to bring these risks in line with the risk appetite.

The challenges in relation to cyber risks and security are expected to continue to increase and to play an ever larger role. This prompted us to have an external party survey the set-up of PGGM's security organisation and to adapt the organisation based on the results of this survey. The governance of the security organisation has been significantly improved with the appointment of a director for IT Policy, Innovation & Services and the establishment and set-up of a Security & Quality Office (SQO) under that director's responsibility and the appointment of a Chief Information Security Officer (CISO). This change will help us respond adequately to cyber threats in the years to come as well. We will continue to design this new structure in 2017.

We started the Privacy Project PGGM in 2016 in relation to the protection of personal data and compliance with the statutory requirements in this respect. As part of this project, we carried out a baseline measurement and provided training sessions and workshops to raise awareness about privacy. We also appointed an independent Data Protection Officer and the Compliance department designed a process for reporting data leaks.



In accordance with the new legislation, we reported data leaks that occurred in 2016 to the Dutch DPA (Data Protection Authority) and control measures were initiated to further reduce the risk of data leaks.

### Operational risk (risk appetite: Low/Medium)

We define operational risk as the risk of loss in a broad sense resulting from defective or failing internal processes, people or systems or as the result of external events. This risk is further divided into HR, IT, Legal & Compliance, Process and Outsourcing Risk.

The great variety of projects puts pressure on the capacity for change. This risk is mitigated by means of the corporate portfolio management process.

Both strengthening the governance relating to initiating, executing and managing projects in 2016 and the further roll-out of the agile working method in the IT organisation improved the control and management.

The reliability of our IT infrastructure and applications is achieved, among other ways, by making security an integral part of the risk framework. Security focuses on the internal and external threats (cyber risk) that have an impact on the availability, integrity and confidentiality of the IT infrastructure and information provision. In order to attain the desired degree of availability, we have set up a Business Continuity Management System that satisfies the ISO22301 standard and has been certified accordingly. The IT organisation also has an ISO27001 certificate.

Being able to attract, develop and retain talent is of strategic importance for PGGM. 2016 saw a further roll-out of the strategic personnel planning, which included attention to high performing teams, versatility and sustainable employability. The remuneration policy is evaluated annually to ascertain its market conformity and effectiveness and to subject it to a risk analysis.

A great deal of attention was also devoted in 2016 to the culture in our organisation and employee behaviour that is consistent with a versatile organisation. Culture and soft controls are part of the Decisive Innovation programme. Satisfaction, commitment and enthusiasm are measured annually and discussed with the people via an employee survey by Effectory.

In 2016, we systematically made an inventory of, and analysed, our integrity risks based on the systematic integrity risk analysis (SIRA) developed by DNB. This enabled us to demonstrate to our clients that the risks are adequately managed and that we satisfy the applicable laws and regulations.

Performing the assignments for our clients involves a degree of operational risk. In order to mitigate this risk, we have set up our processes in such a way that we are demonstrably 'in control'. For assurance purposes, we have ISAE 3402 reports. The ISAE 3402 reports focus on the processes that have an impact on the financial reporting for our clients. Effective 2016, we also have ISAE 3000 reports. These provide assurance on processes that do not have a direct impact on the financial reporting for our clients.

### Financial risk (risk appetite: Low/Medium)

We have defined financial risk as the risk of ineffective or inefficient management of the financial set-up, credit, liquidity and market risks.

The financial results of our organisation are under pressure, the margins on our services are declining and new products do not yet contribute substantially to the result. Consequently, PGGM's profitability does not match its ambition. A sufficiently positive net result is necessary to reinforce the financial buffers and to afford the latitude to make investments. We see this pressure as a principal financial risk. Further cost savings were implemented in 2016 in order to achieve a positive result for 2016. In 2017, alongside cost savings, we will also specifically investigate what possibilities there are for increasing our revenues.

The investment portfolios which our clients have entrusted to us for management are managed for the account and risk of our clients. This means that the financial risks arising from these investment portfolios have no impact on our organisation's financial position.

See the financial statements for an overview of the financial risks, including solvency, market, exchange, interest rate, liquidity and credit risks.

## Required capital

It is essential for the continuity of our organisation that we maintain enough capital to accommodate the potential financial consequences of the identified risks. We have adopted a specific Equity policy for this. The requirements stipulated by DNB have been incorporated in this. The Finance & Control department monitored the adequacy of the capital maintained in 2016 and determined that we satisfied the policy during 2016 and that our organisation's capital remained above the minimum capital requirement.

For PGGM Vermogensbeheer B.V. and PGGM Treasury B.V., the adequacy of the capital maintained is specifically determined using the Internal Capital Adequacy Assessment Process (ICAAP). The 2016 annual discussion of the ICAAP with DNB did not give rise to any observations deserving mention. DNB considers the capital maintained by the aforementioned companies adequately prudent to manage the risks assessed using the ICAAP.

Zeist, 18 April 2017

## The Executive Board

Ms E.F (Else) Bos (chairman)

Dr P.A.M. (Paul) Boomkamp

# In Control Statement

As PGGM's Executive Board, we are responsible for the design and operation of PGGM N.V.'s internal risk management and control systems. The purpose of these systems is to ensure the risks associated with failing to realise the strategic, governance, operational and financial objectives are optimally controlled. However, they can never offer absolute certainty that these objectives will be achieved. The reality is that, when taking decisions, human assessment errors can occur and cost-benefit considerations constantly have to be made regarding the acceptance of risk and the imposition of control measures.

To execute our responsibilities, we have - during the reporting year - independently and systematically analysed and assessed the risks related to the achievement of our objectives and the applicable internal risk management and control systems of our organisation. In so doing, we made use of various instruments including the COSO ERM Framework. The significant strategic, governance, operational and financial risks for each business unit were identified.

Subsequently, the management of each business unit independently analysed and assessed these risks as well as the applicable internal risk management and control systems; and submitted a report to us in this respect. We evaluated these reports, together with the findings of internal and external audits. We regularly discuss all the work related to risk control with the Audit, Risk and Compliance Committee and the Supervisory Board. For a more detailed explanation of our work in this context, we refer you to the previous chapter entitled Risk Management.

## Conclusion

On the basis of the aforementioned work, we are of the opinion that we can in all reasonableness state that, in the reporting year, all the internal risk management and control systems functioned properly and provided a reasonable degree of certainty that the financial reporting contains no material misstatements.

Zeist, 18 April 2017

## The Executive Board

Ms E.F (Else) Bos (chairman)

Dr P.A.M. (Paul) Boomkamp

# Report of the Supervisory Board

The Supervisory Board can look back on a year in which the key focus was on the continued development of the vision, mission and strategy, relationships with and service provision to clients, and the company's financial development.

In this annual report, the Supervisory Board explains how it carried out its supervisory role and how it supported the Executive Board by providing advice over the past year. In fulfillment of their duties, the supervisory directors are guided by the interest of the company and the businesses affiliated with it. In addition, it discusses the most important substantive issues in which the board was involved this year.

The Supervisory Board supervises the Executive Board's policy and the general affairs of the company and its subsidiaries. In its work, the Supervisory Board is assisted by two committees: the Audit, Risk and Compliance Committee and the Remuneration, Selection and Appointments Committee.

## 2016 Highlights

In 2016, the Supervisory Board on several occasions discussed IT developments at PGGM (with a focus on the Pension Management IT improvement plan). The Supervisory Board was also extensively involved in the discussion with the Tax and Customs Administration concerning changes to the tax policy that affect the tax entity between PFZW and PGGM. Finally, the Supervisory Board was informed about the set-up of a second pension administration system. This second system centres on the administration of defined contribution schemes and will be used for providing pension fund services for the Volo pensioen, StiPP, and clients seeking a standard solution without customisation.

The Supervisory Board endorsed the founding of Stichting Algemeen Pensioenfonds Volo pensioen and was pleased that DNB granted Volo pensioen a licence on 22 November 2016.

### Topics on the agenda of regular meetings in 2016

The following agenda items are part of all regular meetings:

- Developments in the organisation's environment
- The state of affairs at clients
- Relationship between PFZW-PGGM
- PGGM's strategy

Aside from the annual discussions and approval of the directors' report, a quarterly review takes place of the financial results and the key risks associated with business operations on the basis of the performance and audit reports.

The progress of the Decisive Innovation programme was included in the performance reporting in 2016. This allows the Supervisory Board to closely monitor the programme's progress, as well as the various initiatives arising from this programme.

The Supervisory Board also regularly asks to be informed about developments on the asset management market. This provides the board with timely insight into relevant developments that potentially influence PGGM's business operations and reputation. In addition to regular information about client coverage ratios, the board discussed special situations concerning the investments.

The setting of frameworks and the long-term plan and 2017 budget estimate were discussed in the context of the Decisive Innovation programme. The Supervisory Board supports the Executive Board's conviction that the improvements brought about by the Decisive Innovation programme are preconditions for healthy PGGM financial business operations in the longer term.

### Strategy meeting

The annual two-day strategy meeting took place in September 2016. This meeting is attended by the members of the EC. Ideas were exchanged with the EC concerning PGGM in a broader context and the strategic framework. Discussions also focused on recent developments in the areas of the pension system and pension administration. Ideas were exchanged on the strategic perspective in the area of HR, as well.

### Other

Outside the meetings, there was frequent contact between the chairman of the Supervisory Board, other members of the Supervisory Board and the Executive Board. On several occasions, members of the Supervisory Board also had contact with the Works Council and stakeholders, both within and outside PGGM.

One of the Supervisory Board members informed the chairman of the Supervisory Board that there could be a potential conflict of interest in the discussion of specific acquisition possibilities. The Supervisory Board agreed that the particular supervisory director would not attend

the discussion of the specific acquisition possibilities and would not be involved in the decision making. The particular member of the Supervisory Board does not receive any information about this specific topic.

The Compliance department assesses whether the ancillary positions of any of the supervisory directors could entail (the appearance of) a conflict of interests. A process has been set up for this whereby a new ancillary position is submitted to the Compliance Officer for review and to the chairman of the Supervisory Board for approval. In addition to (the appearance of) a conflict of interests, every supervisory director's portfolio of ancillary positions is also assessed against the limit rules from legislation and regulations.

There were no other transactions involving potential conflicts of interest of material significance for the company and/or the relevant executive directors, supervisory directors, shareholders and/or the external auditor.

### Composition of the Supervisory Board

At year-end 2016, the Supervisory Board comprised two female and four male members. All members of the Supervisory Board are independent in the sense of the Corporate Governance Code. When appointing its members, the Supervisory Board endeavours to achieve a complementary composition, as specified in the Supervisory Board's profile.

In November 2016, Mr M.W. (Maarten) Dijkshoorn AAG indicated that he wished to resign from his position as supervisory director as of 1 January 2017 because of his nomination for the position of supervisory board chairman at insurer Vivat. The Supervisory Board is very grateful to

Mr Dijkshoorn for his dedication and contributions during the past seven years.

The chairman of the Supervisory Board, Mr H. (Herman) de Boon, indicated that he wished to resign from the Supervisory Board with effect from 17 May 2017 (General Meeting of Shareholders). When he was reappointed in 2015 for a third four-year term, it was ascertained that a period of two four-year terms was more in keeping with today's governance. Mr De Boon indicated at the time that he was willing to serve a shorter final term in office to ensure the continuity in the Supervisory Board's composition. In consultation with the Supervisory Board, it was agreed he would resign as of 17 May 2017.

Two Supervisory Board members will be recruited to fill these vacancies in 2017: one candidate to succeed Mr Dijkshoorn (Audit Committee) and one candidate to succeed Mr De Boon as chairman. A selection committee was formed for this purpose, comprising Mr H.M.L.M. de Macker, Ms M.R. van Dongen and Ms W.E.L. van Kerkvoorden, and an external recruitment agency was engaged.

### Attendance at regular meetings

The Supervisory Board held five regular meetings in 2016. No supervisory director was frequently absent from Board meetings. If members were absent, they provided their input prior to the meeting.

The Supervisory Board's meetings are held in the presence of the members of the Executive Board. Prior to these meetings, the Supervisory Board holds a closed meeting for preparation. The relationship with the Executive Board is considered good and transparent.

Supervisory Board meetings						
Attendance at regular meetings*	Mr H. (Herman) de Boon	Mr M.W. (Maarten) Dijkshoorn AAG	Ms M.R. (Miriam) van Dongen	Ms W.E.L. (Wanda) van Kerkvoorden	Mr H.M.L.M. (Eric) de Macker	Mr W.H. (Wim) de Weijer MHA
Supervisory Board	5	6	6	6	6	5
Audit, Risk and Compliance Committee	N/A	5	5	N/A	N/A	5
Remuneration, Selection and Appointments Committee	4	N/A	N/A	4	4	N/A
Total	9	11	11	10	10	10

\* Including strategy meeting.

## Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee comprises Ms M.R. (Miriam) van Dongen (Chairman), Mr M.W. (Maarten) Dijkshoorn AAG and Mr W.H. (Wim) de Weijer MHA.

The Audit, Risk and Compliance Committee held five regular meetings in 2016. In addition, four closed meetings were held. In its closed meetings, the Committee discussed the assessment of the internal auditor, the performance of the Internal Audit department and the contract with the external auditor. In addition, the Committee was consulted about the appointment of the Director Finance & Control and the set-up of the Risk organisation.

The meetings were attended by the CFRO and the CEO, the Director Internal Audit and the external auditor. The discussions of the quarterly reports were attended by the directors Finance & Control and Risk & Compliance. During the discussions about the Executive Board, the Committee spoke to the auditor separately. The conclusion of this meeting was that there were no particulars that could not be shared with members of the Executive Board.

Fixed topics on the agenda of the Committee's meetings were as follows:

- the budget
- performance (including risk and compliance) and audit reports.
- the management letter
- the financial statements (including audit report and audit opinion)
- the directors' report
- the audit annual plan
- the assessment of the internal auditor
- the internal granting of the assignment to the external auditor, as well as his assessment.

The creation of frameworks, the long-term plan with 2017 budget estimate and the profit appropriation policy were permanent agenda items for the November meeting.

At the request of the Audit, Risk and Compliance Committee, multiclient pricing was discussed. The Committee was given a good overview of the development in PGGM's financial state of affairs as multiclient pension fund service provider.

Another important topic discussed by the Committee was the discussion with the Tax and Customs Administration about the tax entity with PFZW and the solution chosen.

The Supervisory Board receives the reports of the Audit, Risk and Compliance Committee and the committee chairman provides verbal feedback about discussions during Supervisory Board meetings. The CFRO and the chairman of the Audit, Risk and Compliance Committee also had regular contact outside the meetings in 2016 to discuss current topics and agenda items for the meetings.

## Remuneration, Selection and Appointments Committee

The Remuneration, Selection and Appointments Committee comprised Mr H.M.L.M. (Eric) de Macker (chairman), Mr H. (Herman) de Boon and Ms W.E.L. (Wanda) van Kerkvoorden (members).

The Remuneration, Selection and Appointments Committee held four regular meetings in 2016.

In January 2016, the Remuneration, Selection and Appointments Committee held 360-degree feedback sessions with the members of the EC, the shareholder and the Works Council. The Committee also reflected on the objectives for 2016. The Committee subsequently formulated recommendations for the Supervisory Board about the performance and remuneration of the Executive Board.

The Supervisory Board is responsible for the implementation of the group-wide remuneration policy and the review of the general remuneration policy principles. A central and independent internal evaluation must be conducted at least once a year to verify the implementation of this policy in terms of compliance and procedures. The Remuneration, Selection and Appointments Committee is responsible for preparing and advising the Supervisory Board in these areas. For this purpose, at least one member of the Committee must have in-depth knowledge of and experience with remuneration policy of a nature similar to that applied within the company. With Mr De Macker, this provision is satisfied.

In June 2016, the Committee was informed about the remuneration policy and compliance with the policy and procedures. The conclusion was that there were no apparent deviations from the current policy and procedures.

It was agreed that the findings of the staff review would be shared with the Committee each year. The meeting reflected on 'Managing on Staffing' in order to give an overview of the quality of PGGM's workforce and how this relates to what is needed to ensure the success of the Decisive Innovation programme. The Remuneration, Selection and Appointments Committee endorses the need to focus on performance more closely.

Attention was also devoted to Asset Management's remuneration policy, particularly in light of the asset management market.

### Permanent education

The Supervisory Board believes that permanent education is of significant value to the board's own performance and has developed its own long-term training and education plan. This regulation defines the competencies required by and the suitability of supervisory directors on the basis of the following subject areas:

- Governance, organisation and communication.
- Products, services and markets in which the organisation is active.
- Controlled and ethical business operations. Balanced and consistent decision making, in which, among other things, the interests of clients and other stakeholders are a key focus.

Annual training activities for these different areas are identified on the basis of the long-term training plan.

In 2016, three in-depth meetings took place; one for the Supervisory Board and two for the Audit, Risk and Compliance Committee. The in-depth meetings of the Audit, Risk and Compliance Committee were open to all Supervisory Board members.

The in-depth meeting of the Supervisory Board focused on the state of affairs related to the company's Human Resources. The Board exchanged ideas about the Managing on Staffing project. The evaluation of the remuneration policy was also discussed. Further explanation was also given on the state of affairs in relation to Stichting Rabo PGGM PPI since its founding in 2012.

In the first in-depth meeting of the Audit, Risk and Compliance Committee, the Committee was caught up on the restructuring of the Internal Audit, Risk & Compliance department and the Private Equity department's position in the market was discussed. The second in-depth meeting focused on developments in the IT domain and the pension administration system.

The developments relating to IT security were also explained. The members of the AC also attended meetings of the CRC in 2016.

In addition to the aforementioned in-depth meetings for the Audit, Risk and Compliance Committee and the Supervisory Board, the supervisory directors participate in governance modules organised by PGGM four times a year; each of these modules focuses on current developments at one of PGGM's business units. The supervisory directors also participated in working visits to the Product Management and Development business unit and the PGGM&CO Members' Organisation. During these small-scale meetings, the supervisory directors are updated about current developments in direct interaction with management and employees. These working visits will be continued in 2017. Finally, one supervisory director has a seat on the Board of Governors of PGGM's Leadership Programme.

### Self-evaluation

Due to the departure of one member as of 1 January 2017 and to the chairman as of 17 May 2017, it was decided in December that the Supervisory Board's self-evaluation would be postponed. The first period of 2017 was utilised for the recruitment and selection of the new supervisory directors. In preparation for this, the supervision exercised in the past year was reviewed and insights were shared about the structure of PGGM's supervision. On the basis of this, a profile was adopted and recruitment for the chairman and one member of the Supervisory Board was started.

## Relations with the shareholder

The Supervisory Board's contact with the shareholder is primarily through shareholder meetings. In 2016, no extra shareholders meetings were held in addition to the regular meeting. The Remuneration, Selection and Appointments Committee also speaks to (a delegation representing) the shareholder at least twice a year regarding developments at PGGM and the Executive Board's remuneration policy.

### Relations with the Works Council

At least once a year, every member of the Supervisory Board attends a consultative meeting of the Works Council. In addition, a member of the Supervisory Board attended a general state of affairs meeting and the supervisory director appointed on the nomination of the Works Council (Ms M.R. (Miriam) van Dongen) speaks with the Works Council informally several times each year. In 2016, the Supervisory Board and the Works Council discussed several topics, such as the Decisive Innovation

programme, including the associated requests for advice and consent, and the worst case scenarios and business continuity plan in the risk framework.

The Supervisory Board also participates in the three-board consultation annually. In the three-board consultation, the Executive Board, the Works Council and the Supervisory Board exchange ideas about current topics. The supervisory directors have always found these meetings to be constructive and informative.

#### Relations with the external auditor

The Supervisory Board and the Audit, Risk and Compliance Committee find the cooperation with KPMG to be positive. Proper use was made of a process-based and internal audit-based approach for the activities carried out in support of the audit of the financial statements.

The professional competence of KPMG's pension team and the associated communication in relation to the recognition of the pension-related items and the associated processes was experienced as positive and as an added value for PGGM. The quality of the reports provided was good.

The external auditor also attended the meetings of the Audit, Risk and Compliance Committee. The external auditor's input during these meetings is also found to be positive.

#### Relations with Internal Audit

Once a year, the Audit, Risk and Compliance Committee assesses the performance of the Director Internal Audit and the role and the performance of the Internal Audit department. The view of the Internal Audit department is positive. Its relationship with the external auditor is good. The Director Internal Audit attends the meetings of the Audit, Risk and Compliance Committee. The annual audit plan, the audit reports and the management letter provide the Supervisory Board with good insight into business operations and processes.



The Supervisory Board would like to sincerely thank the members of the EC, the Works Council and PGGM's employees for all their efforts during the 2016 reporting year.

Zeist, 18 April 2017

Mr H. (Herman) de Boon, chairman

Ms M.R. (Miriam) van Dongen

Ms W.E.L. (Wanda) van Kerkvoorden

Mr H.M.L.M. (Eric) de Macker

Mr W.H. (Wim) de Weijer MHA, deputy chairman

# PGGM N.V. Financial Statements

2016



The original financial statements were drafted in Dutch. This document is an English translation of the original. In the case of any discrepancies between the English and the Dutch text, the latter will prevail.

# Consolidated balance sheet as at 31 December 2016

(before profit appropriation)

(amounts in thousands of euros)

	Ref.	31 December 2016	31 December 2015
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible fixed assets	4	47,151	62,256
Tangible fixed assets	5	91,613	89,248
Financial fixed assets	6	19,250	18,257
<b>Total fixed assets</b>		<b>158,014</b>	<b>169,761</b>
<b>Investments</b>			
Investments on behalf of the insurance business	7	-	331
<b>Total investments</b>		<b>-</b>	<b>331</b>
<b>Current assets</b>			
Receivables	8	43,760	68,926
Cash	9	83,837	91,784
<b>Total current assets</b>		<b>127,597</b>	<b>160,710</b>
<b>Total assets</b>		<b>285,611</b>	<b>330,802</b>
<b>Liabilities</b>			
<b>Equity</b>			
	10		
Paid and called-up capital		200	200
Statutory reserve		5,664	704
Share premium reserve		158,712	158,712
Other reserves		40,947	38,895
Unappropriated profit		1,327	2,052
<b>Total equity</b>		<b>206,850</b>	<b>200,563</b>
<b>Provisions</b>			
Taxes	11	13	53
Other provisions	12	12,723	9,113
<b>Total provisions</b>		<b>12,736</b>	<b>9,166</b>
Current liabilities	13	66,025	121,073
<b>Total current liabilities</b>		<b>66,025</b>	<b>121,073</b>
<b>Total liabilities</b>		<b>285,611</b>	<b>330,802</b>

# Consolidated income statement for 2016

(amounts in thousands of euros)

	Ref.	2016	2015
Management fees		263,069	257,956
Other revenue		542	2,714
<b>Total operating income</b>	<b>15</b>	<b>263,611</b>	<b>260,670</b>
Costs of outsourced work and other external expenses	<b>16</b>	43,813	48,731
Personnel expenses	<b>17</b>	153,485	150,151
Depreciation/amortisation of tangible and intangible fixed assets	<b>18</b>	21,948	13,877
Impairment of tangible and intangible fixed assets	<b>18</b>	-	18
Other operating expenses	<b>19</b>	42,390	60,466
<b>Total operating expenses</b>		<b>261,636</b>	<b>273,243</b>
		<b>1,975</b>	<b>-12,573</b>
Investment results	<b>20</b>	135	17,145
Financial income	<b>21</b>	-	12
Financial expenses	<b>22</b>	-239	-154
<b>Profit before taxes</b>		<b>1,871</b>	<b>4,430</b>
Taxes	<b>23</b>	544	2,378
<b>Profit after taxes</b>		<b>1,327</b>	<b>2,052</b>

# Consolidated cash flow statement for 2016

(amounts in thousands of euros)

	Ref.	2016	2015
<b>Cash flow from operating activities</b>			
Operating profit		1,975	-12,573
Adjusted for:			
Depreciation and impairments	4,5,11	21,948	13,877
Changes in financial fixed assets	6	1,348	18,774
Changes in investments	7	-	298,362
Changes in provisions for insurance activities		-	-308,795
Changes in other provisions	11,12	3,570	-10,158
Changes in working capital	8,13,20,23	13,046	-22,939
<b>Cash flow from business operations</b>		<b>41,887</b>	<b>-23,452</b>
Investment results received	8,20	142	21,678
Interest received	21	-	12
Interest paid	22	-239	-154
Income tax paid	23	-544	-2,290
		<b>-641</b>	<b>19,246</b>
<b>Total cash flow from operating activities</b>		<b>41,246</b>	<b>-4,206</b>
<b>Cash flow from investment activities</b>			
Additions and acquisitions of			
intangible fixed assets	4	-33,485	-7,030
Tangible fixed assets	5	-1,679	-584
Acquisition of participating interests	6	-	-750
Investments and advances for investments	7	-	-54,023
Disposals, repayments and sales of			
tangible fixed assets	5	-	18
Sale of insurance activities		-	-49,055
Investments and advances for investments	7	311	117,584
<b>Total cash flow from investment activities</b>		<b>-34,853</b>	<b>6,160</b>
<b>Cash flow from financing activities</b>			
Withdrawal from credit facility	13	-12,000	12,000
Provided loans	6	-2,340	-
Personnel mortgage repayments received	6	-	289
<b>Total cash flow from financing activities</b>		<b>-14,340</b>	<b>12,289</b>
<b>Net cash flow</b>		<b>-7,947</b>	<b>14,243</b>
<b>Changes in cash</b>			
Cash at the beginning of the period		91,784	77,541
Cash at end of the period		83,837	91,784
<b>Changes in cash</b>		<b>-7,947</b>	<b>14,243</b>

# Notes to the Consolidated Financial Statements

2016



# 1 General Notes

## Information about PGGM N.V.

PGGM N.V. was established on 20 July 2007 and has its registered office and principal place of business at Noordweg Noord 150 in Zeist. One hundred per cent (100%) of the shares in PGGM are held by PGGM Coöperatie U.A.

PGGM N.V. and A&O Services merged as of September 2016. Besides this, PGGM N.V. and PGGM Levensverzekeringen merged as of 31 December 2016. A&O Services and PGGM Levensverzekeringen cease to exist after the merger and the financial figures of A&O Services and PGGM Levensverzekeringen are accounted for in the financial statements of PGGM N.V. as of 1 January 2016. The comparative figures are not adapted because of the applied 'carry over accounting' method.

In accordance with Article 2 of its articles of association, PGGM N.V.'s objectives are as follows:

- a. to perform or to cause to perform (i) administrative management of prescribed pension entitlements and pensions that have commenced paying out and (ii) the implementation of prescribed pension entitlements and pensions that have commenced paying out, both in the broadest sense;
- b. to perform or cause to perform asset management in the broadest sense;
- c. to perform work that focuses on the development, sale or implementation of additional income provisions, in so far as they have not already been included in a collective pension scheme, including the related consultancy and services, all in the broadest sense, for the sector in which work is performed in relation to health, mental and social interests, including services in the form of physical, mental or social care or assistance;
- d. to offer or cause to offer services, amongst which, but not limited to, services in respect of collection of premium, accounting records, management support and substantive advice, to social funds that are affiliated with customers of the company;
- e. to participate in, to take an interest in any other way in and to conduct the management of other business enterprises, of whatever nature, to finance other persons and to give security, give guarantees and bind itself in any other manner for debts of other persons.

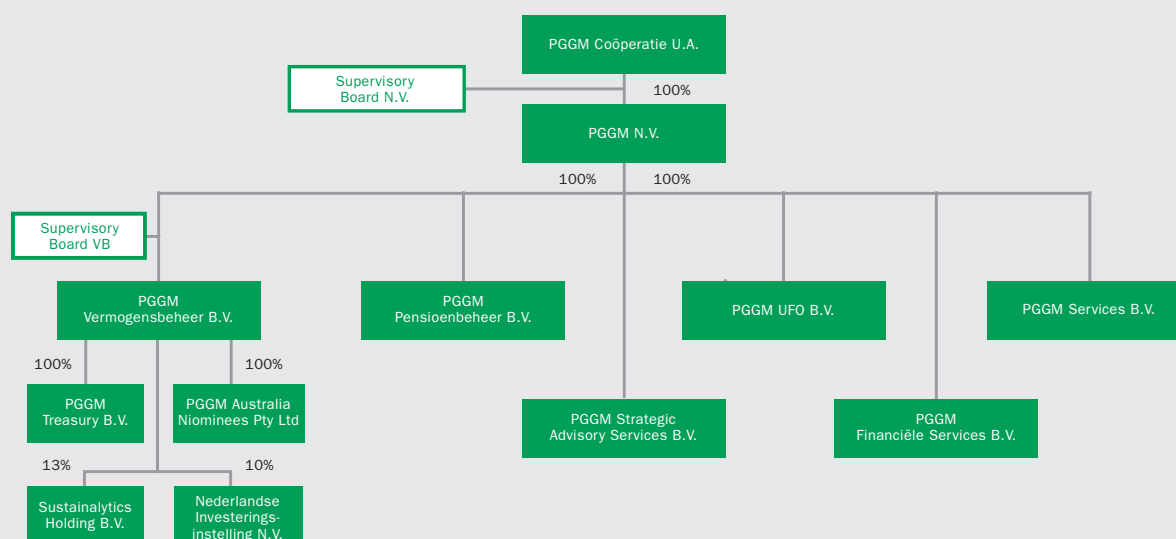
And finally all activities which are incidental to or which may be conducive to any of the foregoing in the broadest sense.

## Group Structure

PGGM N.V. is a holding company which, through participating interests, has been performing activities in areas of advice to pension boards, pension management and asset management since 1 January 2008.

PGGM N.V. has a two-tier board and is the holding company eight direct and indirect subsidiaries which together with its shareholder, PGGM Coöperatie U.A., form the PGGM Group. A number of subsidiaries has received licenses from respectively the Authority for the Financial Markets (hereinafter: AFM) and the Dutch Central Bank (hereinafter: DNB). When the legal structure was established, it was decided that the various licenses should be linked to individual companies, so that there was maximum clarity regarding the conditions associated with a particular license and the supervision of these conditions.

The following diagram shows the legal structure of PGGM Coöperatie U.A., PGGM N.V. and its subsidiaries and participating interests ('PGGM Group') as of 31 December 2016.



### PGGM Vermogensbeheer B.V.

PGGM Vermogensbeheer B.V. (hereinafter: PGGM Vermogensbeheer) is the only shareholder in PGGM Treasury B.V. (hereinafter: Treasury) and PGGM Australia Nominees Pty Ltd. (hereinafter: PAN).

#### AIFM License

Pursuant to Section 2:67 of the Wft, the AFM has granted PGGM Vermogensbeheer a license allowing it to act as the manager of an investment institution as defined in Section 1:1 of the Wft, effective from 4 April 2014.

The license is limited to offering the rights of participations to professional investors.

In addition, pursuant to Section 2:67a, second paragraph, Wft, PGGM Vermogensbeheer is permitted to carry out the following activities or to provide the following services:

- Manage individual capital;
- In exercising a profession or carrying out a business provide advice related to financial instruments;
- In exercising a profession or carrying out a business receiving and transmitting client orders related to financial instruments.

### PGGM Treasury B.V.

PGGM Vermogensbeheer established PGGM Treasury B.V. (hereinafter: Treasury) on 6 March 2009. Treasury is a 100% subsidiary of PGGM Vermogensbeheer. For that reason, the assets and liabilities, as well as the result are fully incorporated into the consolidated annual report of PGGM Vermogensbeheer. Due to changing legislation resulting from the AIFM Directive, a single entity is legally prevented from holding both an AIFM and an MiFID

licence. Therefore owns Treasury the license pursuant to Section 2:96, part b of the Wft since 5 April 2014.

### PGGM Australia Nominees Pty Limited

On May 13 2009, PGGM Vermogensbeheer acquired the shares in PGGM Australia Nominees Pty Limited (PAN). PAN is a 100% subsidiary of PGGM Vermogensbeheer. For that reason, the assets and liabilities, as well as the result are fully incorporated into the consolidated annual report of PGGM Vermogensbeheer.

### PGGM Pensioenbeheer B.V.

The pension management activities are incorporated into PGGM Pensioenbeheer B.V. These activities consists of board support, client management and pension administration. PGGM Pensioenbeheer B.V. has a Wft license from the AFM to provide advice (Section 2:75) and act as an intermediary (Section 2:80) in:

- Pension insurances;
- Pension contribution receivables; and
- Capital

### PGGM Strategic Advisory Services B.V.

PSAS has a license pursuant to Section 2:96 of the Financial Supervision Act (hereinafter: Wft) of the Netherlands Authority for the Financial Markets (hereinafter: AFM) to provide investment services as defined in Section 1:1 of the Wft, part d, and consequently is subject to AFM market conduct supervision and prudential supervision by the Dutch Central Bank.



At the end of 2014, PSAS requested the AFM to withdraw the license for investment service b and c. Effective from 21 January 2015, PSAS has a license pursuant to Section 2:96 of the Wft, to provide investment services in the Netherlands as defined in Section 1:1 of the Wft, part d of the definition of providing an investment service. The minimum equity to be retained by PSAS is € 50,000.

As of January 1 2016, the management support activities are transferred from PGGM Pensioenbeheer B.V. to PSAS.

### PGGM UFO B.V.

PGGM UFO B.V. acts as a contract party for pension funds and other institutional clients that wish to make use of the service of PGGM N.V. and its subsidiaries.

### PGGM Financiële Services B.V.

PGGM Financiële Services B.V. has a Wft license from the AFM to:

- a. Provide advice (Section 2:75) in current accounts, consumer credit, electronic money, mortgage credit, income insurance, private and business general insurance, savings accounts, capital, and health insurance.
- b. Act as an intermediary (Section 2:80) in current accounts, consumer credit, electronic money, mortgage credit, income insurance, private and business general insurance, savings accounts, capital, and health insurance.

PGGM Financiële Services B.V. does not make use of its license pursuant to Section 2:96 of the Wft to receive and transmit orders and provide investment advice.

### PGGM Services B.V.

To carry out or carry out activities aimed at offering products and services to employees and former employees who have been employed or employed in the health and welfare sector and to their partners who contribute to strengthening their personal and financial balance and who can promote the mutual contacts between them.

### Other participating interests

#### **Sustainalytics Holding B.V.**

PGGM Vermogensbeheer holds a 13.01% (2015: 13.01%) interest in Sustainalytics Holding B.V. This participating interest was not consolidated, given that no significant influence could be exercised.

#### **Nederlandse Investeringsinstelling N.V.**

PGGM Vermogensbeheer B.V. has a 10% (2015: 10% interest in the Nederlandse Investeringsinstelling N.V. (hereinafter: NII). The NII was founded by thirteen pension funds, pension fund service providers and insurance companies. The NII will make Dutch investment projects in infrastructure, education, healthcare, residential building, SME and sustainable energy more attractive to institutional investors. This will enable them to increase their investment in the Dutch economy. This participating interest was not consolidated, given that no significant influence could be exercised.

### Reporting period

This financial statement relates to the 2016 financial year, which ended on balance sheet date 31 December 2016.

### Accounting standards

The consolidated annual financial statements have been prepared in accordance with the financial reporting requirements of Title 9, Book 2 of the Dutch Civil Code and the authoritative statements in the financial reporting guidelines published by the Dutch Accounting Standards Board.

### Application of Section 402 Book 2 of the Dutch Civil Code

The consolidated annual financial statements include the financial data of PGGM N.V. For that reason, in accordance with Section 402 Book 2 of the Dutch Civil Code, the separate income statement only includes the share in the result of participating interests after tax and the other results after tax.

### Continuity

These annual financial statements have been prepared on a going-concern basis.

### Related parties

All legal entities over which dominant control, joint control or significant influence can be exercised are designated related parties. Legal entities that can exercise dominant control are also designated related parties. The members of the Executive Board under the articles of association, other key officers in the management of the company or its parent company and those closely allied are also deemed related parties.

Significant transactions with related parties are explained to the extent these have not been entered into at arm's length. In such cases, the nature and size of the transactions are explained and other information necessary to provide insight is also given.

## 2 Accounting principles for the valuation of assets and liabilities and the determination of the result and the cash flow statement

### General

Assets and liabilities in general are stated at the acquisition price or production cost, or their fair value ('actuele waarde'). If no specific valuation principle is reported, valuation is on the basis of the acquisition price.

The result is determined as the difference between the fair value of the services provided and the costs and other charges over the year. Revenues on transactions are recognized in the year in which they are realized. References are included in the balance sheet, income statement and cash flow statement.

These references refer to the explanatory notes.

### Comparison to previous year

The accounting principles used for valuations and to determine the result are unchanged with respect to the previous financial year, with the exception of the applied system changes as set out below in 'Change in accounting principles'.

### Foreign currency

The financial statements are presented in euros, PGGM N.V.'s functional currency. All financial information in euros is rounded to the nearest thousand. Assets and liabilities denominated in foreign currencies are converted into euros at the exchange rate prevailing on the balance sheet date. Income and expenses relating to transactions in foreign currencies are converted at the exchange rate prevailing on the transaction date.

The assets, liabilities, and income and expenses of consolidated participating interests with a functional currency other than the presentation currency are converted at the exchange rate prevailing on the balance sheet date. The resulting exchange difference are directly recognised under equity in the statutory foreign currency translation reserve.

### Use of estimates

The preparation of the annual financial statements requires the Executive Board to make judgements, estimates and assumptions which affect the application of the accounting principles and the reported value of assets and liabilities, and of income and expenses. The actual results may differ from these estimates. The estimates and underlying assumptions are continuously assessed. Revisions of estimates are applied in the period during which the estimate is revised and in the future periods for which the revision has consequences.

### Basis of consolidation

The consolidated financial statements comprise the financial data of PGGM N.V. and its group companies and other legal entities in which it can exercise dominant control or over which it has central management. Group companies are participating interests in which PGGM N.V. has a controlling interest, or in which policy making influence can be exercised in some other way. The assessment of whether policy-making influence can be exercised, involves financial instruments which potentially contain voting rights and can be exercised directly. Participating interests acquired for the sole purpose of disposal within the foreseeable future are not consolidated.

Newly acquired participating interests are consolidated from the date on which policy making influence can be exercised. Divested participating interests are consolidated until the date this influence ceases.

In the consolidated annual financial statements mutual liabilities, receivables and transactions are eliminated, just as are any profits made within the group. The group companies are integrally consolidated, whereby the minority interests are recorded separately.

The following companies are included in the consolidation:

Companies		
Name	Place of business	Shares in subscribed capital
PGGM Financiële Services B.V.	Zeist, the Netherlands	100%
PGGM Strategic Advisory Services B.V.	Zeist, the Netherlands	100%
PGGM Services B.V.	Zeist, the Netherlands	100%
PGGM Pensioenbeheer B.V.	Zeist, the Netherlands	100%
PGGM UFO B.V.	Zeist, the Netherlands	100%
PGGM Vermogensbeheer B.V.	Zeist, the Netherlands	100%
PGGM Treasury B.V.	Zeist, the Netherlands	100%
PGGM AUSTRALIA NOMINEES PTY LIMITED	Sydney, Australia	100%

## Acquisition and disposal of group companies

From the date of acquisition, the results and the identifiable assets and liabilities of the acquired companies are included in the consolidated annual financial statements. The date of acquisition is the moment that dominant control can be exercised over the relevant company.

The acquisition price is the sum of money, or the equivalent of this, agreed to acquire the company, increased by any directly attributable costs. If the acquisition price is higher than the net amount of the fair value of the identifiable assets and liabilities, the excess is capitalised as goodwill under intangible fixed assets. If the acquisition price is lower than the net amount of the fair value of the identifiable assets and liabilities, the difference (negative goodwill) is accounted for as an accrued liability item.

The companies involved in the consolidation continue to be included in the consolidation until they are sold; deconsolidation occurs the moment dominant control is transferred.

## Financial instruments

Financial instruments are initially recognised at fair value, whereby share premiums and discounts and directly attributable transaction costs are accounted for on initial recognition. However, if, in the subsequent valuation, financial instruments are recognised at fair value with value changes being accounted for in the income statement, directly attributable transaction costs will be accounted for in the income statement. Financial instruments embedded in contracts which are not separated from the basic contract are accounted for in accordance with the basic contract.

## Intangible fixed assets

The intangible fixed assets are stated at their acquisition price or production cost net of amortisation. Account is taken of impairments; an impairment arises when the book value of an asset (or the cash flow-generating entity to which the asset belongs) is greater than the realisable value.

Please refer to the section 'Impairment of Fixed Assets' with regard to the determination of whether an intangible fixed asset is subject to an impairment.

## Goodwill

The goodwill is the positive difference between the acquisition price and the fair value (initial valuation) of the acquired assets and liabilities at the moment of acquisition. Goodwill is subject to straight-line amortisation on the basis of the useful economic life.

## Computer software

Computer software is stated at the acquisition price or production cost net of cumulative amortisation. These assets are subject to straight-line amortisation over their estimated economic life, taking account of the potential contract duration.

## Tangible fixed assets

### Land and buildings

Land and buildings are stated at fair value ('actuele waarde'). At the time the asset is acquired or produced, it is stated at the acquisition price or production cost. Subsequently, it is recognised at the current cost or the lower value in use net of cumulative depreciation. If a decision is taken to sell tangible fixed assets, the value is recognised as the net realisable value.

Buildings are written down over their estimated economic life with a residual value of 20% of the current cost. The buildings are subdivided into the categories shells, completions and installations; and are depreciated to the aforementioned residual value in respectively 40, 25 and 15 years. Land is not subject to depreciation. The fair value ('actuele waarde') is reviewed once every three years by means of a valuation carried out by a certified external appraiser.

The appreciation of tangible fixed assets is directly accounted for in a revaluation reserve item under equity. However, the appreciation should be accounted for in the income statement to the extent it is a reversal of a downward value adjustment of the same asset previously accounted for as an expense in the income statement.

Revaluations are formed and held for each asset. Downward value adjustments are recognised directly in the income statement to the extent they cannot be charged to a previously formed revaluation reserve. A downward value adjustment occurs when the fair value ('actuele waarde') of a tangible fixed asset is lower than the original acquisition or production cost (net of depreciation).

No provision has been made for the future costs of major maintenance to the company buildings. The costs of maintenance are directly accounted for as an expense in the income statement annually.

## Plant and equipment

Plant and equipment are stated at the acquisition price net of cumulative depreciation. Plant and equipment are subject to straight-line depreciation over their estimated useful economic life of five to ten years. The residual value is carried at zero.

## Other operation assets

The other operating assets comprise furniture and equipment, computer hardware, artworks and other operating assets. The other operating assets are stated at their acquisition price net of cumulative depreciation. Plant and equipment are subject to straight-line depreciation over their estimated useful economic life of five to ten years. The residual value is carried at zero. Artworks are not subject to depreciation.

## Financial fixed assets

### Participating interests in which significant influence is exercised

Participating interests in which significant influence can be exercised on the business and financial policy are stated in accordance with the equity accounting method on the basis of the net asset value.

PGGM N.V.'s accounting principles are used to determine the net asset value. Results on transactions, whereby there is a transfer of assets and liabilities between PGGM N.V. and its participating interests and between participating interests themselves are eliminated to the extent these can be deemed unrealised.

Participating interests with a negative net asset value are stated as nil. A provision is created when PGGM N.V. wholly or partially guarantees the relevant participating interest's debts, or has the constructive obligation (for its share) of enabling the participating interest to pay its debts. This provision is primarily formed against the receivables from this participating interest and for the rest, under the provisions according to the size of the share in the losses sustained by the participating interest, or for the expected payments by PGGM N.V. in respect of this participating interest.

The first valuation of acquired participating interests is based on the fair value of the identifiable assets and liabilities at the moment of acquisition. For the next valuation, the principles applicable to these financial statements are used, with the initial valuation used as a basis.

### Participating interests in which there is no question of significant influence

Participating interests in which no significant influence is exercised are stated at the lower of cost or realisable value. If there is a firm intent of disposal, the participating interest is stated at the lower expected sales value, if applicable.

### Investments

Loans are stated at their amortisation value. Differences between the purchase price and redemption value, both positive and negative, are amortised pro rata the remaining term and accounted for in the income statement. Realised exchange rate gains and losses are entirely accounted for in the result.

### Impairment of assets

For fixed assets, an assessment is conducted on every balance sheet date to determine whether there are any indications that these assets may be subject to impairment. If this appears to be the case, the realisable value of the asset is estimated. The realisable value is the higher of the value in use or the net selling price. If it is not possible to estimate the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs (the asset's cash-generating unit) is determined.

An assessment is conducted on every balance sheet date to determine whether there is any indication that an impairment loss recognised in previous years has decreased. If this appears to be the case, the realisable value of the relevant asset is estimated.

The reversal of a previously recognised impairment loss only takes place when there is a change in the estimates used for determining the realisable value since the recognition of the last impairment loss. In that case the book value of the asset is increased to the estimated realisable value, but not higher than the book value (after depreciation) that would have been established if no impairment losses would have been recognised for the asset in previous years.

### Investments

Loans are stated at their amortisation value. Differences between the purchase price and redemption value, both positive and negative, are amortised pro rata the remaining term and accounted for in the income statement. Realised exchange rate gains and losses are entirely accounted for in the result.

### Receivables, prepayments and accrued income

Upon first inclusion receivables are stated at the fair value of the consideration received in return. Accounts receivable are stated at amortised cost price after first inclusion. If the receipt of the receivable is deferred on grounds of an agreed extension to a payment term, the fair value is determined with reference to the present value of the expected receipts and interest income based on the effective interest rate is added to the income statement. Provisions for bad debt are deducted from the book value of the receivable.

Any interest income and expenses to be received or paid which relate to the cash of PGGM N.V. and its subsidiaries are accounted for by PGGM N.V.

### Provisions

#### General

Provisions are stated at the face value of the expenditures that are expected to be necessary to settle the liabilities, unless otherwise reported. When there is an expectation that a third party will reimburse the liabilities, and when it is probably that this reimbursement will be received at the time the obligation is settled, the reimbursement is recognised on the balance sheet as an asset.

When there is an expectation that a third party will reimburse the liabilities, and when it is probably that this reimbursement will be received at the time the obligation is settled, the reimbursement is recognised on the balance sheet as an asset.

## Reorganisation provisions

A reorganisation provision is made if, on the balance sheet date, a detailed reorganisation is to be formalised which will - by the date of finalisation of the financial statements at the latest - cause legitimate expectations of the plan being implemented to have been aroused in those for whom the reorganisation has consequences. There are deemed to be legitimate expectations if the implementation of the reorganisation has been started, or if the main points have been made known to those for whom the reorganisation has consequences.

## Provision for anniversaries

The provision for anniversaries relates to a provision for future anniversary payments. The provision relates to the present value of any future anniversary payments. The calculation is based on the commitments given, the chance of remaining in service and age profiles.

## Estimation change of provision for anniversaries

Until January 1 2016, the jubilee provision was formed on the basis of a time-dependent refinancing, taking into account dismissal opportunities. New insights have led to the handling of new estimates. The provision is based on actuarial calculation taking into account the following elements:

- Employees to whom the scheme applies;
- Age and duration of employment;
- Salaries;
- Distribution Percentage;
- Demographic opportunities (dismissal, disability, career);
- Retirement age: AOW age based on life expectancy;
- Discount rate; and
- Mortality.

## Provision for onerous contracts

The provision for onerous contracts relates to the negative difference between the expected benefits from the performances to be received by PGGM after the balance sheet date and the unavoidable costs of fulfilling all the obligations. At a minimum, the unavoidable costs are the costs which have to be incurred to get out of the agreement, being the lower of, on the one hand, the costs of fulfilling the obligations and, on the other, the compensation or penalties which must be paid if the obligations are not fulfilled.

## Other provisions

The other provisions are stated at face value.

## Institutional management fees

These are payments from third parties which are received by virtue of service provision in the form of pension board advice, pension management and asset management. The recognition of revenue from the provision of services is in proportion to the delivered performance, based on the performed services up to the balance sheet date in relation to the total project services to be performed less discounts and taxes on the turnover.

## Costs of outsourced work and other external expenses

The costs of outsourced work and other external expenses consist of all the other external costs that are directly related to the work performed by third parties.

## Investment results

Investment results consist of the direct investment income (interest) of investments (loans).

## Financial income and expenses

### Interest income and expenses

PGGM N.V. and its subsidiaries account for interest income and expenses related to cash as a consequence of PGGM N.V.'s interest set-off scheme.

In the financial statements, the interest income and expenses are assessed per individual credit institution and, ultimately, the net position is presented as interest income or expense.

## Share in the result of participating interests

The share in the result of participating interests consists of the group's share in these participating interests, determined on the basis of the group's accounting principles. Results on transactions, whereby there is a transfer of assets and liabilities between the group and the non-consolidated participating interests and between non-consolidated participating interests themselves are not recorded to the extent these can be deemed unrealized.

The results of participating interests which are acquired or disposed of during the financial year are recorded in the group's results from the moment of acquisition respectively until the moment of disposal.

## Pension scheme

The basic principle applied is that the pension costs recognised in the reporting period are equal to the pension premiums owed to the pension fund over the same period. A liability is recorded if, on the balance sheet date, the premiums owed are not fully paid up. If, on the balance sheet date, the paid premiums exceed the premiums owed, an item for prepayment and accrued income will be included provided the fund is expected to issue a repayment or offset the excess premiums paid against future premiums owed.

## Leasing

PGGM N.V. and its subsidiaries may conclude financial and operational lease contracts. Lease agreements whereby the advantages and disadvantages of ownership of the lease object are wholly, or almost wholly, borne by the lessee are classified as financial leases. All other lease agreements are classified as operational leases. When classifying a lease, the determining factor is the economic reality, not necessarily the legal form.

## Taxes

Taxes comprise taxes to be paid, offsettable taxable profits and deferred taxes over the reporting period. Taxes are recognised in the income statement, except to the extent that they concern items that are included directly in equity, in which case the tax is recognised under equity.

The tax to be paid or offset for the financial year is the expected tax charge on taxable profit for the financial year, calculated using the tax rates in force on the reporting date, or that are materially decided on the reporting date, and include any corrections to tax payable for prior years.

If the carrying values of the assets and liabilities for financial reporting purposes deviate from their carrying values for tax purposes, then there are temporary differences. A provision for deferred tax liabilities is made for taxable temporary differences.

A deferred tax asset is recorded for offsettable temporary differences, available losses carried forward and netting possibilities not yet utilised, but only to the extent that it

is probable that future taxable profits will be available for netting or compensation. Deferred tax assets are reviewed on every reporting date and are reduced insofar as it is no longer likely that the corresponding tax benefit will be realised.

A deferred tax liability is recognised for taxable temporary differences concerning group companies, foreign non-independent entities, participating interests and joint ventures, unless the company is able to determine at what moment the temporary difference will expire and it is unlikely that the temporary difference will expire in the foreseeable future.

A deferred tax asset is recognised for offsettable temporary differences concerning group companies, and participating interests, but only to the extent that it is probable that the temporary difference will expire in the foreseeable future and that taxable profit will be available to compensate for the temporary difference. Deferred tax assets and liabilities are valued at face value. Within the PGGM group, corporation tax over the taxable result is calculated for each entity. Ultimately, PGGM Coöperatie U.A. settles with the Tax and Customs Administration.

## Cash-flow statement

The cash flow statement is prepared in accordance with the indirect method. Cash flows in foreign currencies are restated in euros on the basis of the average exchange rates for the relevant periods. Income and expenses arising from interest, dividends received and tax on profits are included in the cash flow from operating activities. Dividends paid are recognised under the cash flow from financing activities.

# 3 Change of accounting principles for land and buildings

## Change of accounting principles for land and buildings

Until 1 January 2016, the building was valued at fair value ('actuele waarde'), i.e. replacement value. The increases in the building's value resulting from revaluation were recognised directly in equity, in a revaluation reserve, unless this involved the readjustment of a downward value adjustment relating to the same asset which had been recognised as a charge in the income statement. The write-downs on machinery and installations as the result of a revaluation were recognised in the income statement, unless the particular asset had been included in the revaluation reserve (for a maximum of up to that amount).

Effective 1 January 2016, the replacement value can no longer serve as the basis. PGGM has opted for the alternative of current cost as the basis for the fair value ('actuele waarde'). Since the current cost explicitly takes into account market development and technical/economic downward value adjustment (depreciation), for determining the current cost, connection is sought with the definition of market value including additional charges.

The book value of the building was calculated as of 1 January 2015 on the basis of the new accounting principles. The fair value ('actuele waarde') as of 1 January 2015 is € 11.6 million less than the book value as of 1 January 2015. This amount is recognised in the equity as of 1 January 2015 as the effect of a change of accounting principles. The impact of the change of accounting principles on the equity at year-end 2016 is negative € 2.9 million and on the tangible fixed assets at year-end 2016, negative € 3.4 million. The impact of the change of accounting principles on the profit after taxes for 2015 is € 0.3 million. The comparative figures for 2015 have been adjusted. The change of accounting principles made in 2016 has an effect of approximately negative € 3.5 million on the equity and approximately € 0.5 million on the net profit/profit after taxes for the 2015 and 2016 financial years.



The effect of the system change is explained in the table below, where necessary in the 2016 annual accounts, the comparative figures for 2015 are adjusted.

<i>(amounts in thousands of euros)</i>	<b>Absolute value per 31 December 2015</b>	<b>Mutation change of accounting principles</b>	<b>New value per 1 Januari 2016 after change of accounting principles</b>
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible fixed assets	62,256	-	62,256
Tangible fixed assets	99,567	-10,319	89,248
Financial fixed assets	15,678	2,579	18,257
<b>Total fixed assets</b>	<b>177,501</b>	<b>-7,738</b>	<b>169,761</b>
<b>Current assets</b>			
Receivables	69,050	-124	68,926
Cash	91,784		91,784
<b>Total current assets</b>	<b>160,834</b>	<b>-124</b>	<b>160,710</b>
<b>Liabilities</b>			
<b>Equity</b>			
Paid and called-up capital	200	-	200
Statutory reserve	376	328	704
Share premium reserve	158,712	-	158,712
Other reserves	47,225	-8,330	38,895
Unappropriated profit	1,788	264	2,052
<b>Total equity</b>	<b>208,301</b>	<b>-7,738</b>	<b>200,563</b>
<b>Provisions</b>			
Taxes	177	-124	53
Other provisions	9,113	-	9,113
<b>Total provisions</b>	<b>9,290</b>	<b>-124</b>	<b>9,166</b>

## 4 Intangible fixed assets

	<b>Goodwill</b>	<b>VOBA</b>	<b>Software</b>	<b>Total</b>
<b>Balance as at 1 January 2015</b>				
Cost price	107,300	18,453	47,776	173,529
Accumulated amortisation and impairment	-73,538	-18,453	-44,637	-136,628
<b>Carrying amount as at 1 January 2015</b>	<b>33,762</b>	<b>-</b>	<b>3,139</b>	<b>36,901</b>
<b>Changes in 2015</b>				
Investments	32,571	-	582	33,153
Disposals	-	-18,453	-	-18,453
Impairment loss	-	18,453	-	18,453
Depreciation	-6,752	-	-1,046	-7,798
<b>Balance</b>	<b>25,819</b>	<b>-</b>	<b>-464</b>	<b>25,355</b>
<b>Balance as at 31 December 2015</b>				
Cost price	139,871	-	48,358	188,229
Accumulated amortisation and impairment	-80,290	-	-45,683	-125,973
<b>Carrying amount 31 December 2015</b>	<b>59,581</b>	<b>-</b>	<b>2,675</b>	<b>62,256</b>
<b>Changes in 2016</b>				
Investments	-	-	914	914
Depreciation	-14,895	-	-1,124	-16,019
<b>Balance</b>	<b>-14,895</b>	<b>-</b>	<b>-210</b>	<b>-15,105</b>
<b>Balance as at 31 December 2016</b>				
Cost price	139,871	-	49,272	189,143
Accumulated amortisation and impairment	-95,185	-	-46,807	-141,992
<b>Carrying amount 31 December 2016</b>	<b>44,686</b>	<b>-</b>	<b>2,465</b>	<b>47,151</b>
<b>Amortisation period</b>	<b>6-7 year</b>	<b>15 year</b>	<b>5 year</b>	

### Goodwill

The goodwill arose after the acquisition of the service provider by PGGM in 2008 and relates to the positive difference between the acquisition price and the assets and liabilities acquired. Goodwill is subject to straight-line amortisation on the basis of the useful economic life.

### Software

Investments primarily concern licenses for the pension and investment administration's back-office system.

## 5 Tangible fixed assets

	<i>Land and Buildings</i>	<i>Plant and Equipment</i>	<i>Other Operating Assets</i>	<i>Total</i>
<b>Balance as at 1 January 2015</b>				
Cost prices	96,602	3,211	20,050	119,863
Accumulated amortisation and impairment	-	-1,898	-12,533	-14,431
<b>Carrying amount as at 1 January 2015</b>	<b>96,602</b>	<b>1,313</b>	<b>7,517</b>	<b>105,432</b>
<b>Change of accounting principles 1 January 2016 (impact on balance 1 January 2015)</b>				
	<b>-11,602</b>	-	-	<b>-11,602</b>
<b>Carrying amount after change of accounting principles 1 January 2015</b>	<b>85,000</b>	<b>1,313</b>	<b>7,517</b>	<b>93,830</b>
<b>Changes 2015</b>				
Investments	-	-	584	584
Disposals	-	-	-130	-130
Amortisation	-3,431	-278	-2,370	-6,079
Depreciation of disposals	-	-	112	112
Impairment - revaluations	931	-	-	931
Adjustment of gross value - revaluations	76	-	-	76
Accumulated depreciation and impairment - revaluations	-76	-	-	-76
<b>Balance</b>	<b>-2,500</b>	<b>-278</b>	<b>-1,804</b>	<b>-4,582</b>
<b>Balance as at 31 December 2015</b>				
Cost prices	86,007	3,211	20,504	109,722
Accumulated amortisation and impairment	-3,507	-2,176	-14,791	-20,474
<b>Carrying amount as at 31 December 2015</b>	<b>82,500</b>	<b>1,035</b>	<b>5,713</b>	<b>89,248</b>
<b>Changes in 2016</b>				
Investments	-	-	1,679	1,679
Disposals	-	-	-29	-29
Amortisation	-3,515	-224	-2,190	-5,929
Depreciation of disposals	-	-	29	29
Impairment - revaluations	6,615	-	-	6,615
Adjustment of gross value - revaluations	588	-	-	588
Accumulated depreciation and impairment - revaluations	-588	-	-	-588
<b>Balance</b>	<b>3,100</b>	<b>-224</b>	<b>-511</b>	<b>2,365</b>
<b>Balance as at 31 December 2016</b>				
Cost prices	86,595	3,211	22,154	111,960
Accumulated amortisation and impairment	-995	-2,400	-16,952	-20,347
<b>Carrying amount as at 31 December 2016</b>	<b>85,600</b>	<b>811</b>	<b>5,202</b>	<b>91,613</b>

## Depreciation period

Lands and sites:	Not subject to depreciation
Buildings - shells:	40 years
Buildings - completed:	25 years
Buildings - building-related systems:	15 years
Plant and equipment:	5-10 years
Other operating assets:	5-10 years

PGGM N.V. is the economic owner of the land and buildings. PGGM Coöperatie U.A. is the legal owner of both the land and buildings.

## 6 Financial fixed assets

	<i>Participating Interests</i>	<i>Deferred Taxes</i>	<i>Personnel Mortgages</i>	<i>Loan Volo pensioen</i>	<i>Total</i>
<b>Balance as at 1 January 2015</b>	<b>949</b>	<b>32,753</b>	<b>289</b>	-	<b>33,991</b>
<b>Change of accounting principles 1 Jan. 2016 (impact on balance 1 Jan. 2015)</b>	-	<b>2,901</b>	-	-	<b>2,901</b>
<b>Balance as at 1 January 2015 after change of accounting principles</b>	<b>949</b>	<b>35,654</b>	<b>289</b>	-	<b>36,892</b>
<b>Changes in 2015</b>					
Investments	750	-	-289	-	461
Value changes	-	-19,095	-	-	-19,095
<b>Balance as at 31 December 2015</b>	<b>1,699</b>	<b>16,559</b>	-	-	<b>18,258</b>
<b>Changes in 2016</b>					
Investments	-	-	-	2,340	2,340
Disposals	-	-	-	-	-
Value changes	-	-1,348	-	-	-1,348
<b>Balance as at 31 December 2016</b>	<b>1,699</b>	<b>15,211</b>	-	<b>2,340</b>	<b>19,250</b>

As at financial year-end, the participating interests consisted of the 13.01% capital interest (2015: 13.01%) in Sustainalytics Holding B.V. and the 10% capital interest in the Nederlandse Investeringsinstelling N.V. These are participating interests in which there is no significant influence.

The deferred tax asset is entirely related to temporary fiscal and commercial valuation differences. Of this, an amount of € 14.9 million (2015: 12.6 million) has a remaining term of more than 1 year.

At the beginning of 2016, the Stichting Algemeen Pensioenfonds Volo pensioen was established (hereinafter: Volo pensioen). Volo pensioen is a general pension fund as defined and regulated by the Pension Act. PGGM will serve as an executive partner of Volo pensioen. PGGM wishes to provide additional capital for the financing of start-up costs for Volo. This follows a subordinated loan granted to Volo at the end of 2016 with a principal amount of € 2,340,000, - and an indefinite term. For this loan, Volo pensioen pays an interest rate equal to EURIBOR with a 50 basis deposit. The interest rate is due on a quarterly basis, on the last day of each quarter, and is calculated on the basis of month 30 and 360 days. In addition to this loan, PGGM has made a donation of € 2.9 million to Volo pensioen. This donation was processed in 2016 in the other operating expenses.

## 7 Investments

During 2016, loans under the PGGM investments were fully redeemed (2015: € 0.3 million).

## 8 Receivables

	<b>31 December 2016</b>	<b>31 December 2015</b>
Accounts receivable	35,343	30,088
Still to be invoiced	2,534	5,751
Accrued interest	-	7
Receivables from group companies	749	28,475
Other receivables	-	25
Accrued income	5,134	4,579
<b>Total</b>	<b>43,760</b>	<b>68,926</b>

Of this, an amount of € 0.5 million (2015: 1.0 million) has a remaining term of more than 1 year.

### Accounts receivable

The accounts receivable primarily consist of the amounts invoiced to institutional clients related to pension management, policy advice and asset management activities.

### Still to be invoiced

Amounts still to be invoiced relates to amounts still to be charged to investment funds and institutional clients.

### Accrued interest

Accrued interest consists primarily of the interest to be received on loans, bonds and debentures.

### Receivables from group companies

The receivable from PGGM Coöperatie U.A. consists of the offset corporation tax which PGGM Coöperatie U.A. settles with the Tax and Customs Administration.

### Prepayments and Accrued income

Accrued income primarily consist of prepaid expenses to suppliers.

## 9 Cash

Cash relates to credit balances which are held in Dutch credit institutions. An amount of € 8.2 million of the cash is not freely available (2015: 8.2 million). This concerns the balance of a blocked account retained in relation to the sale of the life insurance activities.

PGGM Vermogensbeheer is the asset manager for external clients and for the PGGM investment funds. To carry out the joint management and to create netting advantages or, as the case may be, interest set-off, Treasury receives orders from PGGM Vermogensbeheer to hold bank accounts and money market instruments and undertake derivative transactions for the account and risk of PGGM Vermogensbeheer's clients, who have provided the requisite mandates. As a consequence of this, the economic ownership of the bank accounts and money market instruments referred to belongs to those instructing PGGM Vermogensbeheer and the legal ownership belongs to Treasury.

Consequently, the balance of these bank accounts is not accounted for in the financial statements of Treasury. Holding a joint bank account and other money market instruments for the benefit of those instructing it does not imply any credit or bankruptcy risks for Treasury.

## 10 Equity

The equity is further explained in the notes to the balance sheet of the company financial statements.

## 11 Tax provisions

	<i>Total</i>
<b>Balance as at 1 January 2015</b>	<b>2,258</b>
Change of accounting principles as of 1 January 2016 (impact on balance as of 1 January 2015)	-124
<b>Balance as at 1 January 2015 after change of accounting principles</b>	<b>2,134</b>
<b>Changes 2015</b>	
Release	-2,081
<b>Balance as at 31 December 2015</b>	<b>53</b>
<b>Changes 2016</b>	
Withdrawals	-40
<b>Balance as at 31 December 2016</b>	<b>13</b>

The deferred tax liability relates to the temporary fiscal and commercial value differences. These provisions are predominantly long-term.

# 12 Other provisions

	<i>Reorganiations</i>	<i>Anniversaries</i>	<i>Other</i>	<i>Total</i>
<b>Balance as at 1 January 2015</b>	<b>8,189</b>	<b>1,771</b>	<b>52,380</b>	<b>62,340</b>
<b>Changes in 2015</b>				
Contributions	3,844	37	618	4,499
Withdrawals	-7,988	-87	-48,489	-56,564
Release	-154	-98	-910	-1,162
<b>Balance as at 31 December 2015</b>	<b>3,891</b>	<b>1,623</b>	<b>3,599</b>	<b>9,113</b>
<b>Changes in 2016</b>				
Contributions	4,643	2,622	1,913	9,178
Withdrawals	-3,836	-52	-930	-4,818
Release	-375	-102	-273	-750
<b>Balance as at 31 December 2016</b>	<b>4,323</b>	<b>4,091</b>	<b>4,309</b>	<b>12,723</b>

These provisions are predominantly long-term.

## Restructuring provision

As a result of the Decisive Innovation Programme, multiple restructuring plans were initiated in 2015 and 2016. On the basis of these plans a provision for severance pay in support of collective and several individual initiatives was included in the restructuring provision. The provision for restructuring costs made at the end of 2015 was virtually entirely used in 2016.

## Anniversaries provision

In 2016, PGGM made an estimate change on the anniversaries provision. The effect of this estimate change is one-time € 2.6 million in the profit and loss account of 2016. The effect on the annual profit in the profit and loss account for the coming years is under the new account principles limited to the old accounting principles.

## Other provisions

The other provisions consist of DVI, issued guarantees from the sale of life assurance activities in 2015 and other liabilities.

## 13 Current liabilities

	31 December 2016	31 December 2015
Fees from institutional clients received in advance	32,567	40,677
Accounts payable	14,870	13,465
Taxes and social security contributions	4,547	6,320
Outstanding pension payments	296	294
Advance/arrears insurance company premiums	160	220
Accrued and deferred income	-	12,000
Other payables	13,585	48,097
<b>Total</b>	<b>66,025</b>	<b>121,073</b>

The current liabilities all have a remaining term of less than one year.

### Fees from institutional clients received in advance

The fees received in advance largely relate to invoices for work for institutional clients; this work involves governance advice, pension management and asset management activities.

### Taxes and social security contributions

This relates to the taxes and social security contributions still to be paid.

### Accrued and deferred income

The withdrawal of a € 12 million credit facility from PFZW at the end of the year is early 2016 fully redeemed.

### Other payables

The item other payables primarily consists of amounts payable, reserves for holiday days, bonuses for personnel and interest payments.

## 14 Off-balance-sheet assets and liabilities

### Claims

Several claims have been lodged against the company and / or group companies that are challenged by them / them. Although the outcome of these disputes cannot be predicted with certainty, it is assumed, on the basis of legal advice received, that it will not adversely affect the consolidated financial position.

### Credit facility PFZW

PGGM N.V. has a credit facility with PFZW. PGGM N.V. pays interest equal to the EURIBOR rate with a 50 basis point mark-up for any withdrawals from this credit facility. The maximum of the total credit facility is set at € 150 million. The credit facility was entered into on 1 January 2008 for an indefinite period. No repayment arrangement has been made.



### Liability of a tax entity

Together with its subsidiaries and single shareholder, PGGM Coöperatie U.A., PGGM N.V. forms a tax entity for corporation tax and, for that reason, is jointly and severally liable for all the ensuing liabilities.

In addition, together with its subsidiaries, PGGM N.V. forms part of a tax entity for value added tax, as a result of which it is jointly and severally liable for any VAT liabilities of the entities belonging to the tax entity.

### Operational lease liability

The operational lease liability relates to lease cars provided to the personnel. The liability runs until 2021. The total liability amounted to € 5.2 million as at 31 December 2016 (2015: € 5.5 million). An amount of € 1.8 million is payable within one year.

### Buildings liability

The total liability amounted to € 3.0 million as at 31 December 2016 (2015: € 2.3 million). The liability runs until 2017. An amount of € 3.0 million is payable within one year.

### Hardware and software liability

The total liability amounted to € 10.1 million as at 31 December 2016 (2015: € 22.7 million). The liability runs until 2022. An amount of € 6.4 million is payable within one year.

### Issued guarantee Rabo PGGM PPI

PGGM N.V. has issued a guarantee of € 875,000 to finance the costs of Stichting Rabo PGGM Premiepensioeninstelling.

### Issued guarantee Volo pensioen

PGGM N.V. has issued a guarantee of € 1,570,000 to fund the costs of Stichting Algemeen Pensioenfonds Volo pensioen.

## 15 Revenue

### Institutional management fees

	2016	2015
Management fees for service provision	91,690	108,525
Management fees investment funds	171,379	149,431
<b>Total</b>	<b>263,069</b>	<b>257,956</b>

### Management fees for service provision

Institutional clients are charged a management fee for pension board advice, and pension management and asset management activities. In general, the fees for pension board advice and pension management activities are based on a fixed amount for each standard, insured person. The fees for asset management involve a fee for services related to strategic investment advice, fiduciary management, asset management and risk management. The fees for these services consist of a fixed annual fee.

### Management fees investment funds

The management fee relates to a fee for each fund in base points calculated over the invested assets of the relevant funds.

## Other revenue

	2016	2015
Revenue from members	498	115
Other revenue	44	2,599
<b>Total</b>	<b>542</b>	<b>2,714</b>

## Revenue from members

The revenue from members activities consists of payments for organising paid activities for PGGM members. In addition, in 2016 there is a fixed remuneration from PFZW for the mortgage-related communication, which will be closed via Attens.

# 16 Costs of outsourced work and other external expenses

	2016	2015
External personnel	35,911	38,400
Consultancy fees	5,801	7,998
Outsourcing of administration	1,295	1,324
Other service bureaus	806	1,009
<b>Total</b>	<b>43,813</b>	<b>48,731</b>

# 17 Personnel expenses

	2016	2015
Salaries	111,871	111,286
Pension costs	12,945	12,615
Social security costs	11,733	11,640
Other employee expenses	16,936	14,610
<b>Total</b>	<b>153,485</b>	<b>150,151</b>

On the basis of full-time equivalents, the average number of employees at year-end was as follows:

	<b>2016</b>	<b>2015</b>
Institutional Business	138	127
Pension Management	397	517
Asset Management	329	343
Members organisation PGGM&CO	13	25
Information, Finance, Control	349	214
Corporate Staff	96	85
<b>Total</b>	<b>1,322</b>	<b>1,311</b>

### Employee pension scheme of PGGM N.V.

Employee pension scheme of PGGM N.V. is incorporated into the PFZW industry-wide pension fund. The retirement pension is a defined benefit plan on the basis of the (conditionally) indexed average salary. Indexation of the retirement benefits depends on the financial position of the pension fund.

The premium due to the pension fund is recognised in the income statement as an expense, and, if this premium has not yet been paid to the pension fund, it is accounted for as a liability in the balance sheet.

PGGM N.V. is not obliged to pay additional contributions in the event of a shortfall in the fund, other than to meet any higher future premium contributions.

### Remuneration of executive and supervisory directors

The total remuneration of the members of the Executive Board is as follows:

	<b>2016</b>			<b>2015</b>		
	<i>Fixed remuneration</i>	<i>Pension and social security costs</i>	<i>Total</i>	<i>Fixed remuneration</i>	<i>Pension and social security costs</i>	<i>Total</i>
E.F. Bos	482	26	508	476	26	502
PA.M. Boomkamp*	421	26	447	127	8	135
PA.M. Loven**	-	-	-	273	17	290
<b>Total</b>	<b>903</b>	<b>52</b>	<b>955</b>	<b>876</b>	<b>51</b>	<b>927</b>

\* As of 1 September 2015

\*\* Till 31 Augustus 2015

Please see the Annual Report for a more detailed explanation of remuneration of the Executive Board.

Each member of the Supervisory Board receives an annual fee of € 28,392 (2015: € 28,111). The chairman receives a fee of € 32,840 (2015: € 32,516). These fees include travel expenses and work undertaken for the Audit, Risk and Compliance Committee and the Remuneration, Selection and Appointments Committee, and are exclusive of VAT. In 2016, the total remuneration of the Supervisory Board was € 171,718 exclusive of VAT (2015: € 166,466). In 2016, the fees paid to the Supervisory Board were indexed by 1% effective as at 1 January 2016.

No loans, advances or guarantees were provided to the members of either the Executive or Supervisory Board.

## 18 Depreciation/amortisation and impairment of tangible and intangible fixed assets

	2016	2015
Amortisation of intangible fixed assets	16,019	7,798
Depreciation of tangible fixed assets	5,929	6,079
Impairment of tangible fixed assets	-	18
<b>Total</b>	<b>21,948</b>	<b>13,895</b>

## 19 Other operating expenses

	2016	2015
Accommodation costs	4,051	4,997
IT costs	18,829	17,992
Marketing expenses	5,671	6,340
Other expenses	13,839	31,137
<b>Total</b>	<b>42,390</b>	<b>60,466</b>

### Other expenses

The decrease is mainly due to incidental costs due to the sale of life insurance activities in 2015 of € 22.1 million.

## 20 Investment results

	2016	2015
Direct revenue	10	20
<b>Total borrowings</b>	<b>10</b>	<b>20</b>
Direct revenue	-	16,429
<b>Bonds and debentures total</b>	<b>-</b>	<b>16,429</b>
Direct revenue	-	-14
<b>Total money market investments</b>	<b>-</b>	<b>-14</b>
Direct revenue	125	709
Indirect revenue	-	1
<b>Shares total</b>	<b>125</b>	<b>710</b>
Direct revenue	135	17,144
Indirect revenue	-	1
<b>Total</b>	<b>135</b>	<b>17,145</b>

The decrease is due to the sale of life insurance activities in 2015. At the end of 2016, PGGM has no longer any investments on its balance sheet. The result for 2016 relates to the remaining results from the previous year's investments.

## 21 Financial income

	2016	2015
Other financial income	-	12
<b>Total</b>	<b>-</b>	<b>12</b>

## 22 Financial expenses

	2016	2015
Other financial expenses	-239	-154
<b>Total</b>	<b>-239</b>	<b>-154</b>

Other financial expenses mainly concern the paid credit interest rate in 2016.

## 23 Taxes

	2016	2015
Acute tax expense	935	-14,404
Change in deferred tax assets	-351	18,863
Change in deferred tax liabilities	-40	-2,081
<b>Totaal</b>	<b>544</b>	<b>2,378</b>
Nominal tax liability	25.00%	25.00%
Non-taxable revenue and expenses	4.08%	28.68%
<b>Effective tax liability</b>	<b>29.08%</b>	<b>53.68%</b>

## 24 Transactions with related parties

Transactions with related parties are said to exist when there is a relationship between the company, its participating interests and their board members and management.

There were no transactions with related parties which were not conducted at arm's length.

## 25 Auditor's fees

Pursuant to Book 2 Section 382a sub 3 of the Dutch Civil Code, please refer to the Financial Statements of PGGM Coöperatie U.A. for an explanation of the auditor's fees.

## 26 Events after the balance sheet date

There have been no relevant events after the balance sheet date.

## 27 Risk Management

For the implementation of Enterprise Risk Management, we use the PGGM risk framework to structurally provide insight into risks, monitor risks and report on risks. The PGGM risk framework is based on the COSO II Enterprise Risk Management (COSO ERM) method which is accepted internationally as the standard. Applying COSO ERM ensures that, throughout our organisation, the risks are clearly controlled in the most efficient and effective way possible. The generally accepted 'three lines of defence model' forms part of the governance. In this model, the line management (first line), Finance & Control and Risk & Compliance departments (second line) and Internal Audit (third line) all have their own responsibility. The Executive Committee (EC) has ultimate responsibility for risk management in our organisation.

Within risk management, we distinguish between the risks run by our institutional clients directly in terms of their own investments and the risks faced by the organisation. This chapter addresses the risks faced by our organisation in relation to solvency, the market, currency, the interest rate, credit, liquidity and insurance. The Annual Report provides more detailed information about PGGM's risk management process, the key risks and uncertainties and the management and developments in 2016.

### Solvency risk

PGGM is subject to the conditions of the Wft and is regarded as a financial conglomerate; PGGM N.V. is a mixed financial holding company. Under this law, requirements are stipulated for capital adequacy. PGGM has opted to use the method whereby the capital adequacy is calculated on the basis of the difference between the equity of the financial conglomerate and the sum of the solvency requirements of the group divisions. On this basis, PGGM complies with the statutory requirements.

The supervisory authorities have imposed a solvency requirement on PGGM Vermogensbeheer B.V., PGGM Treasury B.V. and PGGM Strategic Advisory Services B.V.

The existing and required solvency positions at the group level are as follows.

<b>Solvency</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Total equity	206,850	200,563
Statutory requirement	35,607	32,391
<b>Surplus</b>	<b>171,243</b>	<b>168,172</b>

The existing and required solvency positions of PGGM Vermogensbeheer are shown below.

<b>Solvency</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Qualifying capital	58,306	36,742
Statutory requirement	34,855	31,884
<b>Surplus</b>	<b>23,451</b>	<b>4,858</b>

The existing and required solvency positions of PGGM Treasury B.V. are shown below.

<b>Solvency</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Qualifying capital	1,068	1,068
Statutory requirement	702	457
<b>Surplus</b>	<b>366</b>	<b>611</b>

The existing and required solvency positions of PGGM Strategic Advisory Services B.V. are shown below.

<b>Solvency</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Qualifying capital	11,629	9,511
Statutory requirement	50	50
<b>Surplus</b>	<b>11,579</b>	<b>9,461</b>

### Market risk

The market risk is the price risk of a fall in the value of the investments due to a change in market factors. All life insurance activities were sold in 2015 and PGGM holds virtually no investments any longer. The market risk is therefore negligible.

### Currency risk

The currency risk is the risk that the value of an investment will fall as a result of changes in exchange rates. All life insurance activities were sold in 2015 and PGGM holds virtually no investments any longer. The currency risk is therefore negligible.

### Interest rate risk

The interest rate risk is the risk that the balance of the value of bonds, debentures and loans changes as a result of changes in market rates. All life insurance activities were sold in 2015 and PGGM holds virtually no bonds, debentures or loans. The interest rate risk is therefore negligible.



### Credit risk

The credit risk is defined as the risk that counterparties are unable to fulfil their contractual obligations. This concerns other participating interests, loans, receivables, including accounts receivable and cash. In respect of the bad debts risk, this primarily relates to the management fees due which are laid down in the Service Level Agreements that PGGM has concluded with its clients. Since PGGM's clients are Dutch pension funds, the risk as a consequence of bankruptcy is low. The credit risk is also controlled by means of a strict accounts receivable policy.

PGGM has a policy concerning the retention of cash. As a result of this policy, PGGM holds its cash exclusively at major Dutch banks. PGGM continuously assesses this policy and has classified this credit risk as minor.

### Liquidity risk

The liquidity risk (including the cash flow risks) is the risk that the volume and the timing of cash flows within approximately one year are not adequately matched, whereby a shortfall of liquid assets cannot be (easily) compensated. PGGM N.V. has a credit facility of € 150 million with PFZW which is more than sufficient to manage this risk.

### Concentration risk

PGGM runs a concentration risk when it is dependent on providing services to a single client. PGGM is exposed to concentration risk due to the relative importance of its largest client. This risk is mitigated by fleshing out this strategic partnership in constant dialogue with the largest client and by pursuing active stakeholder management.

# Company Financial Statements

2016



# Company balance sheet as at 31 December 2016

(before profit appropriation)

(amounts in thousands of euros)

	<i>Ref.</i>	<i>31 December 2016</i>	<i>31 December 2015</i>
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible fixed assets	<b>28</b>	45,308	59,990
Tangible fixed assets		91,557	89,185
Financial fixed assets	<b>29</b>	121,976	140,224
<b>Total fixed assets</b>		<b>258,841</b>	<b>289,399</b>
<b>Current assets</b>			
Receivables	<b>30</b>	38,824	52,487
Cash	<b>31</b>	9,080	9,858
<b>Total current assets</b>		<b>47,904</b>	<b>62,345</b>
<b>Total assets</b>		<b>306,745</b>	<b>351,744</b>
<b>Liabilities</b>			
<b>Equity</b>			
Paid and called-up capital	<b>32</b>	200	200
Statutory reserve		5,664	704
Share premium reserve		158,712	158,712
Other reserves		40,947	38,895
Unappropriated profit		1,327	2,052
<b>Total equity</b>		<b>206,850</b>	<b>200,563</b>
<b>Provisions</b>			
Taxes	<b>36</b>	-	-
Other provisions		12,723	7,522
<b>Total provisions</b>		<b>12,723</b>	<b>7,522</b>
<b>Current liabilities</b>	<b>33</b>	87,172	143,659
<b>Total liabilities</b>		<b>306,745</b>	<b>351,744</b>

# Company income statement for 2016

(amounts in thousands of euros)

	<b>Ref.</b>	<b>2016</b>	<b>2015</b>
Result of participating interests		15,261	4,545
Other results after tax	<b>34</b>	-13,934	-2,493
<b>Profit after tax</b>		<b>1,327</b>	<b>2,052</b>

# Notes to the company financial statements

2016



The company financial statements form part of PGGM N.V.'s 2016 Consolidated Financial Statements. In respect of the company's separate income statement use is made of the exemption by virtue of Book 2, section 402, of the Dutch Civil Code. Please refer to the notes to the consolidated balance sheet and consolidated income statement for items in the company balance sheet and the company income statement not specifically addressed below.

## 28 Intangible fixed assets

The intangible fixed assets are further explained in the notes to the balance sheet in the consolidated financial statements. In this context, the categories goodwill (entirely) and software (partially) at a carrying amount of € 45.3 million as at 31 December 2016 (31 December 2015: € 60.0 million) relate to PGGM N.V.

## 29 Financial fixed assets

	<b>31 December 2016</b>	<b>31 December 2015</b>
Participating interests	104,425	124,003
Active deferred taxes	15,211	16,221
Subordinate loan GPF	2,340	-
<b>Participating interests</b>	<b>121,976</b>	<b>140,224</b>
<b>Balance as of 1 January</b>	<b>124,003</b>	<b>97,458</b>
Legal merger PGGM Levensverzekeringen N.V. and A&O Services B.V.	-38,839	-
Paid-in share premium	4,000	22,000
Result of participating interests	15,261	4,545
<b>Balance as of 31 December</b>	<b>104,425</b>	<b>124,003</b>

## Result of participating interests

The balance relates to the following participating interests:

Result of participating interests		
Name	Place of business	Share in Subscribed Capital
PGGM Financiële Services B.V.	Zeist, the Netherlands	100%
PGGM Strategic Advisory Services B.V.	Zeist, the Netherlands	100%
PGGM Pensioenbeheer B.V.	Zeist, the Netherlands	100%
PGGM UFO B.V.	Zeist, the Netherlands	100%
PGGM Vermogensbeheer B.V.	Zeist, the Netherlands	100%
PGGM Services B.V.	Zeist, the Netherlands	100%

## Active deferred taxes

Active deferred taxes relate to temporary fiscal and commercial valuation differences in respect of goodwill.

# 30 Receivables

	31 December 2016	31 December 2015
Receivables from group companies	34,404	45,233
Accounts receivable	477	804
Other receivables, prepayments and accrued income	3,943	6,451
<b>Total</b>	<b>38,824</b>	<b>52,488</b>

The remaining term of the receivables is less than one year.

## Receivables from group companies

	31 December 2016	31 December 2015
PGGM Vermogensbeheer B.V.	16,786	14,048
PGGM Coöperatie U.A.	1,283	11,664
PGGM Pensioenbeheer B.V.	12,202	12,093
PGGM UFO B.V.	779	2,738
PGGM Services B.V.	126	1,724
PGGM Levensverzekeringen N.V.	-	24
PGGM Strategic Advisory Services B.V.	2,960	1,370
PGGM Financiële Services B.V.	268	1,451
PGGM Treasury B.V.	-	6
A&O Services B.V.	-	115
<b>Total</b>	<b>34,404</b>	<b>45,233</b>

No interest is charged on the receivables from group companies.

## Other receivables, prepayments and accrued income

The other receivables, prepayments and accrued income as at 31 December 2016 consist primarily of prepaid expenses.

## 31 Cash

Cash relates to credit balances which are held in Dutch credit institutions. An amount of € 8.2 million of the cash is not freely available (2015: 8.2 million). This concerns the balance of a blocked account retained in relation to the sale of the life insurance activities.

## 32 Equity

	<i>Paid and Called-up Capital</i>	<i>Statutory Reserve</i>	<i>Share Premium Reserves</i>	<i>Other Reserves</i>	<i>Undistributed Profit</i>	<i>Total</i>
<b>Balance as at 1 January 2015</b>	<b>200</b>	<b>376</b>	<b>158,712</b>	<b>71,821</b>	<b>-24,596</b>	<b>206,513</b>
Change of accounting principles as of 1 January 2016	-	-371	-	-8,330	-	-8,701
<b>Balance as at 1 January 2015 after change of accounting principles</b>	<b>200</b>	<b>5</b>	<b>158,712</b>	<b>63,491</b>	<b>-24,596</b>	<b>197,812</b>
Sustainable value change						
Tangible fixed assets	-	699	-	-	-	699
Appropriation of profit for 2014	-	-	-	-24,596	24,596	-
Profit for 2015	-	-	-	-	2,052	2,052
<b>Balance as at 1 January 2016</b>	<b>200</b>	<b>704</b>	<b>158,712</b>	<b>38,895</b>	<b>2,052</b>	<b>200,563</b>
Change of accounting principles	-	-	-	-	-	-
Sustainable value change						
Tangible fixed assets	-	4,960	-	-	-	4,960
Appropriation of profit for 2015	-	-	-	2,052	-2,052	-
Profit for 2016	-	-	-	-	1,327	1,327
<b>Balance as at 31 December 2016</b>	<b>200</b>	<b>5,664</b>	<b>158,712</b>	<b>40,947</b>	<b>1,327</b>	<b>206,850</b>

The authorised capital is € 1 million (2015: € 1 million), consisting of 1,000 shares, each with a nominal value of € 1,000. As at 31 December 2016, 200 shares were subscribed and paid up.

The movement in statutory reserves in 2016 primarily relates to the movement in the revaluation reserve for buildings and land due to the reappraisal at year-end of 2016.

### Undistributed profit

The net profit of 2016 is part of the Undistributed Profit of equity.

### Proposal for profit appropriation

The General Meeting of Shareholders is proposed that the net profit for 2016 to be credited to the other reserves.



## 33 Current liabilities

	31 December 2016	31 December 2015
Amounts owed to credit institutions	69,560	79,634
Taxes and social security contributions	4,547	6,109
Accounts payable	5,317	3,935
Outstanding pension payments	296	294
Schulden uit directe verzekeringen aan verzekeringsnemers	160	-
Other payables	-	12,000
Advance payments	2	-
Accruals and deferred income	7,290	41,688
<b>Total</b>	<b>87,172</b>	<b>143,660</b>

The current liabilities all have a remaining term of less than one year.

### Amounts owed to credit institutions

Amounts owed to credit institutions are debts held with Dutch credit institutions.

### Taxes and social security contributions

The taxes and social security contributions relate to outstanding taxes and social security costs. No interest is charged on the amounts owed to group companies.

### Other payables

The withdrawal of a € 12 million credit facility from PFZW at the end of the year is early 2016 fully redeemed.

### Accruals and deferred income

The decrease in 2016 is mainly due to the payment of goodwill (€ 32.7 million) in early 2016 due to the acquisition of the service organization by PGGM Coöperatie U.A. In 2008.

## 34 Other result after tax

Other results after tax relate to:

	<b>2016</b>	<b>2015</b>
Amortisation of intangible fixed assets	-14,895	-6,488
Integration levy (integratieheffing)	-	2,297
Donation Volo	2,940	-
Other revenue and operating expenses	-73,187	-69,236
Charged-on operating expenses	66,664	70,003
Taxes	4,544	931
<b>Total</b>	<b>-13,934</b>	<b>-2,493</b>

Zeist 18 April 2017

## Executive Board

Ms E.F. Bos (chairman)

Dr P.A.M. Boomkamp

## Supervisory Board

Mr H. (Herman) de Boon, chairman

Ms M.R. (Miriam) van Dongen

Ms W.E.L. (Wanda) van Kerkvoorden

Mr H.M.L.M. (Eric) de Macker

Mr W.H. (Wim) de Weijer MHA, deputy chairman

# Other information



# Independent auditor's report

To: the General Meeting and the Supervisory Board of PGGM N.V.

## Report on the accompanying financial statements 2016

### Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of PGGM N.V. as at 31 December 2016, and of its result and its cash flows for 2016 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

### What we have audited

We have audited the financial statements 2016 of PGGM N.V., based in Zeist. The financial statements include the consolidated financial statements and the company financial statements.

The financial statements comprise:

- 1 the consolidated and company balance sheet as at 31 December 2016;
- 2 the consolidated and company profit and loss account for 2016;
- 3 the consolidated cash flow statement for 2016; and
- 4 the notes comprising a summary of the accounting policies and other explanatory information.

### Basis for our opinion

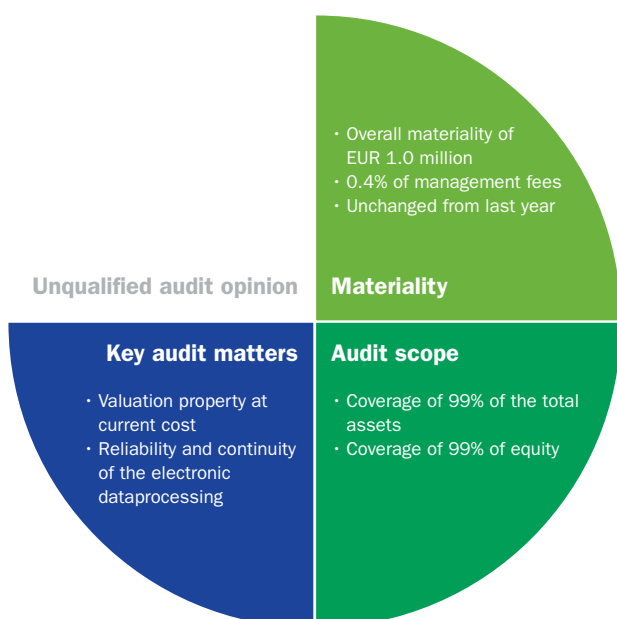
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of PGGM N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Audit approach

#### Summary



**Materiality**

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 1.0 million (2015: EUR 1.0 million). The materiality is determined with reference to the management fees (0.4% thereof, 2015: 0.4%). We consider management fees as the most appropriate benchmark as it demonstrates the nature and scope of the business. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that uncorrected misstatements in excess of EUR 50,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

**Scope of the group audit**

PGGM N.V. is head of a group of entities. The financial information of this group is included in the financial statements of PGGM N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities. Significant group entities for 2016 are PGGM Pensioenbeheer B.V., PGGM Vermogensbeheer B.V., PGGM Treasury B.V. and PGGM Strategic Advisory Services B.V. We have performed audit procedures ourselves at group entities.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

**Our key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Description

PGGM N.V. values the property based on the accounting principle fair value, which is the lowest of the current cost and the recoverable amount. Until 1 January 2016, the replacement value was a permitted measurement basis when applying fair value. Due to an amendment in the 'Besluit Actuele Waarde' and 'Richtlijn voor de Jaarverslaggeving 212 Materiële vaste activa', replacement value is no longer a permitted measurement basis. PGGM N.V. has opted for current cost as the basis for the fair value. Current cost is, according to article 2 of the 'Besluit Actuele Waarde', the price at which the asset could be purchased or produced at the balance sheet date, plus the cost to make the asset operational and less depreciation. Taken all facts and circumstances into consideration, PGGM N.V. decided to apply the current cost as basis for the fair value.



The adoption of current cost is a change in accounting principles in accordance with 'Richtlijn voor de Jaarverslaggeving 140 Stelselwijzigingen'. The change in accounting principles is effective per 1 January 2016, whereby the comparative figures for 2015 have been adjusted. Refer to note 3 and 5 of the financial statements for a description of the change in accounting principles.

In view of the nature of the change in accounting principle and the impact for the valuation of the property of PGGM N.V., we consider this as a key matter in our audit.

### Our response

PGGM N.V. made an analysis of the amendment in the 'Besluit Actuele Waarde' (dated 14 June 2015) and 'Richtlijn voor de Jaarverslaggeving 212 Materiële vaste activa' and the impact on the valuation of the property in the financial statements 2016. The assumptions for the valuation of the property are adjusted to comply with the amended financial reporting standard. Since the determination of current cost is highly dependent on the input variables of the market, PGGM N.V. has engaged an independent external appraiser to assist them with the determination of the current cost of the property.



We assessed the analysis of PGGM N.V. and the appraisal report of the independent appraiser and determined that the change in accounting principles (current cost) complies with the financial reporting standard. Furthermore, we determined that the disclosure of the change in accounting principle in the financial statements complies with the financial reporting standard. In order to verify the valuation of the property, we evaluated the independence of the external appraiser, who is engaged by PGGM N.V., reviewed the assumptions applied by PGGM N.V. and the expected cash flows, the appraisal report and involved our internal valuation specialist to assess the valuation method and valuation parameters as applied by PGGM N.V.

### Our observation

The accounting principles of the property and the recognition of and disclosures with respect to the change in accounting principles in the financial statements comply with the financial reporting standard. We determined that the valuation method applied by PGGM N.V. is reasonable and that the applied valuation parameters are within our expected range.



## Reliability and continuity of the electronic data processing

### Description

The core activities of the group entities rely to a large extent on electronic data processing. Due to their nature, the core activities are highly dependent on the reliable and continuous operation of the IT infrastructure, which consequently is a prerequisite to be able to effectively serve the company's clients. The reliability and continuity of the electronic data processing consequently forms a key matter in our audit this year as well.



### Our response

We have assessed the reliability and continuity of the electronic data processing in the context of our audit of the financial statements. We have included specialist IT auditors in our audit team for this purpose.

Our work consisted, inter alia, of:

- assessing IT infrastructure-related developments;
- reviewing the internal audits conducted by PGGM N.V. in particular those focused on general IT controls and IT application controls and ascertaining the impact thereof on our audit strategy;
- testing the internal control measures that were relevant to our audit related to IT systems and processes, for example in relation to the payment process, authorisation management and IT security.



### Our observation

Our procedures related to the configuration, existence and operation of the IT systems in the context of the audit of PGGM N.V.'s financial statements did not reveal any significant findings in terms of the reliability and continuity of the electronic data processing.



## Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- foreword;
- about PGGM;
- key figures;
- directors' report;
- in control statement;
- general;
- report of the Supervisory Board;
- other information;
- statutory provisions governing the appropriation of the result;
- appendix: ancillary positions held by members of the Supervisory Board;
- appendix: Supervisory Board retirement schedule;
- appendix: report on the remuneration of the PGGM N.V. Executive Board;
- appendix: ancillary positions held by members of the Executive Board;
- definitions.

Based on the below procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Netherlands Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.



By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Netherlands Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code and other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code

## Description of the responsibilities for the financial statements

### **Responsibilities of the Executive Board and the Supervisory Board for the financial statements**

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

### **Our responsibilities for the audit of financial statements**

Our objective is to plan and perform the audit to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during the audit.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

For a further description of our responsibilities in respect of an audit of financial statements we refer to the website of the professional body for accountants in the Netherlands (NBA).

[www.nba.nl/Engels\\_nietoob\\_2016](http://www.nba.nl/Engels_nietoob_2016)

Utrecht, 18 april 2017  
KPMG Accountants N.V.

A.J.H. Reijns RA

# Statutory provisions governing the appropriation of the result

Article 35 of the Articles of Association reads as follows:

- 35.1 Distribution of profits shall be made following the adoption of the annual accounts which show that such distribution is allowed.
- 35.2 The profits shall be at the free disposal of the general meeting.
- 35.3 Without prejudice to article 35.4, the general meeting shall be authorised to resolve to make a distribution out of reserves.
- 35.4 The company may only make distributions to the shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the aggregate amount of the issued share capital and the reserves which must be maintained pursuant to the law.
- 35.5 The company may make interim distributions provided that the requirement of article 35.4 has been met as evidenced by an interim financial statement as referred to in section 2:105 subsection 4 of the Civil Code.
- 35.6 Shares which the company holds in its own share capital shall not be counted when determining the division of the amount to be distributed on shares.
- 35.7 A loss may only be applied against reserves maintained pursuant to the law to the extent permitted by law.

## Address

PGGM N.V.

Noordweg Noord 150  
3704 JG Zeist, The Netherlands

PO Box 117

3700 AC Zeist, The Netherlands

Telephone: +31 (0)30 277 99 11

Website: [www.pggm.nl](http://www.pggm.nl)

Utrecht Chamber of Commerce registration number: 30228472

## Executive Board\*

Ms E.F. (Else) Bos (Chairman)

Chief Executive Officer (CEO)

Dr P.A.M. (Paul) Boomkamp

Chief Financial & Risk Officer (CFRO)

## Auditor

KPMG Accountants N.V.

PO Box 43004

3540 AA Utrecht, The Netherlands

## Information

For any questions or comments about this Annual Report, please contact us or send us your comments to

PGGM Corporate Communications

Tel.: +31 (0)30 277 97 35

The annual report of PGGM N.V. is published on 17 May 2017.

\* The Executive Committee (EC) is responsible for the day-to-day management of PGGM N.V. The EC comprises the officers responsible for the company's business units and its subsidiaries. The EC is chaired by the Chief Executive Officer (CEO), who together with the Chief Financial Risk Officer (Vice-chairman) makes up the Executive Board.

# Appendix: Ancillary positions held by members of the Supervisory Board

## Ancillary positions of Mr H. (Herman) de Boon (chairman)

Date of birth: 23 September 1946  
Nationality: Dutch  
Current position: HDB2002 B.V., a portfolio of executive and supervisory positions

### Executive and supervisory positions

DGA HDB2002 B.V.  
Chairman of the Supervisory Board of PGGM N.V.  
Chairman of the Supervisory Board of Holding Trobas B.V.  
Chairman of the Supervisory Board of Best Fresh Group B.V.  
Chairman of the Supervisory Board of CC Containercentralen A/S (Denmark)  
Member of the Supervisory Board of Zorggroep Charim (Charim Healthcare Group)  
President Union Fleurs International Flower Trade Association  
Member of the Executive Board of Stichting Historie der Techniek (Foundation for the History of Technology)  
Member of the Supervisory Board of Stichting Transactieland.nl  
Member of the Supervisory Board of Stichting Dutch Refinery Cluster Foundation  
Chairman of the Board of Stichting Biobased Delta  
Chairman of the Board Vereniging Groothandel Bloemkwekerijproducten (until 1-6-2016)  
Member of the Executive Board of Greenport Holland  
Member of the Supervisory Board of the Dutch Horticulture Trade Board Foundation (until 1-3-2016)  
Chairman of the Board of Kenniscentrum Plantcentrum

## Ancillary positions of Ms M.R. (Miriam) van Dongen

Date of birth: 16 April 1969  
Nationality: Dutch

### Executive and supervisory positions

Member of the Supervisory Board of PGGM N.V.  
Member of the Supervisory Board of CB (previously Centraal Boekhuis) and Chairman of the Audit Committee  
Member of the Executive Board of the Stichting de Bron  
Member of the Supervisory Board of Vivat Verzekeringen N.V., Chairman of the Audit Committee, member of the Risk Committee, member of the Remuneration and Appointments Committee  
Member of the Supervisory Board of Optiver Holding B.V.  
Member of the Supervisory Board of Nierstichting Nederland and chairman of the Audit Committee (until 1-8-2016)

## Ancillary positions of Mr M.W. (Maarten) Dijkshoorn AAG

Date of birth: 13 July 1950  
Nationality: Dutch  
Current position: Director of Bente Vooruit B.V.; a portfolio of executive and supervisory positions

### Executive and supervisory positions

Member of the Supervisory Board of PGGM N.V. (until 31-12-2016)  
Chairman of the Supervisory Board of De Goudse Verzekeringen  
Member of the Supervisory Board of MediRisk  
Chairman of the Supervisory Board of Vivat N.V., member of the remuneration and nomination committee (as of 23-12-2016)  
Member of the Supervisory Board of Monuta  
Member of the board of liquidators of the Pensioenfonds Stork

### Other ancillary positions

Director of MartAnSa B.V.

### Ancillary positions Ms W.E.L. (Wanda) van Kerkvoorden, LL.M

Date of birth: 22 January 1968  
Nationality: Dutch  
Current position: Managing Partner SOLV Advocaten, Director of Van Kerkvoorden Beheer B.V.,  
a portfolio of executive and supervisory positions

#### **Executive and supervisory positions**

Member of the Supervisory Board of PGGM N.V.  
Lecturer and examiner ICT Law, Grotius Academy  
Guest lecturer at the Universities of Amsterdam, Leiden and Tilburg  
Chairman of the Supervisory Board of the merged organisation BNN-VARA  
Participant Dock Ventures B.V.

### Ancillary positions of Mr H.M.L.M. (Eric) de Macker, LL.M

Date of birth: 23 May 1960  
Nationality: Dutch  
Remunerated position: Management Consultant CNV Connectief

#### **Executive and supervisory positions**

Member of the Supervisory Board of PGGM N.V.  
Member of the Supervisory Board of the Stichting Rivierduinen GGZ  
Member of the Advisory Council of the Stichting CNV Connectief (until 31-12-2016)  
Member of the Advisory Council of the Nederlandse Vereniging van Arbeidsdeskundige  
Member of the Executive Board of Stichting Nationaal Register  
Member of the Advisory Council of Stichting CNV Internationaal  
Member of the Executive Committee of Regionaal werkbedrijf Rotterdam Rijnmond  
Member of the Executive Committee of Regionaal werkbedrijf Midden Holland

### Ancillary positions of Mr W.H. (Wim) de Weijer MHA

Date of birth: 13 November 1953  
Nationality: Dutch  
Current position: Director Advies B.V. 'W. de Weijer, Management Consultant',  
a portfolio of executive and supervisory functions

#### **Executive and supervisory positions**

Chairman of the Supervisory Board (supervisory director of participations) on behalf of NPM Capital at Wielco B.V.  
(Medux B.V., Top Care B.V., Focus Cura B.V.)  
Member of the Supervisory Board of PGGM N.V.  
Chairman of the Supervisory Board Achmea Zorgverzekeringen N.V. (Zilveren Kruis Achmea Ziektekostenverzekeringen,  
Zilveren Kruis Achmea Zorgverzekeringen, Interpolis Zorgverzekeringen, Avéro Achmea Zorgverzekeringen and OZF Achmea  
Zorgverzekeringen)  
Member of the Supervisory Board of Holding ADG (Asito Dienstengroep)  
Member of the Supervisory Board of Domuncula B.V. (Dagelijks Leven B.V. and the Gastenhuis B.V.)  
Member of the Executive Committee Stichting Kinderopvang NH  
Member of the Supervisory Board of FBTO zorgverzekeringen N.V. and the Friesland Zorgverzekeraar (until 1-7-2016)  
Member of the Supervisory Board of Zorggroep De Laren (until 1-7-2016)  
Chairman PFZW – PGGM Relations Work Group 2

# Appendix: Supervisory Board Retirement Schedule

Supervisory Board Retirement Schedule			
Name	Datum benoeming	Date of First Reappointment	End of Term of Appointment
Mr H. (Herman) de Boon ( <i>Chairman</i> )	28 September 2007	28 September 2011	17 May 2017*
Ms M.R. (Miriam) van Dongen	13 June 2013	13 June 2017	13 June 2021
Ms W.E.L. (Wanda) van Kerkvoorden, LLM	30 August 2010	30 August 2011	30 August 2018
Mr H.M.L.M. de Macker, LLM	1 October 2015	1 October 2019	1 October 2023
Mr W.H. (Wim) de Weijer MHA ( <i>Vice-chairman</i> )	20 July 2007	20 July 2011	20 July 2019*

The members of the Supervisory Board shall be appointed or reappointed for a maximum period of four years; after which they will be eligible for reappointment, under the understanding that no member may remain on the board for more than eight years.

\* On 4 December 2015, the shareholder decided to amend the maximum term of appointment from twelve to eight years (two times four years), with due consideration to a transition period for incumbent supervisory directors with a term of appointment longer than eight years

# Appendix: Report on the remuneration of the PGGM N.V. Executive Board

## Introduction

This report concerns the remuneration of the members of the Executive Board. The report first describes the vision underlying the remuneration policy for the members of the Executive Board. The report then covers the 2016 remuneration package for the members of the Executive Board.

## Vision for the remuneration policy

The remuneration policy for the Executive Board is adopted by the General Meeting of Shareholders after a proposal from the Supervisory Board.

The objective of the remuneration policy is to attract, retain and motivate qualified members to the Executive Board. Our aim is to have a transparent and responsible remuneration policy: fair remuneration for measurable performance. In addition to the realisation of objectives, the way in which performance is achieved (competencies and values) is also taken into account in assessments and consequently in the remuneration. In terms of policy and implementation, our remuneration policy is consistent with our culture, our core values (decisive, open and honest, pioneering, respect for people and the environment) and our core qualities (professional, continued improvement, entice, bind, account).

The members of the Executive Board are appointed by the Supervisory Board after consulting the shareholder. Effective from 2013, the Executive Board comprises two members. The members of the Executive Board are appointed for a four-year term, with the option of reappointment.

The chairman of the Executive Board (CEO), Ms E.F. (Else) Bos, was appointed to her position as of 30 July 2013. Mr P.A.M. (Paul) Boomkamp was appointed as a member of the Executive Board in the position of CFRO effective 1 September 2015. The remuneration policy for the members of the Executive Board is in accordance with laws and regulations governing remuneration and is additionally in accordance with the best practice provisions of the Dutch Corporate Governance Code.

## Executive Board remuneration package

The total remuneration package of the members of the Executive Board consists of salary, pension and social security contributions. The members of the Executive Board are not entitled to variable remuneration.

Members are not provided with remuneration in the form of shares, options, et cetera. The annual remuneration package is set by the Supervisory Board.

## Salary

The salary of the members of the Executive Board is based on the market profile of the remuneration of executive directors at a similar level, with due consideration for PGGM's positioning. The salary is adjusted each year in accordance with the average of the percentages and amounts by which salaries were adjusted in the previous calendar year pursuant to three collective labour agreements (Hospital Sector, Insurance Industry, Banking Business). Effective 1 January 2016, the salary increased by 1.2% in comparison to 2015.

The salary for both members of the Executive Board is based on a rating according to the Hay classification; the job level of the chairman is one level higher. In autumn 2015, a benchmark was performed for the remuneration of the members of the Executive Committee. It emerged that the CFRO's salary was well below the median in the benchmark. For this reason, he was granted an extra salary increase of € 30,000 on annual basis with effect from 1 January 2016.

The fixed salaries and other remuneration components are included in the summary below.

The pension and social security contributions are in accordance with the CLA.

The total remuneration of the members of the Executive Board is as follows:

Remuneration of the Executive Board in 2016						
	2016			2015		
	Fixed remuneration (* € 1,000)	Pension and social security costs (* € 1,000)	Total (* € 1,000)	Fixed remuneration (* € 1,000)	Pension and social security costs (* € 1,000)	Total (* € 1,000)
Ms E.F. Bos	482	26	508	476	26	502
Mr P.A.M. Boomkamp *)	421	26	447	127	8	135
Mr P.A.M. Loven **)	-	-	-	273	17	290
<b>Total</b>	<b>903</b>	<b>52</b>	<b>955</b>	<b>876</b>	<b>51</b>	<b>927</b>

\*) From 1 September 2015

\*\* ) Till 31 August 2015

Each member of the Supervisory Board receives an annual fee of € 28,392 (2015: € 28,111). The fee paid to the chairman of the Supervisory Board is € 32,840 (2015: € 32,516). These fees include travel expenses and work undertaken for the Audit Committee and the Remuneration, Selection and Appointments Committee, and are exclusive of VAT. In 2016, the total remuneration of the Supervisory Board was € 171,718, exclusive of VAT (2015: € 166,466). The remuneration of the Supervisory Board follows the increase agreed in the collective labour agreement for PGGM employees and was indexed by 1% in 2016, as of 1 January 2016.

No loans, advances or guarantees have been provided to the members of either the Executive or Supervisory Board.



# Appendix: Ancillary Positions held by Members of the Executive Board

## Ancillary positions of Ms E.F. (Else) Bos

Date of birth: 24 November 1959  
Nationality: Dutch

### Current position

Chief Executive Officer (CEO) of PGGM N.V. As at 06-03-2013

### Other positions

Member of the Supervisory Board of PGGM Vermogensbeheer B.V. As at 01-04-2014  
Member of the Supervisory Board and member of the Audit and Risk Committee Nederlandse Waterschapsbank (NWB) As at 24-04-2008 (until 01-04-2016)  
Member of the Supervisory Board of the National Opera & Ballet Foundation and chairman of the financial commission As at 01-05-2012  
Member of the Supervisory Board of the Netspar Foundation As at 01-06-2013  
Non-executive member of the Executive Board of Sustainalytics Holding B.V. As at 01-01-2010  
Member of the Board of the Rotman ICPM Centre – Canada As at 01-01-2010  
Member of the Corporate Governance Code Monitoring Committee As at 29-11-2013  
Member of the Board of Pacific Pension Institute San Francisco - U.S. As at 17-04-2014  
Member of the Supervisory Board Pon Holding As at 01-05-2016 (until 01-05-2016)<sup>1</sup>  
Lid Board of Trustees of the IFRS Foundation As at 01-02-2017

## Ancillary positions of Dr P.A.M. (Paul) Boomkamp

Date of birth: 17 March 1969  
Nationality: Dutch

### Current position

Chief Financial & Risk Officer (CFRO) PGGM N.V. As at 01-09-2015

### Other positions

Member of the Supervisory Board of PGGM Vermogensbeheer B.V. As at 01-09-2015  
Member of the Supervisory Board and Chairman of the Audit Committee of GGZ Emergis As at 18-02-2013  
Member of the Advisory Council and chairman of the IT Advisory Council of the Sociale Verzekeringsbank As at 01-09-2015  
Member of the Advisory Council of Healt Nyenrode Business Universiteit As at 12-01-2017

<sup>1</sup>) ended due to a potential conflict of interest

**Blockchain:**

Technology for encrypting and securing data.

**Business Continuity Management System:**

Describes the requirements for a management system to protect companies against disruptive events.

**Circle Economy:**

Non-profit organisation that wants to encourage the transition from a linear to a circular economy via individuals, businesses and organisations.

**Circular economy:**

An economy that wastes less resources. This theme is part of PGGM's sustainability policy.

**Corporate Governance Code:**

Rules of conduct which listed companies must follow according to the law.

**COSO II Enterprise Risk Management (COSO ERM) method:**

Applying COSO ERM ensures that risks in an organisation are managed clearly and moreover as efficiently as possible.

**Decisive Innovation:**

Change programme in which PGGM has set itself the ambition of achieving more versatility at structurally lower costs by the end of 2017.

**Delta Plan for Dementia:**

PGGM supports the fight against Alzheimer disease together with Alzheimer Nederland and the Ministry of Public Health, Welfare and Sport. The Delta Plan for Dementia combines the forces of the organisations involved to help people with dementia. The organisations work together on better dementia care and conduct research into preventing and possibly curing dementia.

**Environmental, Social and Governance (ESG) Criteria:**

Standards which an organisation must satisfy in relation to the environment, people and regulations. Socially and societally committed investors audit these standards.

**European Insurance and Occupational Pensions Authority (EIOPA):**

EIOPA is part of the European System for Financial Supervision (ESFS) which safeguards that European regulations are adequately implemented and applied.

**European Market Infrastructure Regulation (EMIR):**

EMIR contains rules for the clearing of derivatives by a central counterparty (CCP), a licensing requirement for these CCPs and requirements for the collateral and transferability of positions, even if the clearing of the OTC derivatives contracts does not take place via a CCP

**European Fund for Strategic Investments (EFSI):**

EFSI is part of the investment plan for Europe. The objective of the investment plan for Europe is to encourage investments in the real economy.

**Footprint reduction:**

This is a measure of environmental performance for the business sector. Every company that works on this provides insight into the volume of CO<sub>2</sub> emitted.

**FinanCE:**

International working group set up by PGGM in 2014 which twelve financial institutions have since joined. The primary objective of the working group was to understand the ways in which money and financing will change the circular economy.

**Financial Service Sector Supplement (FSSS):**

Supplementary reporting criteria from the GRI for the financial sector.

**Financial Stability Board (FSB):**

International regulator in the financial world.

**Financial Transaction Tax (FTT):**

Transaction tax based on the European Commission's desire for more regulation of the financial sector. The goal is more transparency, supervision and stability. The flip side is that the introduction of this tax will result in significant cost increases. The Netherlands wants pension funds to be exempted from the FTT. No agreement has yet been reached on its introduction.

**G4 Guidelines:**

The GRI published the G4 Sustainability Reporting Guidelines to encourage better sustainability reporting. The G4 guidelines describe how the reporting organisation should determine material aspects and explain how limits should be determined so that the organisation reports on the effects that are actually important.

**Gelderse Werkgeverij:**

A collaboration among a number of healthcare employers in Gelderland. The cooperating parties help one another with (temporary) staff shortages and surpluses.

**Global Compact:**

The United Nations Global Compact asks companies to commit to ten principles in relation to human rights, working conditions, the environment and anti-corruption.

**Global Real Estate Sustainability Benchmark (GRESB):**

GRESB is an independent scientific benchmark that assesses the sustainability policy of real estate funds and portfolios worldwide. Based on the GRESB score, fund managers can examine their sustainability policy and make improvements.

**Global Reporting Initiative (GRI):**

GRI is an international organisation that publishes guidelines for sustainability reporting.

**Gold Standard Paradigm Project:**

Special wood ovens have been developed for this project in Kenya that provide an alternative to traditional cooking on open fires, which causes significant CO<sub>2</sub> emissions.

**Green Star:**

The most sustainable investment category in the GRESB.

**Health Impact Bond (HIB):**

Cooperation in which socially committed investors advance funds to achieve a health goal.

**Human Rights Treaties in the Netherlands:**

Human rights treaties signed and ratified by the Netherlands.

**International Finance Corporation (IFC) Performance Standards:**

International criteria for identifying and managing environmental and social risks.

**Institutions for Occupational Retirement II (IORP-II):**

IORP II imposes a number of minimum requirements for pension funds, particularly in the areas of governance and transparency. For example, the pension fund must ensure it has good officers who look after the pension assets carefully.

**Capital Market Union:**

Cooperation between countries in which obstacles to investing beyond the national borders are eliminated as much as possible.

**Climate change:**

PGGM wants to contribute to fighting climate change. This theme is part of PGGM's sustainability policy.

**KLM Corporate BioFuel Programme:**

This programme enables companies to have some of their air travel operated using sustainable biofuel. Participants pay a surcharge that covers the difference in price between biofuel and traditional kerosene. This surcharge is used for the purchase of sustainable biofuel.

**Linear risks:**

Risks resulting from raw material shortages and price increases for businesses that produce linearly.

**Low Car Diet:**

Mobility competition organised by Urgenda, an organisation that champions sustainability and innovation, aimed at having as many companies and organisations as possible become comfortably acquainted with sustainable travel options and supporting them in implementing these in business operations.

**Make It Possible programme (MIP):**

Programme for people with an educational level of at least mbo-4 (senior secondary vocational education level 4) who are distanced from the labour market because of a physical disability.

**Materiality analysis:**

In this analysis, the interests of the stakeholders are looked at alongside the interests of the organisation. The materiality analysis is part of the sustainability or integrated report.

**Markets in Financial Instruments Directive II (MIFID II):**

European regulation aimed at making the European financial markets more efficient and transparent and increasing investor protections.

**SRP Code:**

Code for Socially Responsible Procurement. New suppliers to PGGM are obliged to sign the PGGM's SRP Code.

**Nederland circulair!:**

Programme that encourages people and organisations to do business circularly and produce, consume, finance and organise more innovatively.

**Nederlandse Investeringsinstelling N.V. (NLII):**

NLII's objective is to enable institutional investors like pension funds and insurers to invest directly in the Dutch economy.

**OECD guidelines for Multinational Enterprises:**

The Organisation for Economic Co-operation and Development (OECD) is an economic cooperation among a great many countries. The OECD guidelines clarify what the cooperating governments expect from companies in terms of corporate social responsibility (CSR) when doing business internationally.

**Platform Carbon Accounting Financials (PCAF):**

Platform of eleven Dutch financial institutions whose objective is to work together to further develop the methods used to measure the climate impact of their investments and financing.

**Personal European Pension Plans (PEPP or PPP):**

Europe encourages the development of supplementary pensions because the majority of European employees do not accrue supplementary pension. One of the initiatives is PEPP. This is a cross-border individual third-pillar product that could be a way to provide for an adequate pension.

**Principles for Responsible Investment:**

Code of conduct developed by the United Nations for sustainable investment by pension funds and other investors.

**Society Impact:**

This is an inclusive platform for the cooperating parties - which include banks, philanthropists, private equity funds, health insurers, pension funds, governments and entrepreneurs - to jointly tackle urgent societal issues via social entrepreneurship.

**STS Securitisation:**

Simple, transparent and standardised securitisations.

**Sustainable Development Goals (SDGs):**

United Nations initiative in which seventeen large global sustainability objectives were formulated.

**Sustainable Development Investment (SDI):**

Investments in Sustainable Development Goals are called Sustainable Development Investments.

**Systematic Integrity Risk Analysis (SIRA):**

Without this legally required risk analysis, an institution cannot comply with the integrity legislation in a risk-based manner. The institutions to which this requirement applies are banks, insurers, payment and exchange institutions, trust offices and pension funds.

**Task Force on Climate-related Financial Disclosures (TCFD):**

Organisation that publishes recommendations in the areas of strategy, governance, risk management, risk standards and objectives in relation to climate change. These recommendations apply for both the financial and non-financial sectors.

**Retiring with Vitality:**

Joint PGGM and PFZW programme which examines how the vitality problem in the health and social sector can be tackled.

**World Economic Forum (WEF):**

The annual WEF in Davos brings together political leaders, representatives from the business sector and international organisations, intellectuals and journalists as a kind of think-tank for economic and social issues with the goal of improving the 'state of the world'.

