



Annual Report of PGGM N.V.

2019



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

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Executive Committee: from left to right Alexandra Phillippi Chief Operations Officer, Willem Jan Brinkman Chief Financial & Risk Officer, Gerko Baarslag Chief Information Officer, Edwin Velzel Chief Executive Officer, Jeroen de Munnik Chief Institutional Business en Eloy Lindeijer Chief Investment Management

We look back with pride on what we have done and achieved in the past year. We improved our service by continuing to invest in best-in-class asset management and excellent pension administration. As a long-term investor, we actively make the most of opportunities to make the portfolio more sustainable and further integrate ESG factors (environment, society and governance) in the investment processes. The invested assets increased to 252 billion euros. The long-term low interest rate unfortunately means a real likelihood that pension payments will have to be reduced. At PGGM, we continue to put our efforts into ensuring good pensions for our clients' participants.

Ready for the future

The environment in which we work is changing ever faster. Various developments, such as Brexit and shifts in the international balance of power, have an impact on PGGM's business operations. In addition to this, a discussion has been ongoing in the Netherlands for some time about the future of our pension system - a discussion whose outcome is still uncertain. This calls for a manoeuvrable organisation with ever greater adaptability, lower costs and service provision that evolves with the requirements of the time. We also keep a close eye on the interests of all of our clients. We will further intensify our relationship with Pensioenfondsen Zorg en Welzijn (PFZW) (pension fund for the healthcare and welfare sector) and the employers and employees in the healthcare and welfare sector. Because that

is where our roots are and where our future lies. We are saying farewell to two clients and one client has decided not to renew the contract with us.

Robust business operations

In contrast to 2018, 2019 was a good year for PGGM financially. We made our service provision more flexible and efficient and approach our supplementary service provision to our clients more professionally. We also made improvements in our systems and our internal organisation. In addition to replacing our basic administration system, we have devoted a great deal of attention to updating the IT infrastructure.

Within the Pension administration department, we organised our activities based on so-called 'client journeys'. This enables us to better respond to the needs in the different life phases of PFZW's participants. For our asset management, the focus was on making systems future-proof to be able to respond to changes in the market.

New services

By developing new services for social partners, employer organisations and participants in the healthcare and welfare sector, we want to help the sector with the major societal challenges arising. This includes the shortage of personnel in the labour market and the work pressure this puts on current personnel. PFZW has a wealth of labour market data. We are researching for PFZW how we can unlock this anonymised and aggregated data, so that we can contribute to work enjoyment and attractive employment practices in the healthcare and welfare sector.

New CFRO

We are very pleased with the appointment of Willem Jan Brinkman as chief financial & risk officer and member of the Executive Board of PGGM as of 29 November 2019. We would like to thank his predecessor Paul Boomkamp for his great commitment. He has played a major role in the developments at PGGM.

Outbreak of coronavirus pandemic

At the time of writing of this annual report in March 2020, PGGM faced one of the biggest challenges in our existence: the outbreak of the coronavirus pandemic. In particular, a difficult period has begun for the healthcare and welfare sector, for which we feel a close connection. The utmost will be demanded of countless healthcare professionals for whom we administer pensions. We are doing everything possible to support them and all our other clients and to ensure the continuity of PGGM and our service provision.

Edwin Velzel
Chief executive officer, PGGM N.V.

If you have any questions or comments regarding this Annual Report, we would naturally be happy to hear from you. You can ask your questions at www.pggm.nl/jaarverslag

PGGM

PGGM is a not-for-profit cooperative pension fund service provider. As PGGM, we offer our clients pension administration, asset management and board advisory services.

Pension administration

We help our clients with the implementation of their pension schemes and with the communication with their employers and participants. Our systems were developed from the perspective of providing adequate and efficient pension administration. In the execution, we aim for good quality service provision with our clients, together with the lowest possible cost level. Our clients have access to our knowledge, pension experience and experience in communication with employers and participants.

Read more about pension administration at www.pggm.nl/pensioenbeheer

Asset management

We support our clients with fiduciary management and asset management. We invest the collective pension assets cost-efficiently. We attune the investment policy to the wishes of our clients, the pension funds, with attention to a good financial and socially responsible return and rigorous risk management. Fiduciary management and advice support our clients in their role as principal, both with advice and subsequent implementation.

The management activities relating to the execution itself are: the management of overlay portfolios and the selection and monitoring of external managers and risk management. For a significant portion of the investments, we perform the asset management ourselves within PGGM.

Read more about asset management at www.pggm.nl/vermogensbeheer

Board advisory services

We advise our clients on their pension schemes and on the financing thereof. We do this by providing legal, tax and actuarial advice and recommendations about asset liability management (ALM), risk management, financing policy and current themes. We devote a great deal of attention to the practicability and comprehensibility of the advice and to the pension and financing policy to be developed on this basis. With our advice we help pension boards adopt and implement their investment policy.

Read more about our board advisory services at www.pggm.nl/bestuursadvisering

PGGM Coöperatie

PGGM Coöperatie U.A. (PGGM Coöperatie) was formed in 2007 by the social partners in the healthcare and welfare sector. The members of the cooperative are employees and pensioners in the sector. PGGM Coöperatie is the sole shareholder of PGGM N.V. PGGM Coöperatie has two management bodies; the Members Council and the Cooperative Council. PGGM&CO is the members' organisation of PGGM Coöperatie.

Members' council

The members' council is the most senior body of PGGM Coöperatie, consisting of 45 members and also has an independent chair. The members' council represents more than 764,000 members of the cooperative.

Cooperative council

The cooperative council is responsible for the identity, mission, vision and financial and other policy frameworks of PGGM Coöperatie and is accountable for these to the members' council.

PGGM&CO

PGGM&CO promotes ties between the members and PGGM N.V. and among members themselves, for example, by creating online communities on topics that are relevant to members. In addition, PGGM&CO, in collaboration with partners, develops supplementary products and services for its members under the theme 'Vitality in Retirement'.

PGGM N.V.

PGGM N.V. (PGGM) is a wholly-owned subsidiary of the executive organisation of PGGM Coöperatie. As PGGM, we work on behalf of our clients. Our core business is pension administration.

Supervisory Board

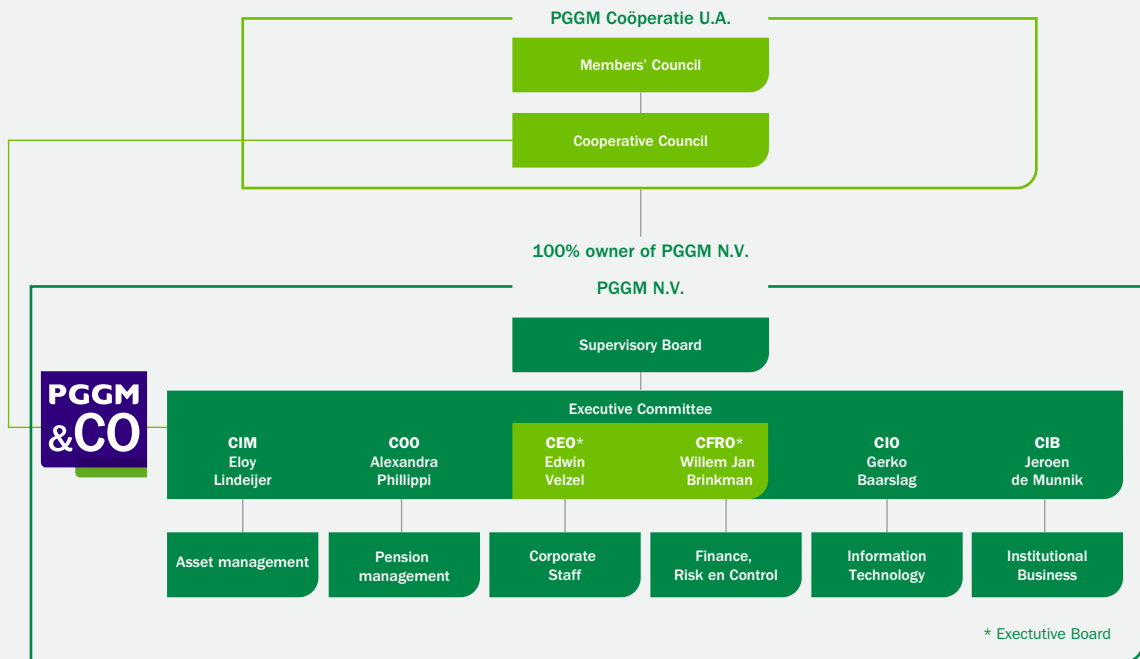
The Supervisory Board consists of six members and has two committees: the Audit, Risk and Compliance committee and the Remuneration, Selection and Appointments committee.

The Supervisory Board oversees the operations of the Executive Board of PGGM N.V. and the general affairs of the company. In addition to talks with members of the Executive Board, the remuneration committee also holds annual meetings with EC members. Finally, the Supervisory Board has an advisory role in the appointment, suspension and dismissal of all EC members.

Executive Committee

The EC is responsible for the day-to-day management of PGGM. The EC comprises six members, including the two Executive Board members: the chief executive officer and the chief financial & risk officer. Furthermore, the responsible officers from the business units for pension administration (chief operations officer), asset management (chief investment management), institutional clients (chief institutional business) and information technology (chief information officer) also serve on the EC. The Executive Board bears ultimate responsibility for PGGM. The Executive Board can be called to account by both the shareholder and the Supervisory Board. We opted for the EC model because this brings PGGM's management and business operations together in a single team. PGGM's core functions are represented in this.

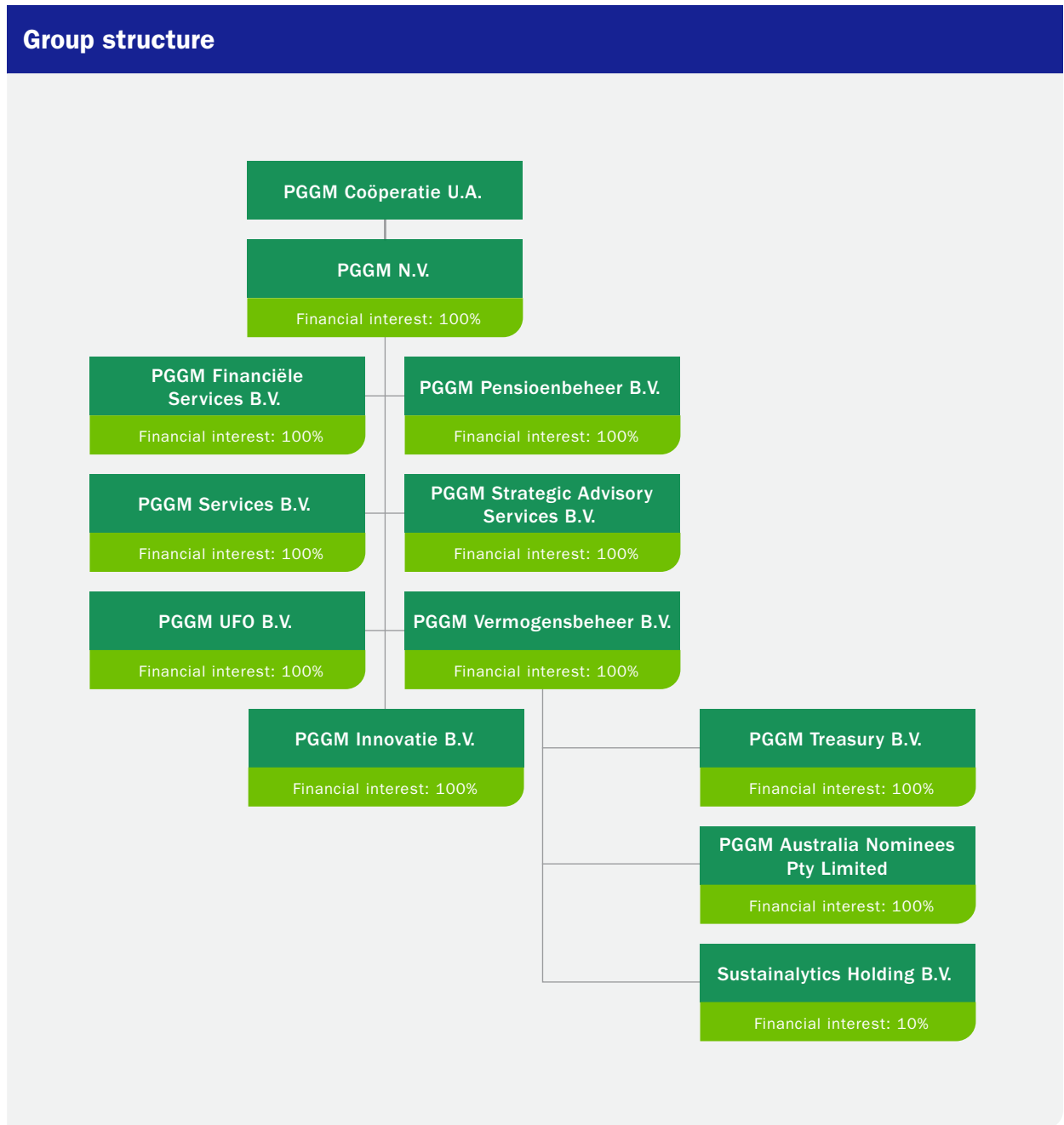
PGGM's organisational structure



Group structure

The pension fund service provider PGGM has a two-tier board and is the holding company of nine direct and indirect subsidiaries and one minority interest. Together with its shareholder, PGGM Coöperatie, this forms the PGGM Group. A number

of subsidiaries have a licence from the Dutch 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.



Key figures

Key figures		
	2019	2018
Annual revenue (* millions of euros)	298	279
Net result (* millions of euros)	7.6	-11.2
Number of clients	11	11
Number of participants (* million)	4.4	4.4
Assets under management (* billions of euros)	252	211
Customer satisfaction	7.2	7.4
Number of FTEs at year-end	1,459	1,445
Male/female distribution, general	62%/38%	61%/39%
Male/female distribution at management level	71%/29%	68%/32%
Personnel expenses (* millions of euros) 1)	171.0	159.2
Number of members of PGGM&CO	Approx. 764,000	Approx. 755,000

1) Concerns salary expenses, pension charges, social security expenses and other personnel expenses

PGGM clients in 2019

	Services				
	Board advisory services	Pension	Asset	Number of participants	Managed assets (in millions)
Stichting Pensioenfonds Zorg en Welzijn	✓	✓	✓	2,870,800	238,372
Stichting Pensioenfonds voor Huisartsen	✓	✓	✓	20,600	1,145
Stichting Bedrijfstakpensioenfonds voor het Schilders-, Afwerkings- en Glaszetbedrijf	✓	✓	✓	109,200	8,152
Stichting Rabo PGGM Premiepensioeninstelling	✓	✓		49,800	n.v.t.
Stichting Philips Pensioenfonds *	✓	✓		99,000	n.v.t.
Stichting Pensioenfonds Smurfit Kappa Nederland	✓		✓	n.v.t.	769
Stichting Beroepspensioenfonds Loodsen *		✓		1,300	n.v.t.
Stichting Bedrijfstakpensioenfonds voor de Particuliere Beveiliging			✓	n.v.t.	467
Stichting Pensioenfonds voor Architectenbureaus			✓	n.v.t.	2,987
Stichting Algemeen Pensioenfonds Volo pensioen *	✓	✓	✓	2,900	350
Stichting Pensioenfonds voor Personeelsdiensten	✓	✓		1,207,900	n.v.t.

* The contracts of these clients are expiring and/or not being renewed



Our vision and strategy

We are PGGM. Adding value to healthcare and welfare. We work for a good, affordable and sustainable pension for our clients and their participants. We also contribute towards a liveable world, occupational health and vitality in old age.

PGGM: adding value to healthcare and welfare

With our new strategy, 'PGGM, adding value to healthcare and welfare', we have made a clear choice. We are primarily here to serve the healthcare and welfare sector. That is where our roots are and where our future lies. Together with Pensioenfonds Zorg en Welzijn (PFZW), we support the financial future of people who work in this sector and contribute towards a healthy and vital sector itself. In order to help realise our ambitions, we offer our services, knowledge and experience to other clients as well.

The pension sector is in flux. A discussion has been ongoing for some time about the future of our current system. In order to be able to keep pace with this uncertain future, we must prepare for a potentially more complex distribution issue and the provision of multiple pension schemes. Flexible and efficient execution is necessary in order to be able to respond to different scenarios. This applies for the service provision and for schemes that we administer for clients, as well as for our own processes and systems.

Our working method

We believe in pensions that you arrange together. For by sharing costs and risk, we are stronger together and ultimately everyone is better off. We therefore regard it as our social responsibility to retain the strengths (collectivity, solidarity and mandatory participation) of the Dutch pension system. We realise that we work with money that does not belong to us. That awareness makes us supportive. This means that we aim for the best service provision and keep a close eye on the costs: best-in-class asset management and excellent pension administration and service that continually positively surprise employers, employees and pensioners.

We want to set the tone in sustainable long-term investing. The priority in this is to achieve as stable a return as possible, in line with our pension ambition. At the same time, we - and PFZW - know that a good pension is worth more in a liveable world. This is why we invest for the long term on behalf of our clients.

We take account here of the effects on people and the environment, with special attention to healthcare, the climate, food security and clean water. As an investor, we also have an influence on a large number of businesses worldwide. We use that influence to move sectors where a great deal is still open to improvement onto the right track. We report entirely openly on the dilemmas that this sometimes creates.

We contribute towards occupational health and vitality in old age. The healthcare sector is under pressure; the work pressure is high and the retirement age is continually rising. This translates into high sickness absence and many unfilled vacancies, among other things. With additional services, we aim to mitigate these problems and reduce the social costs.

Our values

Supportive

Our raison d'être is based on our social tasks and the mandate given to us by our clients. Firstly, that task is to provide for good and affordable pensions. We also go the extra mile with additional services that can promote health and vitality. We are supportive in everything we do, without losing sight of our own interests. We are customer-oriented and professional. Our stakeholders know exactly what they can expect of us.

Responsible

We know and accept our responsibility, both jointly and individually. After all, we work with money and data that have been entrusted to our management. Our stakeholders must be able to rely on us treating this as good stewards. In order to meet our responsibilities, we call each other to account constructively and help each other. Our responsibility also means that we always take account of the consequences of our actions for people and the living environment, both now and in the future. We act not only on the basis of procedures and protocols, but also on the basis of our conscience and common sense.

Steadfast

We stand for the interests of our clients and their participants. And we stand for a collective pension system with solidarity. We know what we have to do and what will be needed for this. We ensure robust, future-proof business operations.

Focus, simplicity and persistence are the guiding principles here. We use our influence as a leading long-term investor and do not avoid our responsibility, even if that is not always the easiest course.

Interests of our stakeholders

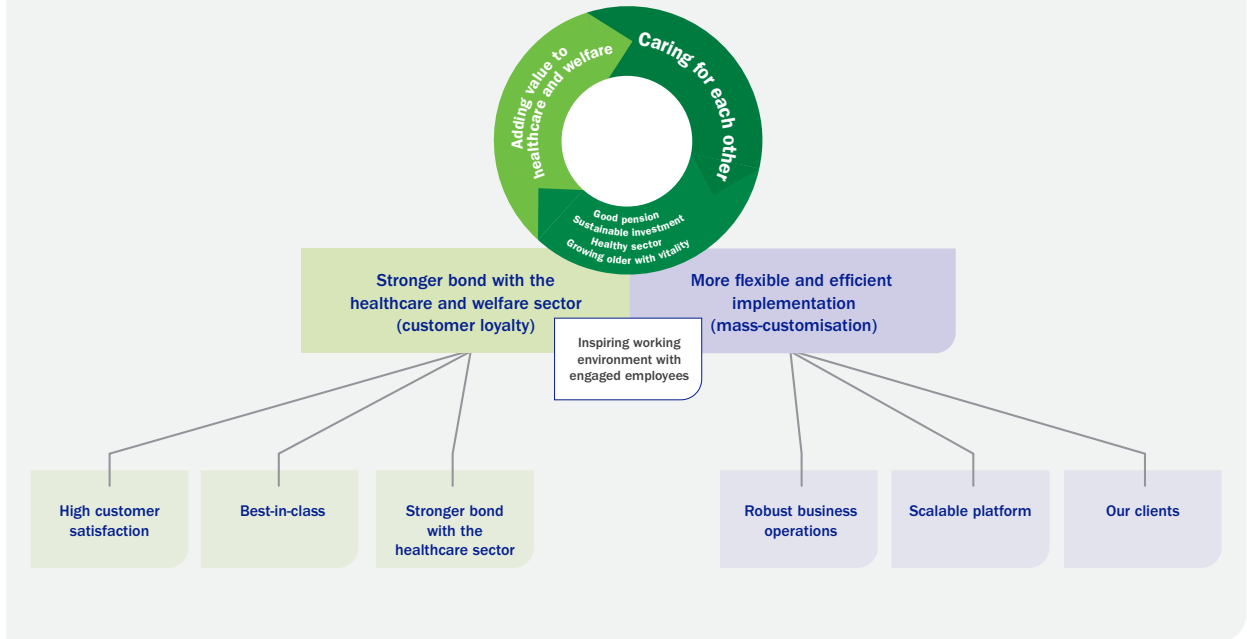
On the basis of our desire to 'Care for each other', we aim for good pensions, sustainable investment, a healthy sector and vitality in old age. In doing so, we are and remain a value in healthcare and welfare. In order to achieve this, we have formulated two strategic main objectives: a stronger bond with healthcare and welfare (client retention) and flexible and efficient implementation (mass customisation).

In order to guarantee that our policy matches the needs and requirements of our main stakeholders, we draw up a materiality matrix each year. It contains the themes that are important to us and to which our stakeholders attach the greatest value.

We have defined the seven sub-objectives below from the interests in the materiality matrix and our two strategic main objectives:

1. High customer satisfaction
2. Best-in-class
3. More connection with the healthcare sector
4. Robust business operations
5. Scalable platform
6. Our clients
7. Inspiring working environment with committed employees

Strategic objectives

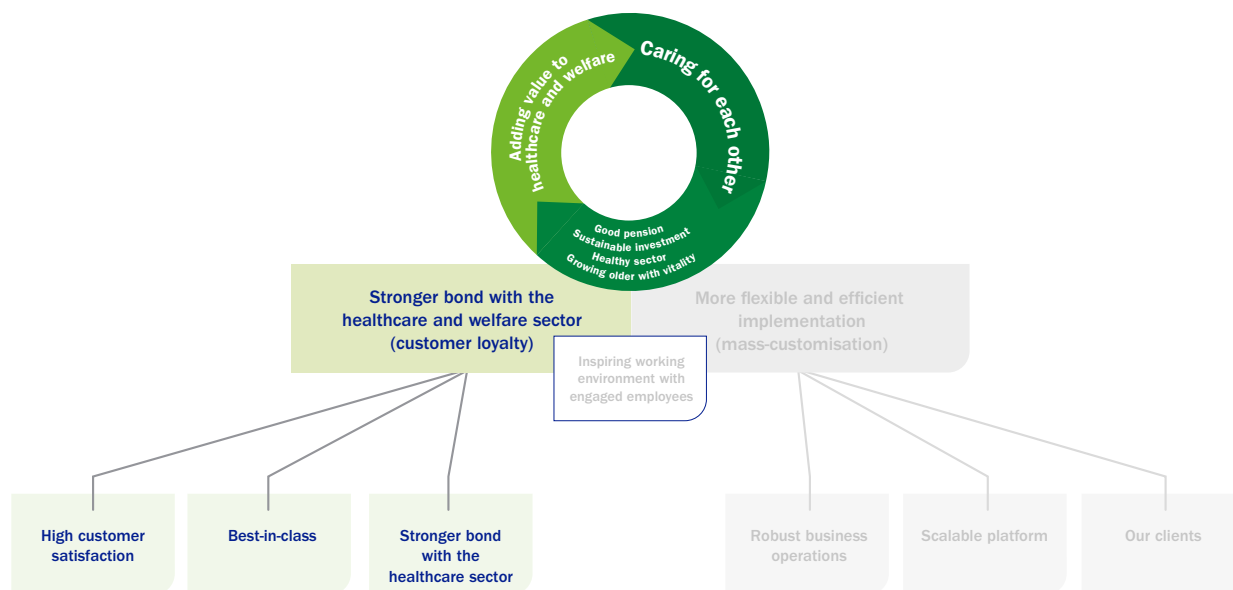


Directors' Report



Stronger bond with healthcare and welfare

In line with our strategy, we choose for the healthcare and welfare sector. In order to strengthen the bond with the sector, we work firstly on providing leading pension administration and asset management. We also use our expertise in labour market data, financing matters and additional personnel services for attractive employment practices and more work enjoyment in the healthcare and welfare sector.



High customer satisfaction

Pension funds are our clients. We work to provide high-quality service, for which we received a number of awards in 2019. In order to better anticipate our clients' wishes, our pension administration department works on the basis

of pension-related events, the client journeys. With best-in-class asset management, we ensure good, affordable and sustainable pensions for our clients and their participants. We strengthen our bond with the employees and employers through the use of account managers and communications officers.

Changing pension landscape

Our current pension system does not provide an adequate answer to today's social developments, such as the increasing flexibility of the labour market, individualisation and the call for greater transparency. Furthermore, the persistently low interest rates are putting the system under pressure financially. As a result of these developments, there has been an ongoing discussion in the Netherlands for some time about the future of our pension system - a discussion whose outcome is still uncertain. Together with Pensioenfondsen Zorg en Welzijn (PFZW), we are trying to keep as many strengths of our current system in place as possible, because despite the impending reductions, the Dutch system was again named among the best in the world in 2019. It scores high for adequacy, sustainability and integrity.

Prepared for the future

In order to remain relevant for and in the sector, it is important for us to continue to deliver excellent service at the lowest possible cost. We also want to anticipate the future with innovative strength and an entrepreneurial spirit. We have charted out this uncertain future with scenarios which differ in the degree of individualisation offered. For important investment decisions, we look at whether they are robust enough in the different scenarios.

The challenges the pension sector is facing also give us cause to deepen and reinforce formal and informal collaborations. Together with APG and MN, we are looking into whether we can come together to provide a shared service centre for our clients to be able to carry out generic processes. This creates economies of scale, cost savings and prevents double investments. And resulting in more convenience and better quality for employers and employees. Aside from this, our employees are increasingly looking to each other to learn from each other and share successful experiences.

Customer service

The service level reports (SLRs), showing the extent to which the agreed standards for service provision are realised are discussed in regular talks with the client. Attention is devoted here to the causes of 'red' scores and the action to be taken to comply with the standard again. The 'green' scores and the standards attained are also considered. The agreed standards are monitored with the client team that has been set up for every client. The client team works intensively with the client and is continually in discussion with the client about requirements and improvements. Most of the standards agreed in the SLRs in 2019 were attained. The average customer satisfaction score fell slightly compared to 2018 and came to 7.2 (2018: 7.4).

The customer service we provide to participants and employers won us several awards in 2019. For example, one of our marketing and communication consultants was named communication talent of 2019. We also received the Valuable Customer Contact Award. Finally, we received a Gouden Oor (Golden Ear) certificate, which put our biggest client among the top three Dutch organisations in terms of listening carefully to customers.

Client journeys in the pension chain

In the strategic course we have chosen, excellent customer service and a more efficient production process go hand in hand. The pension administration department has organised its activities on the basis of client journeys. This means we can respond better and more quickly to client wishes and requirements and changes in legislation and regulations. A client journey consists of pension-related activities that a participant or employer goes through, often prompted by a life event that has significant impact. For example, if a participant moves house, gets married or retires. For employers, this could be joining a pension scheme or paying the premium. These kinds of client journeys must also contribute to the highest possible customer satisfaction, both in terms of experience and convenience. Naturally while remaining within the performance standards agreed on with the pension fund and at the lowest possible cost.

From 2020 we will implement the move to working based on the client journey in multidisciplinary teams, with Business and IT working together even more closely in the chain. Every client journey will be given its own

client journey owner within the pension administration department, who will work together with the IT teams to focus on further optimising the client journeys. For the time being we do this exclusively for PFZW.

Extra service for the participants of our clients

Labour Mobility Client Journey Owner Rachel van Rijckevorsel:



'We are already very client-focused if participants contact us themselves. It is nice that this has been confirmed with the Gouden Oor (Golden Ear) certification as well. We want to do even more with our client journeys, specifically proactively anticipating the life events of our participants. Making contact at the right moment. For example, letting participants who have been ill for a long time know via a service message that they do not need to inform us in relation to incapacity for work. Everything is taken care of. If we only base this on our own process, we don't report this until two months later. By using existing data smartly, we can inform participants at a moment that is logical for them. And eliminate their first worry in this respect early on. So it is a nice service for the participant. And of course it is nice for us to see when these kinds of improvements result in higher satisfaction or convenience scores. Now that PFZW's client journeys are central to our organisational structure, we can really accelerate this. Also for other funds. We want to remain at the forefront in client journey pension services.'

Information provision throughout the country

In order to strengthen the bond with employers and participants and increase customer satisfaction, we provide account managers and communications officers on PFZW's behalf.

The account managers are the strategic discussion partners for both the Executive Board and the HR management at larger employers in the healthcare and welfare sector.

They share developments in the sector, supported with key figures relating to personnel and include employers in important pension developments. Account managers are also the point of contact for specific issues where the relationship with an employer is under pressure.

Our communications officers support employers in bringing attention to the employment benefit of 'pension'. This raises awareness among employers and employees of the different possibilities and choices that the pension scheme offers our clients. Our communications officers also educate HR departments and inform employers. They also

speak at sessions that PFZW organises for its participants throughout the country. As such, the account managers and communications officers actively contribute to building and expanding support for pension at our biggest client. With an average satisfaction score of more than 8, they also contribute significantly to the customer satisfaction of the employers and participants affiliated with PFZW.

Relationship management with social partners

Commissioned by PFZW, we provide services to all the social partners that have PFZW as the provider for the pension for their collective labour agreement (CLA) group. These are the employee and employer organisations of 25 CLA groups in total. The service provision to social partners is entrusted to the Social Partners Relationship Management team. On the one hand, the relationship managers keep the social partners abreast of board resolutions, pension developments in general and PFZW's pension scheme in particular.

On the other hand, the relationship managers hear from the social partners how the latter view the employee benefit of 'pension' and what is going on in their specific sector. The social partners gave the service from their relationship managers a score of 8.5 for this year.

Best-in-class

With best-in-class asset management, we ensure good, affordable and sustainable pensions for our clients and their participants. We are a leader internationally and are among the biggest investors worldwide in private equity, infrastructure, real estate, credit risk sharing and insurance-linked investments. Together with our largest client, we also deploy our system knowledge to accelerate the energy transition.

Market developments

Economic growth cooled off worldwide in 2019. This was due to, among other things, the uncertainty caused by the United States-China trade war, which dampened both readiness to

invest and the growth in world trade. The prospect of interest rate cuts by the central banks ensured that at the beginning of 2019, equities markets made up much of the price drops of the last quarter of 2018. Later in the year price gains were expanded as a result of the prospect of a (partial) trade agreement between China and the States.

The total return on client investment portfolios was positive. Almost all asset classes contributed positively. Equities, commodities and listed property saw the highest returns. Government bonds and interest rate swaps, among others, also achieved a positive return. At the same time the long-term interest rates in the Eurozone decreased, causing liabilities to increase.

Good results

Thanks to a good return of 18.7 percent, the invested assets of our clients increased to 252 billion euros in 2019.

Awards for PGGM Vermogensbeheer in 2019

SCI Capital Trades Award	Contribution to the sector Investing in Structured Credit
Pensioen Pro Award	New way of investing responsibly
Pensioen Pro Award	Long-term investor of the year
Trading Risk Award	Contribution to the Insurance-linked Securities sector
Distinction from the Global Steering Group for Impact Investment	Efforts in the area of investing with impact within strict financial constraints

PGGM as investor

We are the overall manager of the assets of PFZW, the second largest pension fund in the Netherlands. PFZW's assets are therefore a large part of the total assets under our management. Therefore PFZW's investment policy largely determines how we invest. PFZW is not our only

client, however. Our other clients ensure that we closely monitor developments and requirements in the market and that enables us to provide better service to all our clients. We realise that we work with money that belongs to the participants of our clients. This means that we aim for the best service provision while keeping a close eye on the costs.

High-quality and efficient platform

PGGM offers the full spectrum of asset classes. Consequently we have expertise on and an overview of the entire portfolio and knowledge of all markets. We understand how the markets are interconnected and invest for the long term. Long-term and sustainable investing are also priorities for us.

That means that we have developed different investment products whereby in order to realise a good return, we take into account the effects on people and the environment and the ESG elements weigh heavily in our investment decisions.

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. This concerns investments in real estate, infrastructure and businesses, but also other investments such as mortgages which are tailored to employees in the healthcare and welfare sector. On behalf of our clients, PGGM invested in 2019 for example in the innovative Dutch company SCW Systems that uses 'supercritical water' (hot water under extremely high pressure) to convert sewage sludge and biodegradable waste into green gas. These kinds of new solutions strengthen the

circular economy. With one of our pension fund clients as a long-term investor, the company can focus on the successful further development of this clean energy source.

Responsible investment

In order to realise a better risk-return profile and to contribute to a more sustainable world, our clients are prepared to make decisive choices in their investment decisions. As a result they avoid investing in tobacco products and controversial weapons, for instance, opting to instead invest in other companies and projects to increase their positive contribution.

In 2014 our biggest client PFZW issued the mandate to realise investments of €20 billion in 2020 in solutions for four social issues, namely . climate change, water shortage, food security and healthcare. These targeted investments - which we call 'investments in solutions' - not only contribute financially to the returns for our clients, but also create social added value. At the end of 2019, a total of 18.3 billion euros had been invested in solutions for these themes.

In 2019, we invested 82.5 million euros for PFZW in the first green government bond offered by the Dutch government. This ensures that Dutch pension capital is invested directly in making our country more sustainable.

Disappointment regarding failure of Eneco deal

Chief investment officer Private Markets Frank Roeters van Lennep:

'It is disappointing to hear that we lost a deal on which an entire PGGM team worked hard for at least two years, in close collaboration with our partner Royal Dutch Shell. This was an effort of the Infrastructure team, together with colleagues from Risk, Legal and Corporate Communications, and we can be proud of what we achieved: an excellent offer, both in financial terms and with regard to the sustainable future of Eneco. The sale of Eneco would have been one of the rare possibilities to make a major investment in the Dutch energy infrastructure with Dutch pension capital. PGGM showed its best side in the process and during this we continually showed ourselves to be a committed long-term investor with sustainability in mind.'



The Dutch government raised 6 billion euros in total for current and future sustainability programmes. We qualify this as an investment in solutions, whereby a financial return in line with the market is combined with a measurable positive impact on the environment.

Voting

By voting at shareholder meetings, we exert our influence as shareholder on the companies in which we invest on behalf of our clients. This allows us to influence the direction the company takes on strategic, financial and societal themes. It literally gives us a voice in important decisions by the management of companies.

Engagement with companies and market parties

On behalf of our clients, we call companies and market parties to account for their policy and activities. Through this dialogue we want to achieve ESG-related improvements. Committed equity ownership requires perseverance and calls for the use of high-quality knowledge to be able to conduct fruitful dialogue with a company's management and exert maximum influence. We have invested in this for years, with good results. We believe that companies benefit from critical, active shareholders who keep companies on their toes and encourage more steering towards sustainability.

Feeling responsible and shouldering that responsibility

We invest in Vale, a mining company that operates primarily in Brazil. In January 2019, a breach occurred in one of the company's dams near the Brazilian town of Brumandinho. This caused a mudflow in which 256 people lost their lives and 14 people are still missing. In October we started talks with a delegation from Brazil.

As a shareholder in Vale we feel a responsibility and shoulder that responsibility for holding Vale to account for its policy and conduct. We do that via three avenues:

1. We are part of a PRI working group of international investors (Principles of Responsible Investment) which talks directly with Vale about the steps Vale is taking to repair the damage caused and compensate victims and their dependants. The working group is also pushing for Vale to tighten up its policy and take extra measures to prevent these kinds of disasters in the future.
2. Via Sustainalytics which holds talks with Vale on PGGM's behalf within the Global Standards Engagement programme. This programme consists of engagements based on serious incidents which involve violations of international norms and standards.
3. PGGM supports the 'Safe Disclosure Initiative' set up by the Church of England Pension Board and the Ethical Council of the Swedish AP pension funds. This is focused on the mining sector worldwide and urges transparency on the status of safety and dam maintenance (618 mining companies with 18,000 dams worldwide). PGGM hopes this can contribute to preventing these kinds of disasters in the future, at Vale and at other mining companies.

More connection with the healthcare sector

We are here firstly to serve the healthcare and welfare sector. We support the financial future of people who work in healthcare and welfare but also contribute towards a healthy and vital sector. Through PGGM, we also put our knowledge, experience and data towards helping employers with their HR policy.

Focus on healthcare and welfare

The healthcare and welfare sector is facing major challenges. Because of the high work pressure and the fact that employees have to continue working to an older age, the sickness absence rate is increasing. The number of people incapacitated for work is also rising quickly, especially among older employees. At the same time, the sector has a large number of unfilled job vacancies.

With the Werken in de Zorg (Working in Care) action programme, the focus of the Ministry of Public Health, Welfare and Sport is fixed on the labour market for a few years. Following from our joint strategy, a number of stakeholder tables were organised by PGGM and PFZW together with managers from this sector, to hold open talks on what the healthcare and welfare sector is facing. We are strengthening our network in The Hague for this.

We use our knowledge and experience to help employers with their HR policy. For instance, last year we organised the Seneca Congress for the nineteenth time, focused on the theme of new solutions for urgent problems in healthcare.

New employer services

PFZW has labour market data from the healthcare and welfare sector. This includes figures on intake and outflow, for instance. Together with a number of employers, PGGM investigated how, using these - fully anonymised and aggregated - labour market data, we could add as much value as possible and make the data accessible in a low-threshold manner.

We are also building a platform for PFZW where the data can be presented manageably in an accessible online dashboard. This platform gives employers a view at a glance of the anonymised key figures relating to the organisation's personnel. The employer can also compare its organisation to that of a group of players in the same sector or region.

In addition to the platform, we are developing a number of workshops and training sessions for PFZW on the theme of data. In these workshops, employers gain insight into the possibilities that labour market data can offer in developing strategic HR policy. In the fourth quarter of 2019, PFZW launched the updated scenario tool. This instrument helps employers set up and carry out strategic personnel planning. Employers are guided in this process by PFZW's consultants.

PGGM and PFZW address sickness absence and outflow from the healthcare sector together

We are joining forces with PFZW to reduce sickness absence in healthcare. That is why we acquired the largest absence data company in the healthcare sector, Vernet, at the beginning of 2020. The data will provide healthcare institutions in 2020 with insight into the level of their sickness absence rate compared to similar organisations. The institutions will also be able to see where the biggest problem lies: among what age group, salary level, work pressure and job groups.

Design sprint: from requirement to prototype product in a single day

Innovation manager Marjolijn Pouw:



'We want to work with employers to develop new products and services that match closely with their needs. As a result we recently held the first design sprint. Eight HR specialists from healthcare, various PGGM experts and one day, with the goal: to translate employers' requirements into concrete products. We came up with two potential prototypes. Prototypes that give employers better insight into their key figures relating to personnel and which therefore provide prospects for actions on topics like intake, advancement and outflow. So as to contribute to solving labour market issues in healthcare and welfare. It was a roller-coaster of emotions: getting used to each other, heated discussions, laughing at strange ideas, keeping spirits up and feeling a great deal of satisfaction upon reaching the end of the day with two concrete potential prototypes.

Stronger bond with participants via PGGM&CO

Increasing women's working hours

The foundation Het Potentieel Pakken, formed in 2019, has the aim of improving women's position in the Dutch labour market, among other ways by increasing the average number of hours of paid work by women. The foundation does this with a view to the positive effects for the economic independence of women, the labour shortages in healthcare and more broadly in the Dutch economy. Together with other parties, we are a part of this initiative together with PFZW. PGGM&CO contributed to the study 'Deeltijd in de zorg' (Part time in healthcare). The survey was conducted among PGGM&CO members in July and received a response from over 17,500 members.

Financial fitness

PGGM&CO helps employees in the healthcare and welfare sector stay physically and financially healthy. PGGM&CO enables them to make deliberate choices that fit best with their situation. Employers are an important partner in this. PGGM&CO focuses firstly on the financial fitness of employees. Because an employee who has financial worries brings this into his work. With all the adverse effects this entails. In fulfilling our role as guide, we work with other parties, including Prikkl. The first pilot was started at an employer in 2019. This is the follow-up to a successfully completed pilot among our members.

Partnership with IZZ

People who work in healthcare or are a member of PGGM&CO can participate in the IZZ group health insurance scheme. The benefits of a partnership are that IZZ offers possibilities for vulnerable target groups and also provides respite care and vitality coaching. Via the partnership, pensioners and members working in the social care sector are also given access to IZZ's options. These groups were not able to register with IZZ previously.

Hestia

From mid-December onwards, PGGM&CO has provided a pilot portal to the property projects for which employees in healthcare and welfare can register for new mid-market rental housing being completed in the vicinity of healthcare centres. It is our ambition to add affordable rental housing to that offer. The current housing is out of the price range of the average healthcare worker.

The Attens members mortgage

The Attens members mortgage is specially developed for employees in the sector and meets their specific needs. Unsocial hours allowances and overtime are included in the maximum mortgage amount, for instance. At the end of 2019, Attens had 11,659 mortgages in the portfolio, representing a total sum of 2.6 billion euros. Compared to the end of 2018, this was a net increase of 1,928 mortgages (436 million euros).

The fight against dementia

We are working together with Alzheimer Nederland (AN) to raise awareness about dementia. We donate money for research and organise various activities and campaigns to call attention to dementia and informal care. Together with AN, the Netherlands Federation of University Medical Centres and the Association of Dutch Health Insurers, we launched the Dementia Delta Plan, the Dutch national plan in the fight against dementia, in 2013. This plan has three pillars: better diagnostics and the search for a cure, better care and a dementia-friendly society. The Samen Dementievriendelijk (Dementia-friendly Together) campaign offers training for individuals, society and sectors.

Investing in healthcare and welfare

The healthcare and welfare sector is facing major challenges. We can only invest in the sustainable solutions to a limited extent for PFZW. Investments are relatively small, for instance, so that they entail management costs that are too high or they do not contribute enough to the pension result. Nonetheless we continue to seek out opportunities to do more in this area, both based on PFZW's assets and on our financial expertise. We will always be guided primarily by the interests of PFZW and its participants in this context. We focus in this context on transition themes, such as prevention, digitalisation, innovation or increasing the sustainability of the sector, which have a positive impact on the labour market and/ or the work environment.

EC meetings at institutions in the healthcare and welfare sector

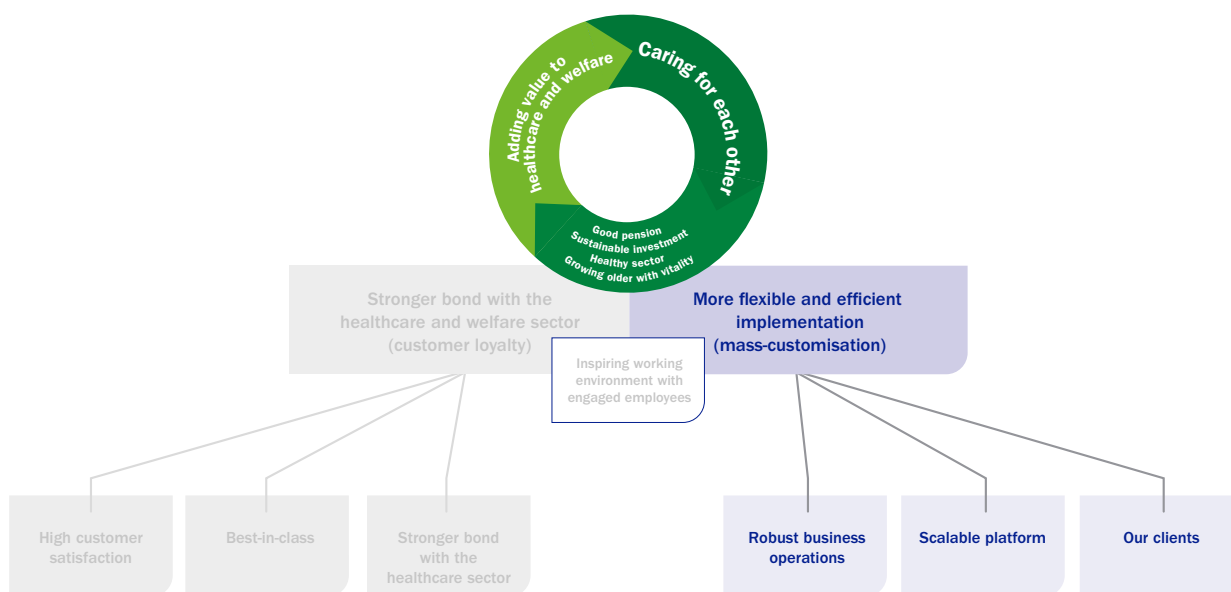
One of our objectives is to strengthen the bond with the healthcare and welfare sector. The Executive Committee (EC) implements this with so-called 'EC peer reviews'. Meetings on location at our PFZW clients, which facilitates going into more depth on certain topics. This gives the EC more insight into and understanding of the situation and challenges facing the various institutions. These talks also sometimes lead to ideas and initiatives to strengthen the collaboration, for PGGM for instance based on the proposition of labour market-related data and investing in healthcare.

We were a guest at OLVG on 4 December 2019. There the EC talked with Maurice van den Bosch, chair of OLVG's executive board. During his inspiring introduction on the situation of OLVG and the hospital of the future, an animated discussion arose on how OLVG and PGGM can strengthen each other. For example, by providing insight into labour-related data and making our data-analysis competences available. Or by using our shared relationships and qualities to improve healthcare in the longer term, for example in prevention. In this way we reinforce mutual understanding with our clients and explore the possibilities for further strengthening the relationship. In addition to the OLVG, there were peer review days at the healthcare institutions Bartimeus in Zeist, Stichting Sterk Huis in Goirle and LangeLand Hospital in Zoetermeer.



More flexible and efficient execution

In order to keep our service provision flexible and cost efficient, we design the organisation in a way that enables us to meet future demand for custom services and differentiation. In addition to replacing our basic administration system, we devoted a great deal of attention in 2019 to updating the IT infrastructure and strengthening the IT management. In everything we do, we try to reduce our carbon footprint as much as possible.



Robust business operations

In 2019 we increased the investments in IT security and infrastructure. This put pressure on the financial operations. We were able to

compensate this by reducing the costs and generating extra revenue via additional services to clients. PGGM's financial position is healthy and forms a sound basis for the future.

Financial results

PGGM's gross operating result was positive 9.3 million euros in 2019 (2018: -0.9 million euros). The improvement in the operating result was thanks to explicit attention to improving the margin. PGGM wants to grow towards a healthy margin of 10-15 million euros over the course of several years.

The net result for 2019 as a whole amounted to 7.6 million euros and was therefore significantly higher than in 2018 (2018: -11.2 million euros). The negative result in 2018 was due to a number of extraordinary items. The completion of the onerous contracts after year-end 2019 had a negative effect on the non-operational expenses (-3.7 million euros) in 2019. In addition to a negative impact from tax (-1.6 million euros), movements in 'other provisions' relating to guarantees from the sale of the life insurance portfolio collectively had a positive effect of 3.6 million euros (positive 1.8 million euros for the difference between the investment return owed and the actual return and positive 1.8 million euros for lower provision for future liabilities).

In addition to the net result, the valuation of the building at year-end 2019 and the government's changes to the corporation tax rates in 2019 had a positive impact on equity.

Solvency

PGGM's solvency as of 31 December 2019 was 62.4 percent (2018: 67.6 percent). The solvency is calculated as the ratio of equity to the balance sheet total. Solvency rose due to the good return. The revaluation of the building and the government's changes to the corporation tax rates in 2019 also had a positive impact on equity.

Liquid assets and money market funds

The liquid assets including money market funds amounted to 144.9 million euros as of 31 December 2019 (31 December 2018: 133.1 million euros). The increase resulted from an improvement in the cash flow from operational activities. This related to received and pre-invoiced fees from clients.

30.1 million euros was invested in money market funds in 2019. This was done to spread the risks.

Mass custom service

Within the pension administration chain, we work on uniform, standardised client journeys that we can implement (en masse) for all institutional clients. Within these standardised client journeys, there is room for client-specific set-up (custom service). Every year we try to make our systems more flexible so that we can offer both PFZW and our other clients more options in the service provision.

Recalibrated IT strategy

Our 2023 strategy, in combination with pension system changes, growing expectations from clients, innovations and the current challenges with IT, calls for clear choices. We devoted a great deal of attention in 2019 to updating the IT infrastructure, replacing our basic administration system, introducing Cloud and strengthening the IT management. The projects initiated realised improvements in the IT landscape for both the pension administration and asset management departments. Carrying out so many projects in such a short time frame increases the likelihood of disruptions to the continuous business operations at that moment. Thanks to the investments, our business operations are now more flexible and robust.

Data management

PGGM's service provision is largely based on data. That is why data is an important business asset for PGGM: it is a common language between the business and IT that flows through systems and processes. PGGM wants to start managing data as a business asset and is therefore investing in its data management entity with the mission of improving the accessibility and control of data and expanding the value creation with data. As such it has both a defensive and offensive character, which is required for PGGM's strategic objectives. Defensive in the sense of retaining the 'licence to operate'.

Offensive in the sense of ‘expanding the added value and connection with the sector’. Good data quality and good data governance is of great importance, therefore. Modernising the basic administration (realised in 2019) was an important measure for limiting the IT risks. PGGM has the ambition in 2020 of taking significant steps in the data quality programme, so that we properly fulfil the ‘Robust Pension Administration Good Practice’ of De Nederlandsche Bank. The programme has been implemented across PGGM and is not limited to just the basic administration. In the area of security, we protect the data optimally by monitoring threats from the outside world and responding to these adequately.

Technological innovations

Innovation @ PGGM

We are collaborating even more than before on specific experiments in relation to new themes like cloud technology, artificial intelligence and blockchain.

We do this with a growing team of professionals consisting of innovation managers and data scientists, each with his or her own specific competences. In our projects, we bring these creative and analytical competences together, which yields innovative insights and solutions for current issues at our clients and among our colleagues.

The PGGM Datalab

We are increasingly developing into a data-driven organisation. Data is an integral part of our strategy and our future service provision. Within PGGM, we continually explore how we can use pension and asset management data securely to improve our service provision or to develop new services. From our Datalab, we work in a demand-driven manner and have a facilitating role. We form temporary multidisciplinary teams and look for the best way to solve the problem. Technology is a means in that process and not an end in itself.

We further elaborated our approach in 2019. Concrete projects in our organisation are key in that approach. At the moment, for instance, the innovation department is working with the asset

management department to further digitalise the investment processes. In this process, we introduce technologies that further optimise portfolio management and make it future-proof. At the same time, among other things we are investigating the impact of artificial intelligence and cloud technology on our service provision and the opportunities that these technologies offer.

We have also signed a letter of intent with APG to use big data technology and machine learning to link our investments to the United Nations Sustainable Development Goals. The goal is to flesh this out in an SDI Asset Owner Platform of international pension funds and pension administrators. This platform determines which companies qualify as Sustainable Development Investments. These data are subsequently made available to other market parties so as to contribute to a market standard.

PGGM Data Science Bootcamp

During the PGGM Data Science Bootcamp, 37 colleagues became acquainted with data analysis and the programming language Python. This was prompted by the desire to get more of a view on data-driven applications in the investment chain. The use of data analysis constitutes the basis for various investment decisions and new forms of service provision. In this area, we are well on our way to successfully embracing new trends and technologies.

Toekomstverkenner

We continued developing the Toekomstverkenner (multi-year forecaster) in 2019. This allows participants to easily, quickly and securely see what impact early retirement or reducing their working hours would have on their overall financial situation. We developed this tool for PFZW but since 1 May 2019 other pension funds have also been able to use the Toekomstverkenner.

The Pensioenfond van de Metalektro (PME) (Pension Fund for the Metals and Electrical Engineering Sector) joined in 2019 and other funds followed. With this we encourage cooperation within the pension sector and put funds in a position to offer their participants financial insight for later. The specifications for each pension scheme are built in. The ambition is to further expand the functionality of the Toekomstverkenner together with the pension sector.

Blockchain

Since 2019 we have been working on a blockchain solution that should facilitate a quick and simple decision for a (regular) value transfer for the relevant participant in a pension scheme.

Digital client interaction

The focus in the Digital client interaction project is to develop a fully digital financial coach for participants.

In 2018 we concluded the Virtual Emotion Recognition Assistant (VERA) pilot, in which we investigated what value artificial intelligence can add to the service provision to participants.

This year we conducted a pilot into how these technologies can play a role in the automatic administering of the conversations our customer service employees hold. The pilot was successfully concluded and the infrastructure required for this automatic registration is currently being set up at PGGM.

Client chooses channel

Based on a number of experiments, we investigated whether it is possible to show pension data using (mobile) banking applications and what value and impact this would have for participants. This could give rise to a new client communication channel for the participants of PFZW. The outcomes of the surveys were mainly positive: both pension participants and banks indicated they needed a separate communication channel. In the next phase, we will work with a number of experts to look at how and using what technology we could put together a possible business model.

Focus 2020

In 2020, the focus is on a more programmatic approach based on a few key themes, so that PGGM is better prepared to become a business of the future. We will be further elaborating the Artificial Intelligence programme, also devoting attention to building up specific competences and skills more broadly, such as artificial intelligence and machine learning, text data mining and the use of biometrics. We will also be starting the Pension execution project in 2025 process, in which we launch experiments to anticipate the pension of the future. This programmatic approach and the taking up of concrete challenges by the organisation are aimed at further digitalisation of the organisation.

Sustainable business operations

We are working hard to further reduce our ecological footprint. We have had an A energy label for the PGGM building since 2019. We therefore amply satisfy the statutory obligations in time. In 2019 we also received the BREEAM-NL In-Use certificate with the qualification 'very good' for the components of Asset, Management and Use. This is extra confirmation that we not only have a sustainable building, but that we also manage, use and improve it sustainably. In 2019 we doubled the capacity for our own energy generation via solar panels to approximately 118 kWp. We generated 45,567 kWh in 2019. This is how we concretely fulfil the government ambition of ensuring an energy-neutral environment in 2050.

In December 2019, the Mobility working group started helping realise the ambition for mobility. The charging facilities for electric vehicles were improved and expanded in 2019. We also want to realise a fossil fuel-free lease car fleet in 2025 and reduce the footprint from flights.

CO₂ emissions

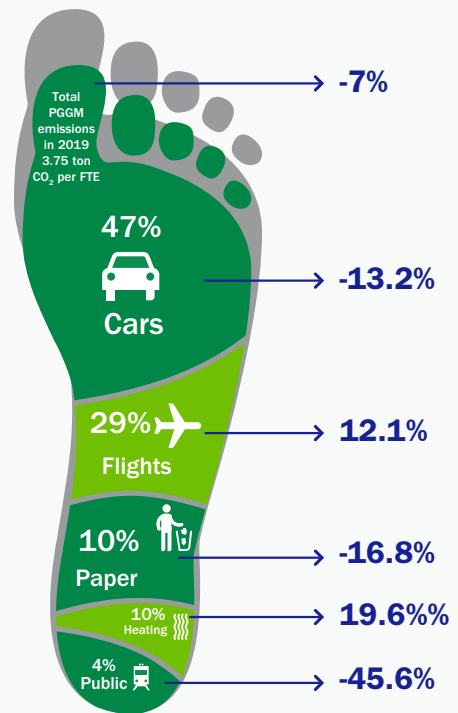
We measure the emissions we cause by car use, air travel, public transport, paper consumption, heating of the building and drinking water.

In 2019, PGGM's carbon footprint was 5,481 tonnes of CO₂, this is an increase of 2.8 percent compared to 2016. The total CO₂ emissions per FTE in 2019 was 3.75 tonnes of CO₂. This represents a reduction of 7 percent in comparison with 2016. The emissions per FTE in 2016 is our reference point for the ambition for mobility emissions. This will be used henceforth for measuring and reporting on the extent to which the ambition is achieved.

The two biggest emissions categories are car use and air travel. Compared to 2016, there was a decrease in the category 'car' as a result of the switch to electric lease cars. There were more kilometres of air travel in 2019, which resulted in higher CO₂ emissions in this area.

We also see a decrease in emissions caused by paper because we use less paper and work with CO₂-neutral suppliers. The increase in natural gas consumption for heating the building was due to technical problems with the sustainable heating installations which are expected to be fixed in 2020.

CO₂-footprint



→ Change in CO₂ emissions in comparison with 2016

Compensation for CO₂ emissions

We compensate our carbon footprint each year with the Gold Standard Cookstoves project in Uganda. 90 percent of households in Uganda still cook over an open fire, which not only causes serious deforestation but also harmful effects for health. The Cookstove project makes efficient wood ovens available which require up to 50 percent less wood for cooking. In addition to the CO₂ saving this ensures, the project contributes to the health and better living conditions for the local population. We encourage innovation in the aviation sector by supporting the KLM Corporate BioFuel Programme. The biofuel emits 75 percent less CO₂ compared to fossil fuel kerosene. With the purchasing of biofuels, we realised a 90.86-tonne CO₂ reduction in 2019.

Responsible products

Where possible, we repair or recycle materials in our building. In 2019, reducing waste was an important action point. The 'Zero Plastic' initiative already banned all single use-plastic from the company catering. Waste separation and recycling was also brought from behind the scenes into the work environment. Throughout the building there are waste separation stations that make it easier for users to separate their waste. Further on in the chain the separated waste is converted into new products. We also have a collaboration with Closing the Loop (CtL), a Dutch company that encourages the recycling of mobile phones in Asia and Africa.

For every telephone that we purchase, a phone is taken off the refuse dump in Africa and Asia and its materials recycled. CtL also collects the old phones and tablets of our employees. These are resold second hand, where possible, or recycled responsibly.

Scalable platform

In order to be able to anticipate the different pension scenarios, we must prepare for a potentially more complex distribution issue and the provision of multiple pension schemes. That requires flexible and efficient execution. This applies for the service provision and for schemes that we administer for clients, as well as for our own processes and systems.

Basic and participation administration

PGGM replaced the old basic administration with a basic administration and a participation administration.

Two systems that make it possible to implement changes more flexibly and efficiently. This provides us with a more manoeuvrable business architecture and contributes to realisation of the strategic PGGM goal of flexible and efficient execution. This system

allows us to move towards a manoeuvrable and flexible PGGM, a major step towards mass customization and a flexible administration.

Future-proof systems in asset management

The asset management department offers the entire range of asset categories. Consequently we have expertise on and an overview of the entire portfolio and knowledge of all markets. We understand how the markets are interconnected and invest for the long term. We have developed a number of investment products with which we can realise a good return and take into account the effects on people and the environment. Social policy and good corporate governance also weigh heavily in our investment decisions.

Our product-oriented business operations will have to be ready for the market functioning, more intensive regulation and supervision. To that end, we make optimal use of our human talent, the scale of our clients and new technologies to realise this ambition. An important step is the transition to a new portfolio structure for our asset management department.

Our clients

We want to strengthen our ties with the healthcare and welfare sector and focus on the service we provide to PFZW. At the same time we also serve other clients. Every pension fund that is a client with us is unique. How the pension fund is managed, the directors' background and certainly also the pension schemes differ from each other. We have, for instance, an occupational pension fund, a premium pension institution and an industry-wide pension fund.

In this way we ensure that in the future as well, in a changing pension system, we will still be able to provide an affordable and sustainable old-age pension provision. So we want to continue the service provision to these other clients in the years to come.

Continuation of asset management for PFZW

In November 2019, a new annual contract was concluded with PFZW for the provisions of the asset management services and products. Another several themes will be worked out in 2020, so that a contract can be concluded in which our partnership with PFZW in relation to asset management is laid down for the long term.

A new contract for BPF Schilders

In the context of our new strategy, we started up talks in 2018 with the Stichting Bedrijfstakpensioenfonds voor het Schilders-, Afwerkings- en Glaszetbedrijf to put together a new contract as of 1 January 2020. We laid down the agreements made in a letter of intent which was signed at the beginning of 2019. We concluded three-year contracts for pension administration, board support and policy advice. We concluded contracts for an indefinite period of time for asset management and financing & ALM policy, investment policy advice and fiduciary advice. We are pleased to be continuing our good relationship with this client.

Continuation of service provision for Stichting Pensioenfonds voor Personeelsdiensten

We started providing services to the Stichting Pensioenfonds voor Personeelsdiensten (StiPP) in 2018. StiPP has a defined contribution scheme with more than one million participants and former participants. This year, StiPP was the first pension fund in the Netherlands to start transferring small pensions to other pension providers with automatic value transfer. The service provision to StiPP takes place in a different pension administration system from our other clients. We work with an external party for this.

Farewell to Stichting Philips Pensioenfonds

At the end of 2018, Stichting Philips Pensioenfonds (Philips) indicated that it wanted to prepare for a future in which the fund could be asked for optimal flexibility in relation to the pension administration of various pension agreements. For this reason, Philips decided to use a selection procedure to determine which party would perform its pension administration from 2021. We participated in this process with full dedication. At the end of October 2019, Philips unfortunately announced it would not be renewing its contract.

Transition of Stichting Volo Pensioen and Stichting Beroepspensioenfonds Loodsen

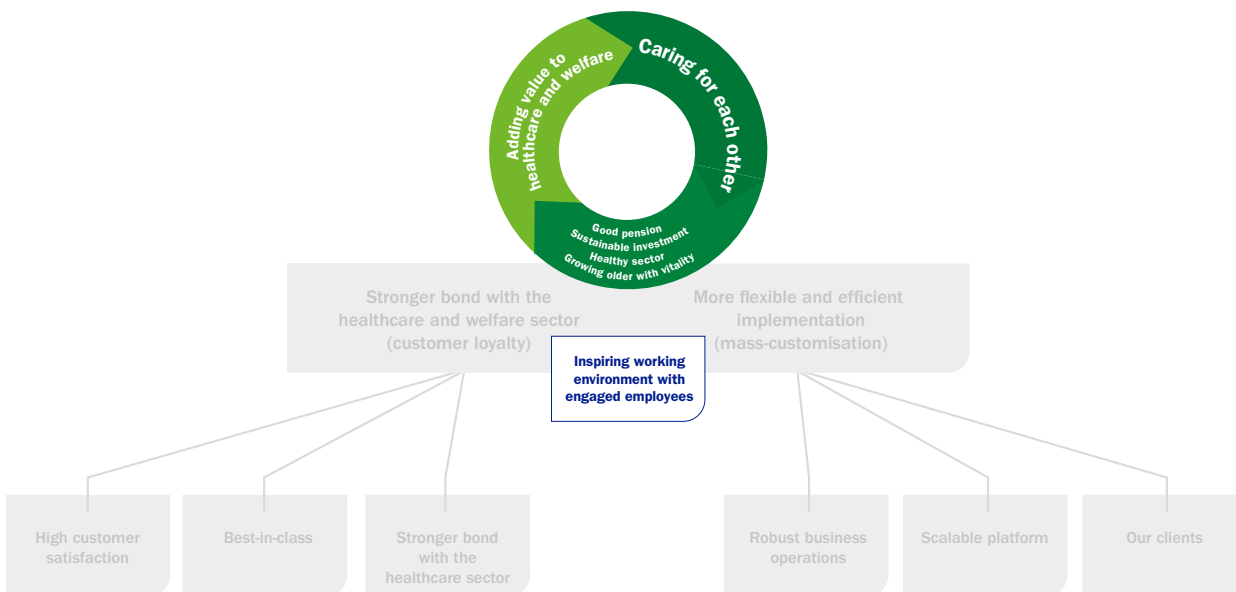
In the context of the new strategy, we decided in 2018 not to renew the contracts with Stichting Algemeen Pensioenfonds Volo pensioen (Volo pensioen) after expiration of the contract period. In 2019 the board looked for alternatives for the groups that Volo pension currently has. The preparations for the transitions are in full swing and applications have been submitted to DNB for a certificate of no objection to the collective value transfers.

The contract with the Stichting Beroepspensioenfonds Loodsen (Loodsen) expired as of 31 December 2019 and was not renewed. Loodsen transferred the financial and pension administration to the pension administration organisation Blue Sky Group as of 1 January 2020.



Inspiring working environment with committed employees

We invest in our employees and encourage diversity within our organisation. In order to realise our annual targets, we also invest in a professionalisation of the culture. In addition, we promote a climate in which colleagues work together more closely in the chain and engage with each other.



Flexibility and behaviour

A flexible organisation is an organisation that can implement changes efficiently and that experiments and innovates strategically. In a flexible organisation, the employees keep pace with what the situation requires of them. They are our key success factor in this context and help us to become more customer-oriented, cheaper and more flexible. Collaboration is crucial here.

Our new strategy imposes new demands on our employees. That is why it is important to create clarity on desirable behaviour.

The right people in the right place

At PGGM, we want the right people with the right competencies and the right behaviour to be in the right place.

We continually encourage employees to work on their sustainable employability. In this way, we promote influx, advancement and outflow. In 2019, we again compared the existing staffing of our organisation with the required situation over a period of several years, in both qualitative and quantitative terms. Now we have a picture of the difference between the existing and the required staffing, the variance analysis. On this basis, together with colleagues, we will continue in the coming years to manage staffing.

Employee development

The PGGM Academy offers education and training programmes that contribute to the professional growth of employees. These programmes should help colleagues continue to effectively carry out their jobs, or advance to another position internally or external to our organisation. The courses provided by the Academy are based on employee needs and our strategic objectives. We work together with renowned parties in this area. But we also regularly use internal employees to share the knowledge we already have in house. In 2019, there were more than 3,000 applications from employees for enrolling in courses offered by the PGGM Academy. The greatest demand was for knowledge concerning agile working, pension and data management.

We have a two-year trainee programme.

The trainees acquire a great deal of knowledge and work experience during these two years and also follow a personal development process. They work on various projects that are increasingly geared to their personal competencies and ambitions. This enables trainees to discover the best place for themselves within PGGM.

We consider it important that employees work individually or together on PGGM's and our clients' objectives based on their strength and energy level. This requires employees to not only understand their profession, but also to work on their ability to change and to retain vitality. At PGGM, we do this with the Fit for the Future programme. In this programme, employees are encouraged to think about their fit with their work, and how to monitor and retain this fit. But they also need to consider the aspect of vitality: how can employees remain fit at work now that everyone in the Netherlands will be retiring later? Together with our group health insurance insurer CZ and occupational health and safety service Beter, we therefore conducted a campaign on vitality in 2019. A number of workshops and lectures were held during the year.

PGGM, an international knowledge organisation

Dolores de Rooij, Associate Investment Manager, team Infrastructure:



'As well as putting knowledge into practice and attaining more knowledge, I was looking for an organisation that is conscious of its societal impact. Because of the fact that PGGM is a long-term investor, investments in relation to risk and return are analysed from that angle of approach. I am also given the room to take on my own responsibility, and I can always rely on experienced colleagues on my team and, beyond that, on external advisers appointed in the event of advanced investment opportunities. It is genuinely a knowledge organisation as far as that is concerned. I am currently working on an international team with many experienced people who have been working in this field for a longer period of time. Ideal for a steep learning curve, although you are naturally expected to function with a large degree of independence. Our focus is mainly on the America and Europe, which means you travel a good deal. What characterises PGGM in my view, therefore, is that from its base in the woods of Zeist, it makes enormous investments on a global scale; something you would never expect as you walk by the farm next door. We occasionally organise a dinner or go for drinks outside working hours. An important element for good cooperation and positive dynamics in my view.'

Open talks on our strategy

Our 2023 strategy is aimed at ensuring we add value to healthcare and welfare. We opt for mass customisation, want to be best in class and are cultivating a closer relationship with the healthcare and welfare sector. But what does that actually mean for our day-to-day work? In 2019, the EC engaged in a dialogue on this with colleagues and the management throughout the

entire organisation. The ball was in the employees' court, from the invitation to deciding on the agenda and on how the discussion was to be held. These so-called 'Open talks' introduced a new way of considering the strategy in more depth collectively. The more than eighty open talks were given an average score of 8. In 2020, we will continue this open way of engaging in dialogue.

Employees and training costs						
Distribution of employees by department	31 December 2019 Numbers	%	FTE's	31 December 2018 Numbers	%	FTE's
Institutional Business	161	11%	156	161	11%	156
Pension administration	492	33%	450	490	33%	447
Asset management	399	26%	412	363	24%	373
PGGM&CO Members' Organisation	17	1%	17	19	1%	19
Information, Finance & Control	367	24%	357	383	26%	373
Corporate Staff services	70	5%	67	81	5%	77
Total	1,506	100%	1,459	1,497	100%	1,445
Full-time/part-time distribution						
Full-time	1,104	73%		1,095	73%	
Part-time	402	27%		402	27%	
Total	1,506	100%		1,497	100%	
Male/female distribution						
Male	934	62%		919	61%	
Female	572	38%		578	39%	
Total	1,506	100%		1,497	100%	
Age distribution						
Under 25	29	2%		31	2%	
25-34	323	21%		305	20%	
35-44	398	26%		419	28%	
45-54	491	33%		505	34%	
55 and over	265	18%		237	16%	
Total	1,506	100%		1,497	100%	
Staff turnover						
Status at start of year	1,497	99%		1,428	95%	
Joined PGGM	189	13%		239	16%	
Left PGGM	-180	-12%		-170	-11%	
Status at year-end	1,506	100%		1,497	100%	
Absence due to illness		3,1%			2,7%	
Education/training expenses	€ 2,894,830			€ 2,656,578		

Working with more of a focus on results and relationships

In order to realise our annual targets, we invest in professionalisation of the culture. With our strategic goals as the starting point, we have a new method of making smarter decisions and keeping a better overview. We also promote a climate in which colleagues work together throughout the chain, engage in dialogue with each other and confront each other about undesirable conduct. In 2019 we laid the foundation for further learning and growing in this respect in 2020.

Diversity

We consider diversity within our organisation important. We are convinced that diversely-compiled teams deliver better results and contribute more to the realisation of our vision and strategy.

The more diverse the employees in an organisation, the more talent and competencies it has at its disposal. That makes the organisation stronger, more flexible and effective. This is why we promote diversity. Part of this is our approach aimed at increasing the number of women in influential positions.

The percentage of women in management positions in 2019 was 29 percent. We continue to monitor the figures, on the unit level and PGGM- wide. The current composition of the EC unfortunately does not meet the requirement for a balanced distribution of seats pursuant to the Governance Code (minimum of 30 percent occupied by women and a minimum of 30 percent by men). This is indeed PGGM's aim. Women make up 50% of the Supervisory Board.

We also made efforts again last year to offer work to people at a distance from the labour market. With the Make It Possible (MIP) programme, we offer work experience placements at various places in the organisation. Nineteen MIP colleagues worked at the organisation in 2019.

The MIP programme was recently discussed at length with PGGM's Cooperative Council. In its role as shareholder, it indicated that it attached a great deal of value to the continuous efforts in this programme.

The trade unions also stated in the CLA negotiations for 2020 that they want to expand the MIP programme with a number of permanent jobs for people belonging to the target group for the Participation Act. We would like to aim for that: in 2019 two MIP colleagues were given permanent contracts.

We outsourced the facilities services to Sodexo and Strukton, which means we cannot place any people in those jobs ourselves. We do urge our suppliers to place MPI individuals, but these do not count towards PGGM's number. In 2020 we will sit down with both parties to see whether more possibilities can be found for our target group.

Employee participation

We aim for the optimal involvement of our employees and actively seek opportunities to improve employee participation in our organisation. Participation in decision-making at PGGM is the joint responsibility of the Works Council, management and employees.

We use an employee participation model based on a modern and proactive view. Aside from the ten core members of the Works Council, there is room for special members to provide input and help with the decision making on one of the monitoring committees. The Works Council also makes use of relevant specific employee knowledge.

This enables all employees, managers and the EC to become involved in requests for consent and advice. The Works Council was involved in a large number of cases in 2019 as well, partly in connection with our strategic recalibration.

The Works Council also adopted a new working method which ties in better with and is more meaningful in the further elaboration of our strategy. During part of the usual meeting, the Works Council and the chairman of the Executive Board speak freely with each other about a relevant topic at PGGM. Aside from the formal employee representation obligations, therefore. This results in genuine insights for both parties: dilemmas are discussed and help is offered in both directions.

Major and minor issues are provided with sound advice or a position, with the effort and input from the Works Council, the extraordinary members and the PGGM employees. Adopting additional and sometimes differing recommendations from the Works Council improves decision making. Signals from our employees sometimes prompt reconsideration of proposals.

We expect another number of requests for advice and consent for the coming year. Optimising employee participation remains of the greatest importance here and is a priority for the Works Council and EC. Their engagement and feedback in response to requests for advice and consent, as well as in the day-to-day decision-making is the key factor for successful and transparent employee participation.

Remuneration policy

We aim for a transparent, responsible and sustainable remuneration policy: fair remuneration for measurable performance. The way in which performance is achieved (competences and values) is also taken into account in evaluations and consequently, in the remuneration.

Our Performance-Related Pay policy is in line with our strategy and core values. In the remuneration policy, the interests of the client are key and our long-term interests and relevant laws and regulations are taken into account. This policy applies to PGGM and its subsidiaries.

Several other themes will be worked out in 2020, so that a contract can be concluded in which our partnership with PFZW in relation to asset management is laid down for the long term. For the total remuneration at PGGM, we use the median of the relevant reference markets as a guide. This is tested externally periodically. The CLA expired on 31 December 2019. As there was not yet a new CLA on 1 January 2020, the provisions of the former CLA remained applicable. For the remuneration of the members of the Executive Board, see the appendix 'Remuneration of the Executive Board'.

Variable remuneration

We grant one-year variable remuneration capped at 20 percent of the fixed annual salary to senior employees working in the investment chain. Other employees are not eligible for variable remuneration.

Deferred variable income

In addition to one-year variable remuneration, there is the possibility of granting deferred variable income (DVI) to a limited group of employees in the investment chain. The DVI is a form of deferred remuneration. This is paid out after a multi-year deferral period after the year in which the key performance indicators (KPIs) applicable to attaining the DVI were achieved. No particularities may 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 an annual basis can never exceed 100% of the fixed salary. The KPIs for the one-year variable remuneration and DVI must be derived from the objectives of the clients, PGGM, the business unit and the department. The KPIs must also be at least 50 percent based on non-financial criteria.

In 2019 we started revising our remuneration policy in light of our strategy. This process will continue in 2020, whereby we will emphatically be seeking out collaboration with the employers' council and trade unions. The aim is to put together a broadly supported and recalibrated

group-wide remuneration policy as of 2021 which enables us to successfully implement our strategy. At the same time, our remuneration policy must be consistent with the risk appetite, cooperative objectives and core values of PGGM.

Variable remuneration paid out (x €1,000)		
Distribution of variable remuneration by type	2019	2018
One-year variable remuneration in investment chain paid out *	3,780	3,539
DVI paid out **	1,048	-
Gratuity paid out	547	547
Flexible year-end bonus paid out	-	838
Total variable remuneration paid out ***	5,375	4,924

Number of beneficiaries		
Distribution of number of employees per variable remuneration paid out	2019	2018
One-year variable remuneration in investment chain	199	192
DVI	31	-
Gratuity	202	196
Flexible year-end bonus	-	1,398
Total number of beneficiaries	432	1,786

* One-year variable remuneration paid out in relation to the previous financial year. One-year variable remuneration paid out in 2019 therefore relates to the 2018 performance year and one-year variable remuneration paid out in 2018 relates to the 2017 performance year.

** DVI paid out in 2019 relates to the DVI granted in 2015. As a result of a change in the DVI scheme in 2015, no amounts were paid out in 2018.

*** Amounts are shown exclusive of pension and social security charges.

Gratuity

Employees who do not receive any form of individual variable remuneration can receive a gratuity on account of exceptional dedication and/ or performance. Our website contains the publication requirements according to Section 1:120 of the Wft.

Future

A number of trends and risk factors are important for the pension sector for the short term as well as the medium and long term. We address these briefly here and look at their possible impact on our business operations.

Political developments

The greatest uncertainty for both our clients and ourselves is the discussion on the future of the pension system, particularly the details of the pension agreement reached in 2019. The choices relating to a new contract that our clients face not only have a major impact on performance. We advise and assist our clients in making the choices facing them in the discussion on the pension system and are at the same time preparing ourselves for different scenarios.

European law, regulations and supervision

We see that the European legislation and regulation is becoming more important, as is the role of financial supervision from Europe. One of the biggest developments is the IBOR transition, the switch to alternative reference interest rates. In part because of the large pension sector, the Netherlands has a large market for interest rate derivatives that refer to EONIA or EURIBOR. EURIBOR is currently being reformed and will have a new calculation method, so that this reference interest rate satisfies the new requirements. EONIA will no longer be available as of 1 January 2022. That is why before that date, we must switch to a new reference interest rate published by the European Central Bank: the Euro Short-Term Rate, or €STR. At PGGM, we are making the necessary preparations, informing our clients and adapting the contracts fairly and transparently.

European Pension Register

With an international consortium of APG (the Netherlands), VBL (Germany), Sigedis and the Federal Pension Service (Belgium), Pensionsmyndigheten and MinPension (Sweden) and the AEIP (European umbrella organisation of joint institutions), we are participating in a European project for developing a European

pension register (European tracking service on pensions, ETS). This project is co-financed by the European Commission and runs from 2019-2021. The ETS must help (present and former) European labour migrants, including border workers, find the first and second-pillar pensions they have accrued in various European countries. The aim of the subsidy application is to introduce a pilot phase of an ETS (European Tracking Service) and preparatory work for a full ETS.

Brexit

We devoted special attention last year to Brexit and the reform of Libor. As far as the United Kingdom's exit from the European Union is concerned, this year was dominated by preparations for a possible hard Brexit. To that end, in asset management we ensured that transactions with UK-based counterparties could be performed. We also took risk mitigation measures for parts of the investment portfolio that could be affected by a hard Brexit. Clients were also kept up to speed on the relevant developments.

Since a hard Brexit after the exit of the UK on 31 January 2020 still cannot be ruled out, these actions will also be carried out in 2020. In January 2022, Libor will be scrapped as a reference rate. The relevant contracts have been adjusted accordingly, the new reference rates have been entered in the administration and changes were made to the portfolio where necessary. In January 2022, Libor will be scrapped as a reference rate. In preparation for this, we took stock of what contracts need to be amended and identified the portfolio impact. We also started preparations to set up the new reference rates in our systems.

Social developments

The main trends and developments driving the reform of the pension system in the Netherlands are the ageing of the population and decline in the number of young people in society, but also the individualisation and changes on the labour market. Population ageing and the decline in the number of young people put the sustainability and affordability of the current pension contract under pressure. Living longer also means working longer and as such, a shifting retirement and state pension age.

Individualisation

The trust participants in the pension system has decreased since the 2008 financial crisis. There has been little, if any, indexation since 2008 and in 2019 the threat of a reduction in pension entitlements even arose. A possible solution in the system discussion is a contract form that is oriented more towards individual instead of collective pension assets. In this kind of arrangement the premium deposited (the defined contribution) is the focus rather than the ambition (defined benefit). Solidarity and collectivity are no longer a given in this context. We also see this in the discussion of the average pension contribution system, in which the solidarity between young and old could potentially be scrapped. This has major effects and consequences for the set-up of the pension administration, especially on the pension accounting side. We are working together with our clients to prepare for this defined contribution agreement, for example with an own premium pension institution (PPI). In order to remain relevant for and in the sector, it is important for us to continue to deliver excellent service at the lowest possible cost. We also want to anticipate the future with innovative strength and an entrepreneurial spirit.

The labour market is also undergoing changes. The rise of flexible workers and self-employed persons without employees (ZZP) is forcing an

update of the pension system. Together with PFZW, we are conducting pilots to look into the possibilities of also allowing self-employed persons without employees to avail of the collective pension in the healthcare and welfare sector.

Macroeconomic developments

Because of the persistently low interest rates, we are facing higher valuations of our future liabilities, which means our clients' participants are able to accrue less capital in their pension and insurance products. Consequently, the threat of reductions of retirement benefits for our clients continues to loom, despite good investment results. The good returns are not sufficient to compensate for the increase in the liabilities in that case.

Digitalisation of the financial sector

Digitalisation will continue to be the dominant technological trend for our company for the time being and offers opportunities in the areas of data collection and processing and artificial intelligence, for instance. We collect, process and use data in an increasingly broad and more advanced way. Automated data exchange, such as the automatic collection of income data, is an important and impactful innovation in pension administration. A similar development is occurring in asset management. We are developing tools in the area of artificial intelligence, for instance, which help us determine the risk appetite.

The big advantage presented by this is cost savings. Disadvantages include the operational and IT risks of trading platforms. The use of external suppliers of data, software, IT management and cloud storage for the provision of consultancy software, investment and pension-related software and cloud providers also entails risks. The threat of cyber attacks remains high and the number of cyber incidents appears to be rising.

This emphasises the importance of an adequate information security policy. We continue to devote full attention to this.

The data that we manage and process for our clients also pose new opportunities and possibilities, for instance in relation to vitality and mobility. Together with and for the employers affiliated with PFZW, we provide insight into short and long-term absence, as well as intake, outflow and advancement in the healthcare and welfare sector. Employers can compare themselves with their peers on these aspects and learn from each other's best practices. In this way we can provide new added value from and adjacent to our pension services.

Ecological developments

Climate and sustainable investment are becoming increasingly important. The United Nations has defined so-called Sustainable Development Goals (SDGs), a number of which have been adopted by PGGM and its clients. From the context of supervision and legislation and regulation as well, concern and attention for a better world is becoming more important and large investors are being looked to in this regard. We are among the group of large asset managers with knowledge and experience in relation to sustainable financing. This agenda is being proactively pursued in Brussels and with the operationalisation of the Action Plan on Sustainable Finance, it is rapidly making its way to the Netherlands. In The Hague as well, forces from the Ministry of Finance and Economic Affairs and Climate are coming together to pursue a coherent and consistent agenda on this theme. The Financial Sector Commitment to the Climate Agreement signed in 2019 is being promoted internationally as an important milestone in this. In formal and informal contacts, we are deploying our system knowledge, jointly and in the context of the pension sector as a whole, to accelerate the energy transition.

We want our sustainability policy to tie in with the strategy and objectives of our clients, specifically those of PFZW. As a professional service provider, we are also at the heart of society and we feel responsible for our actions. In coordination with our social partners, we therefore started on a recalibration of our sustainability agenda in 2019. Like PFZW's investment policy, this sustainability agenda is based on the sustainable development goals of the United Nations. We have opted to focus on development goals 1 (eliminating poverty), 3 (good health and welfare) and 13 (climate action).

Outbreak of the coronavirus pandemic

At the time of writing of this annual report in March 2020, PGGM faced one of the biggest challenges in its existence: the outbreak of the coronavirus pandemic. Although we are well-prepared for the various scenarios relating to potential disruptions of the normal course of business, it became clear to us at an early stage, well before the World Health Organisation announced the pandemic, that we would need to take radical measures.

The pandemic will certainly have major consequences for the economy as well as for the public and for social life. In particular, a difficult period has begun for the healthcare and welfare sector, with which we feel a close connection. The utmost will be demanded of countless healthcare professionals for whom we administer pensions.

There was already an immediate major impact on the assets of our clients and the coverage of the pension funds was put under pressure. We are doing everything possible to support them with this and to assure the continuity of PGGM and our service provision. We also complied with the government's call to facilitate work from home wherever possible and the necessary IT and other support was quickly arranged.

Only a few employees remain at the office for critical processes that can only be performed there. Within a very short space of time, working from home reached a level not previously seen at PGGM and the organisation is preparing to continue to serve the interests of clients and their millions of participants in a time of unprecedented dynamism and uncertainty. Without knowing how long this crisis will last or how deep its effect will be, our organisation is showing determination to address it.

Zeist, 15 april 2020

Executive Board:

Edwin Velzel, chair

Willem Jan Brinkman

For the time being, we do not see concrete major financial consequences resulting from the coronavirus crisis for PGGM's business operations. It is conceivable that backlog will arise in the work flow if the coronavirus measures last for a longer period. These will then have to be caught up at a later time, at higher costs. The increase in working from home has also given rise to an increased risk of operational errors. These could possibly also have significant negative financial consequences. In order to minimise the risk of operational errors, the PGGM office remains open with limited staffing. There is also increased attention to continued application of the necessary operational control mechanisms.

It can also be reported that the work for our clients (pension funds) continues in full and the contacts have been intensified. Customer demand, and consequently the jobs, are therefore assured. Our clients are also sufficiently solvent, so that no payment risk arises. In addition, we maintain close contacts with our suppliers to ensure the continuity of their services to us for after the end of the coronavirus measures.

Report of the Supervisory Board

In this Annual Report, the Supervisory Board explains how it carried out its supervisory role and role as employer and how it supported the Executive Board by providing advice over the past year. The report also discusses the most important substantive matters in which the Supervisory Board was involved this year. In performing their duties, the supervisory directors are guided by the interests of the company and the businesses affiliated with it. The Supervisory Board supervises the Executive Board's policy and the general affairs of the company and its affiliated businesses. The Supervisory Board has appointed two committees from among its members: the Audit, Risk and Compliance Committee (ARC) and the Remuneration, Selection and Appointments Committee (RSB).

The Supervisory Board looks back on a year in which the focus lay on a number of key issues:

- Strategy implementation
- Renewal of pension system
- IT
- Governance
- Conduct and soft controls

Highlights 2019

The Supervisory Board believes in the importance of good, affordable and sustainable pensions for our clients and their participants and monitored the developments in relation to the pension system closely in 2019. These developments mean that PGGM must be in a position to respond to various pension scenarios, including a more individually oriented pension system. That is why it is important that the strategy adopted in 2018, 'PGGM, adding value to healthcare and welfare', was translated into concrete actions and plans in 2019. Flexible and efficient execution, with a higher degree of professionalisation where possible, is needed to realise this. This applies both for the service provision and for schemes that are administered for clients, as well as for our own processes and systems. In order to be able to keep pace, we must prepare for a more complex distribution issue and the possible administration of several pension schemes.

Adequate asset management plays a key role in every pension scenario, so that a good and sustainable investment policy can contribute to pensions. With the strategy, a clear choice is made for the healthcare and welfare sector. By making our services, knowledge and experience available, we contribute to a healthy and vital sector. The service provision to and impact of the strategy on our clients are important points for attention for the Supervisory Board and are regularly discussed with the Executive Board, both in and outside the meetings. The service provision proceeded smoothly in 2019.

In 2019 the Supervisory Board devoted a great deal of attention to the continuity in PGGM N.V.'s management because of the temporary absence due to illness of CEO Edwin Velzel. The Supervisory Board decided to appoint an acting CEO for PGGM N.V. in order to lead the further development of the strategy. This decision was effectuated in early 2019 with the temporary appointment of Kees Beuving. The Supervisory Board is exceptionally grateful for the way in which Kees Beuving, CFRO Paul Boomkamp and the members of the EC led the organisation during this period. Edwin Velzel returned to work as CEO of PGGM N.V. on 1 April 2019.

During the past year, the Supervisory Board noted together with the Executive Board that the pressure on business operations is high as a result of the changed laws and regulations, requirements of our clients, implementations of new clients and current IT and other programmes. These IT and other programmes are necessary to make the business operations future-proof in relation to the new strategy and any renewals of the pension system. The Supervisory Board is pleased that the new basic administration went into production in 2019. This is an important foundation for a more flexible pension administration.

Behaviour and supporting soft controls are important aspects in the realisation of strategic objectives. A cultural change is needed in order for the organisation to become more client-oriented, cheaper and more flexible. This item is continually on the agenda of the Supervisory Board.

Composition of the Supervisory Board

All members of the Supervisory Board are independent within the meaning of the Dutch Corporate Governance Code. On the appointment of its members, the Supervisory Board aims for a complementary composition of the Board. This is included in the profile of the Supervisory Board. Diversity in terms of culture, age, education,

work experience and gender is appropriate here. As of 1 January 2019, the percentage of women on the Supervisory Board was more than the required 30%. There were no changes to the Supervisory Board in 2019. Supervisory Board member Eric de Macker was reappointed by the shareholder as of 1 October 2019 for the period until 1 October 2023.

Attendance at regular meetings

The Supervisory Board held regular meetings on six occasions in 2019. Members of the Executive Board attended the meetings of the Supervisory Board. Members of the EC attended the meetings of the Supervisory Board for topics for which their expertise was required. The relationship with the Executive Board and the EC is perceived as good and transparent.

Extra meetings were called because of the CEO Edwin Velzel's absence due to illness for part of 2019, the resignation of CFRO Paul Boomkamp as of 1 September 2019, the process of recruiting a new CFRO and the appointment of a new auditor for the 2020 financial year. No supervisory directors were frequently absent from the meetings of the Supervisory Board. If members were absent, they provided their contribution to the chair prior to the meeting.

Supervisory Board meetings							
Meetings in 2019	Total	Marjanne Sint	Miriam van Dongen	Eric de Macker	Jan van Rutte	Micky Adriaansens	Henk Broeders
Supervisory Board	6	6	6	6	5	6	6
ARC	5	-	5	-	5	-	5
RSB	4	4	-	3	-	4	-

Topics on the agenda of regular meetings in 2019

PGGM's strategy, developments in the environment, the business operations, the status regarding our clients, the relationship with PFZW, the innovation and change capacity and various asset management aspects are fixed agenda items at every regular meeting. In addition to the annual discussion and approval of the directors' report, a review of the financial results and the key risks associated with the business operations is conducted every quarter, on the basis of the performance and audit reports. Attention is also devoted to customer satisfaction on a quarterly basis.

The Supervisory Board devotes a great deal of attention to PGGM's strategy. The developments in the pension system are very important in this context. This can entail that PGGM must be ready to provide different, more individual pension schemes or multiple pension schemes simultaneously. The Supervisory Board periodically discusses with the Executive Board the status with regard to the pension system, its significance for PGGM's business operations and what options could be developed for the future. PGGM's culture and leadership also play a major role in making the organization more efficient and flexible.

The governance of Vermogensbeheer was evaluated in 2019, with due observance of the requirements of the supervisory authorities. The Supervisory Board also receives information periodically on developments in the asset management market. So it is aware of relevant developments that could impact on the business operations and reputation of PGGM in good time. Several times a year the Supervisory Board also informs itself extensively and in depth on various aspects of Vermogensbeheer's strategy, such as the internal or external management of asset management mandates. The aim is to internalise as much as possible, so that the right knowledge can be accrued and safeguarded in order to help realise Vermogensbeheer's ambitions. Another important

aspect discussed in the Supervisory Board are the requirements and conditions for being able to deliver best-in-class asset management. A member of the Supervisory Board of PGGM N.V. attends all meetings of the Supervisory Board of PGGM Vermogensbeheer B.V. as an observer. The group-wide remuneration policy of PGGM is being reviewed in light of the new strategy. The remuneration policy must remain consistent with the labour market, risk appetite, core values and objectives of PGGM and support the successful implementation of our new strategy. This process is closely monitored by the Supervisory Board.

The Supervisory Board also received information on the progress of major (change) projects, such as the successful modernisation of the basic administration and the plan to accommodate (parts of) the IT at the pension administration and asset management units. This results in improved quality and efficiency and is consistent with the implementation of the strategy.

Organisational developments

Paul Boomkamp (CFRO and deputy chair of the Executive Board) decided to say farewell to PGGM as of 1 September 2019. The Supervisory Board would like to express its respect and gratitude for all his achievements for PGGM. Paul Boomkamp was a great asset to PGGM and showed great dedication as deputy chair of the Executive Board during Edwin Velzel's absence.

On 29 November 2019, Willem Jan Brinkman was named PGGM CFRO by the Supervisory Board. During Edwin Velzel's absence, Kees Beuving was acting chair of the Executive Board, during the period 4 February 2019 to 1 April 2019.

Audit, Risk and Compliance Committee

The ARC consists of Miriam van Dongen (chair), Henk Broeders and Jan van Rutte.

The ARC held five regular meetings in 2019. The assessment of the internal auditor, the performance of the Internal Audit department and the instruction to the external auditors were discussed in closed meetings. In 2019 PwC was appointed the external auditor for the 2020 financial year onwards. The ARC played a role in the selection process. The regular meetings were attended by the CEO and CFRO, the Director Internal Audit and the external auditors. The Director Finance & Control and the Director Risk & Compliance were present during the discussions of the quarterly reports. In the discussions of the Annual Report, the committee conducted separate talks with the auditors. It was found in these talks that there were no particulars that could not be shared with the members of the Executive Board.

The committee discussed the findings of the regular performance reports (including risk and compliance) and the audit reports. The actions pursuant to various findings were monitored and where necessary followed up. In the talks with the auditors on the management letter at the end of 2019, it was concluded that the execution and control of regular client processes went relatively well. Many projects were started up as a result of the strategic reorientation and internal and external developments. A great deal of work is also being put into strengthening the IT infrastructure. PGGM's new strategy also imposes new demands on its employees. That is why it is important to create clarity on desirable behaviour.

The ARC devotes attention to PGGM's risk picture in relation to the risk appetite. The Risk appetite statement was updated in response to the new strategy; this update was discussed in the ARC. The key (strategic) risks arise both externally and internally.

External factors such as the low interest rate, low level of coverage and changes to the pension system can influence PGGM's business operations. Internal aspects include risks related to the desired transition of the organisation and IT risks (infrastructure and security). Modernising the basic administration and implementing Windows 10 (both realised in 2019) are important measures in relation to limiting the IT risks. The importance of data quality and integrity is also recognised in this context. Data are an important foundation for PGGM's service provision. The optimal protection of these data is realised by monitoring developments in the outside world and responding to these adequately. This is discussed extensively in the ARC.

Client profitability and steering are important subjects because PGGM's financial results are determined by the extent to which PGGM is able to provide institutional clients with appropriate services.

Individual members of the ARC attended meetings of the Corporate Risk and Compliance Committee and meetings of the Investment Committee within Vermogensbeheer as observers, in order to gain an understanding of the subjects in greater depth. The Supervisory Board receives the reports and meeting documents of the ARC. At the meetings of the Supervisory Board, the committee chair provides oral feedback on the discussions. Supervisory Board members have a permanent invitation to attend the meetings. In 2019, the CFRO and the chair of the ARC once again had regular contacts outside the meetings on current issues and the agendas for the meetings.

Remuneration, Selection and Appointments Committee

The members of the RSB are Eric de Macker (chair), Marjanne Sint and Micky Adriaansens.

The RSB held regular meetings on four occasions in 2019. In January 2019, the committee conducted 360-degree feedback talks with the members of the EC, the shareholder and the Works Council. The objectives for 2019 were also discussed. The committee then drew up advisory reports for the Supervisory Board on the performance and remuneration of the Executive Board in 2019.

The Supervisory Board is responsible for the implementation of the group-wide remuneration policy and the assessment of the general principles of the remuneration policy. A central and independent internal assessment takes place each year in order to assess the implementation of this policy in terms of compliance and procedures. On the basis of this information, the committee concluded that there were no deviations from the current policy and procedures and informed the Board of this. At least one member of the committee must have in-depth knowledge of and experience with a remuneration policy of a similar nature to that applied within the company. This point was realised with Eric de Macker. The outcomes of the review were also discussed.

On the basis of the outcomes of the review, the quality and potential of PGGM's workforce was discussed. The committee asked the Executive Board to set up a more structural approach to intake, advancement and outflow and talent development in 2019. This structural approach was designed through an approach via four sub-fields, each with its own time path. The sub-fields are simplification (identification of obstacles and their accelerated elimination), analysis and design of the organization (coordinating the organisational structure with the new strategy), leadership development and specific behavioural interventions.

The Director People & Organisation attends the Remuneration Committee meetings as standard, in order to provide an explanation on progress.

The Supervisory Board receives the reports of RSB. At the meetings of the Supervisory Board, the committee chair provides oral feedback on the discussions. Supervisory Board members have a permanent invitation to attend the meetings.

Other

Outside the meetings, there were frequent contacts between the chair and other members of the Supervisory Board and the Executive Board. The Supervisory Board members also had contacts with the other members of the EC, the Works Council, employees, managers and stakeholders within and outside PGGM on various occasions.

The Compliance department assesses whether the ancillary positions of all supervisory directors could entail (the appearance of) a conflict of interest. A process has been set up for this purpose, in which a new ancillary position is presented to the compliance officer for assessment and to the Supervisory Board chair for approval. In addition to (the appearance of) a conflict of interest, every supervisory director's portfolio of ancillary positions is assessed against the statutory limitation rules.

No transactions took place in which potentially conflicting interests of material significance for the company and/or the relevant directors, supervisory directors, shareholders and/or the external auditors played a role.

Evaluation and permanent education

The Board evaluated its performance in January 2019. This evaluation was performed with the aid of an external party and was conducted on the basis of document analysis, an extensive questionnaire and detailed interviews with members of the Supervisory Board, the Executive Board, the EC, key officers of Internal Audit and the corporate secretary. The results of this evaluation were discussed in the Supervisory Board. Appreciation of the engagement, expertise, diversity and capacity of the Supervisory Board members was expressed. Meetings are conducted in a structured manner and in an open atmosphere, facilitated by timely provision of good quality information. A number of points for attention were also formulated which the Supervisory Board wished to engage in, such as: optimising the information flows from and to the Supervisory Board, devoting more time to discussing strategic themes and a strong role in the Executive Board assessment process. Finally, the Supervisory Board devotes a great deal of attention to behaviour and culture, also in light of the new strategy.

The Supervisory Board takes the view that permanent education adds substantial value to the performance of the Board. It therefore has its own long-term education plan. In-depth discussion took place around the regular meetings. A number of subjects were considered in depth in 2019, including various aspects of asset management. Because the developments and current events in Europe can influence the pension system in the Netherlands and by extension PGGM, the Supervisory Board and EC made a multi-day working visit to Brussels in January 2019. During this visit, talks were held with officials at a number of European institutions and subject-matter experts. Specific in-depth consideration was devoted to pension developments in Europe and what these could mean for the Netherlands and sustainable finance. Together with directors of the cooperative and PFZW, supervisory directors also take part in management modules organised by PGGM.

Four times per year, these focus on current developments at clients, among participants or in the internal organisation of a PGGM business unit. Examples include the PFZW investment policy and developments in the pension system.

Relations with the shareholder

The Supervisory Board's contact with the shareholder is primarily through the shareholder meetings. In 2019, in addition to the annual meeting, one extra meeting of shareholders took place for the reappointment of a supervisory director. At least twice a year, the RSB conducts talks with the shareholder or a delegation acting on behalf of the shareholder on developments at PGGM and the remuneration policy of the Executive Board. The directors of PFZW, the PGGM cooperative and the Supervisory Board met on a number of occasions in 2019. The matters discussed included strengthening a base of support for and further development of the new strategy, which is aimed at a (more) meaningful role in the healthcare and welfare sector. The availability and use of data (within the statutory limits) also provides a possibility for offering products and services for (vitality within) the healthcare and welfare sector. It is important to maintain a dialogue with employers, employees and the social partners.

Relations with the Works Council

The Supervisory Board considers having a good relationship with the Works Council extremely important. A Supervisory Board member is in attendance at meetings on the general progress of the business. In addition, the supervisory director appointed on the nomination of the Works Council (Miriam van Dongen) conducts informal talks with the Works Council on a number of occasions each year. There was intensive collaboration with (a delegation of) the Works Council on a number of files (appointment of the acting CEO, new CFRO and reappointment of supervisory directors). The Supervisory Board

also takes part in the ‘three-boards consultation’ annually. At the three-boards consultation, the Supervisory Board, the Works Council and the Executive Board exchange ideas on current topics.

Relations with the external auditors

The Supervisory Board and the ARC regard the cooperation with KPMG as positive. Proper use was made of a process-based and internal audit-based approach to work for the audit of the financial statements. The quality of the reports issued is good. The external auditors also attend the meetings of the ARC. The input of the external auditors during these meetings is regarded as positive. KPMG’s appointment runs until the end of the 2019 financial year. The process for appointing new auditors from the 2020 financial year took place in 2019. After a careful selection process, the shareholder named PwC the external auditor for the financial year 2020 onwards.

Relations with Internal Audit

Once a year, the ARC assesses the performance of the Director of Internal Audit and the role and performance of the Internal Audit department. The perception of the department is positive. The relationship with the external auditors is good. The Director of Internal Audit attends the meetings of the ARC. The annual audit plan, the audit reports and the management letter provide the Supervisory Board with a good insight into the business activities and processes.

Conclusion

The Supervisory Board expresses grateful thanks to the members of the Executive Board and the EC, the Works Council and the employees of PGGM for their efforts during the 2019 reporting year.

Zeist, 15 april 2020

Marjanne Sint, Chair

Miriam van Dongen, Deputy Chair

Micky Adriaansens

Henk Broeders

Eric de Macker

Jan van Rutte

Risk management

PGGM Risk Framework

For the implementation of risk management, we use the PGGM Risk Framework to structurally provide insight into, monitor and report on risks. PGGM's Risk Framework is based on the internationally accepted standard COSO Enterprise Risk Management methodology.

Risk management at PGGM is organised in accordance with the generally accepted 'three lines of defence' model. Each line has its own tasks and responsibilities. The responsibility for the primary risk management lies with line management (first line). The Finance & Control and Risk & Compliance departments (second line) supervise and report on the risks. Internal Audit (third line) assesses whether the management demonstrably complies with the different requirements stipulated in relation to risk management.

Risk appetite

With every decision, risks are taken, consciously and unconsciously, in order to realise PGGM's objectives. In order to determine whether and to what extent PGGM is willing to run a particular risk, it is necessary to determine PGGM's risk appetite. This risk appetite constitutes a framework for decision making and contributes to the risk culture. If a risk is assessed as lying beyond the risk appetite, extra control measures are necessary in order to bring this risk within the limits of the risk appetite. The description of the risk appetite is included in the Risk Appetite Statement chapter.

The risks and the accompanying risk appetite are divided into three clusters: Business Operations, Service Provision and Reputation. We have also made a distinction in relation to certain risks between risk appetite in a 'running the business' situation (execution) and risk appetite in relation to 'changing the business' situations. This is based on the thinking that continuity and reliability weigh the heaviest in the performance of our service provision, while major change programmes sometimes require more latitude for experimentation and learning, for example in the event of innovations.

The EC determines the risk appetite per risk category annually. For the coming year, the number of risk categories was increased to be able to monitor more specific risks during the year. The risk appetite for 2020 is contained in the table below.

Risk appetite					
Risk picture	Low	Low-Medium	Medium	Medium-High	High
Corporate	Environment			●	
	Design		●		
	IT General		●		
	Cyber		●		
	Conduct & Culture		●		
	Legal & Compliance	●			
	Financial		●		
Service provision	Business			●	
	Proces Run VB	●			
	Proces Run PB		●		
	Change Corporate			●	
	Change VB			●	
	Change PB			●	
	IT run VB	●			
	IT run PB		●		
	HR		●		
	Outsourcing Corporate		●		
	Outsourcing External VB		●		
	Accountability		●		
	Model (Corp., VB, PB)		●		
	Reputation	Reputation Publicity			●
Other stakeholders			●		
Alignment PFZW			●		

● PGGM Appetite 2020

PGGM manages risks tightly based on its risk appetite. At year-end 2019, the exposure exceeded the risk appetite for a limited number of risks. The EC took measures to work towards the envisioned levels of risk appetite.

Risk culture

Effective risk management goes hand in hand with a healthy risk culture. The risk culture we strive for is focused on risk-aware behaviour in an open and honest environment.

We are accountable to each other for responsibilities, results and behaviour in relation to PGGM's values, standards and objectives. We recognise that incidents do happen and the incident management process is aimed not only at limiting the impact, but above all at learning from the incident in order to prevent the same incident from occurring in the future.

The introduction of a tightened form of control is an important development in the strengthening of the risk culture. This working method results in more ownership and accountability, which translates quantitatively and qualitatively into more concrete results and more risk awareness.

In risk management, we use both hard controls (substantive mitigating measures such as procedures) and soft controls. These soft controls are aimed at keeping behaviour and matters that influence the conduct of others in line with our standards and values.

Monitoring and steering behaviour helps better understanding, anticipation and advice and more efficient working methods, preferably with fewer 'hard' regulations and rules. In due course, more insight into and knowledge of soft controls will give rise to many benefits. This could lead to better conduct on the part of employees, more appeal, better management of processes, reduced likelihood of incidents, better realisation of objectives, more commitment and (in due course) a reduction in supervision and compliance costs. Attention is devoted to the effect of soft controls in investigations by Internal Audit and in trend analyses by Risk & Compliance. We consider both the behaviour underlying the problem and the behaviour necessary for its solution here.

Risk management process

Enterprise Risk Management is a continual process at all levels of our organisation. The Risk & Compliance department is responsible for coordinating the risk management process and draws up a quarterly risk report for each business

unit. This report compares the current risk picture with the risk appetite and is discussed and confirmed in the Unit Risk Committee of the particular business unit. In addition to the risks that actually manifested, we specifically review the risks that could manifest over time. Based on this overall risk profile, actions are initiated and the responsible management issues an In Control Statement quarterly.

An overall picture of PGGM is prepared for the EC, the Audit, Risk and Compliance Committee (ARC) and the Supervisory Board every quarter, in the PGGM quarterly reports. The objectives, the financial picture, the risk picture and the points for discussion are brought together here as a whole. The audit reports are presented separately.

Risk management developments in 2019

We updated the PGGM Risk Framework in 2019. This was brought in line with the changes made to the risk management process in 2018 and 2019 as a result of, among other things, the updated risk appetite and PGGM risk language. In 2019, the risk appetite was defined based on the PGGM risk language and we started making the risk appetite more concrete in risk cards for each risk, including a link to the control measures (hard and soft controls). The next steps for structurally embedding this process will be taken in 2020.

The year 2019 was the first full year of use for the integrated GRC application (Cerrix) in which Risk, Compliance, Internal Audit, the Privacy Office(r) and, at a later stage, other disciplines such as the Corporate Information Security Officer (CISO) will work in a single integrated system. A new release of the system incorporating important adjustments and improvements was taken into use at the end of 2019.

Main risks and uncertainties

The main risks and uncertainties, developments and management of these risks in 2019 are briefly discussed per cluster below.

Corporate risks

The social discussion on changes to the pension system resulted in a new Pension Agreement in 2019. Many choices still need to be filled in, so the definitive outcomes remain uncertain. The switch to a different pension system may have an impact on the proposition and business operations of a pension administrator such as PGGM. PGGM is following these developments closely, participating in the steering committee that is working out the details of the Pension Agreement and is moving forward with its preparations for multiple possible outcomes and management of the risks associated with that.

The decreasing interest rate in 2019 put the coverage levels of pension funds under more pressure. The recommendations from the Parameters Committee reinforced this trend. The introduction of other reference interest rates could also have a negative effect. Under the current regulations, reductions - or even a series of reductions - in benefits could become more likely for many pension funds. This could result in increasing complexity of the pension accounting. The extension granted by Minister Koolmees offers respite for 2020, but does not eliminate the risk. The low interest rate and threat of reductions could also result in loss of societal support for mandatory collective pension schemes. The aforementioned risks are being tightly monitored. Where possible, measures are being taken to limit the effects of this for PGGM and its clients.

In addition to the elaboration of the pension agreement and the increased likelihood of pension reductions, there are other environmental risks for PGGM. These include uncertainties relating to the timely establishment of a trade agreement between the EU and UK in relation to Brexit, the ever-growing Cyber threat and the tightening of requirements imposed on PGGM by

different supervisory authorities. These developments make heavy demands on the existing capacity for change and are also characterised by a great deal of uncertainty. As a result, PGGM must prepare for various scenarios that could develop quickly. There are a number of programmes running to increase the flexibility and controllability of implementing the strategy for Pensioenbeheer and Vermogensbeheer. Implementing the strategy pertains to the realisation of best-in-class asset management and the flexible and efficient execution of pension administration (mass custom service).

We recognise a heightened risk for compliance. In order to comply and to continue to comply with statutory requirements, close attention was devoted in 2019 to MiFID II (Markets in Financial Instruments Directive). A programme was also started to adapt our business operations and the underlying design principles from a 'principle-based' and risk weighting-based method to a more 'rule-based' procedure ('by design'). Detailed information on the activities for management of the compliance risk is presented in the Compliance chapter.

The ability to recruit, develop and retain talent is of strategic importance for PGGM. The shortage on the labour market increased further in 2019. This prompts increased attention for HR risks. These risks are mitigated by using and continuing to search for alternative recruitment methods. We are also in consultation with social partners on revising the remuneration policy. In order to enable employees to work healthily and with enjoyment for long periods, they are stimulated and supported to take control of their own career development via the Fit for the Future programme. On the basis of Steering for Staffing, the growth potential of each employee is also discussed, determined and monitored throughout PGGM.

The management of the investment portfolios which our clients have entrusted to PGGM was performed adequately over the past year, without any notable incidents. Financial risks that arise from the management of the investment portfolios for our clients have no direct impact on the financial position of our organisation because we perform the asset management for the account and risk of the clients. For an overview of the financial risks for PGGM, including solvency, market, currency, interest, liquidity and credit risks, please see the financial statements.

Service provision risks

The complexity of the pension schemes that PGGM administers for its clients increases the risk of errors. We are conducting talks with a number of clients on reducing the complexity and providing support and advice for these clients in that regard. To this end, PGGM's new Product & Service Architecture was designed in 2019 and a start was made on filling in the details.

Rationalisation of products and services is taking place in consultation with our clients. This activity will be continued in 2020. Several projects are running simultaneously for the execution of the strategy (mass customisation organisation with accompanying architecture), compliance with client requirements and the ever-increasing laws and regulations. In view of the scope and the impact of these projects on the whole organisation, there is an increased process and IT risk and the capacity for change is under pressure. In order to mitigate this risk, frameworks were drawn up for adequate, balanced, effective and transparent project and portfolio management.

With regard to security of information and (cyber) security, we live in an age in which threats continue to grow and the effectiveness of measures becomes increasingly important for us and for our stakeholders. Measures were taken in 2019 to strengthen security. The implementation of these measures continues in 2020. On the basis of the PGGM Security Control Framework, we actively monitor the maturity and demonstrability of our security processes. Operating risks are run in the

execution of orders for our clients. In order to mitigate these risks, we have designed our processes in a way that means we are verifiably 'in control'. PGGM issues Standard Reports (previously ISAE) 3402 and 3000 on the service provision for asset management and for pension administration. For asset management, these are multi-client reports, while reports per client are drawn up for pension administration. An incident in the mandatory pensions communication for one of our clients occurred in 2019. Due to an error in the implementation of an automated calculation of the WIA excess entitlement, incorrect data were included in the Uniform Pension Statements for a specific group of participants; this was corrected. We conducted an investigation into the underlying causes of this incident and took measures to prevent such situations arising in the future. In accordance with our advice, the relevant client reported this incident to the Authority for the Financial Markets (AFM).

The incident referred to above led to a limitation in the Standard Report 3402 regarding the service provision by Pensioenbeheer for the relevant client. The other Standard Reports concerning the service provision of pension administration and asset management contain no limitations.

Reputational risks

We work closely with PFZW on the basis of a partnership relationship to control the reputational risk. We also perform active stakeholder management in which the client relationship is continually monitored and client satisfaction is continually measured. Furthermore we actively monitor the media exposure of our organisation and our clients and specifically discuss the reputational risks and opportunities, as well as the measures to mitigate these risks and utilise opportunities, on a regular basis.

Capital requirement

It is essential for the continuity of our organisation that we maintain enough capital to manage the potential financial consequences of the identified risks. Therefore we have drawn up a specific Equity policy. The DNB requirements are included herein. The Finance & Control department monitors the adequacy of the capital maintained.

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 2019 annual talks on the ICAAP with DNB did not give rise to any noteworthy observations.

Risk appetite statement

In the coming ten years, more is likely to change in the Dutch pension landscape than in the past 40 years. A number of important developments are currently coming together, for which the present system does not yet have an adequate answer. This concerns social developments, such as greater labour market flexibility, individualisation and the call for greater transparency. Furthermore, the persistently low interest rates are putting the system under pressure financially. These developments mean that a discussion has been ongoing in the Netherlands for some time about the future of our pension system - a discussion whose outcome is still uncertain.

Together with PFZW, PGGM is trying to retain as many of the strengths of the current system as possible, but it is the social partners and, ultimately, the politicians who decide on the future of the system. PGGM operates in a rapidly changing environment. This requires that we look more from the outside in, embrace technological developments faster and work ever more closely with partners.

One thing is certain: PGGM will not look the same in 2023. In order to remain relevant, it is important for PGGM to continue to provide Dutch pension funds with excellent services for fees at commercial rates. Innovative strength and entrepreneurial spirit are also needed to prepare for the future. The developments around the pension system mean that PGGM must be in a position to respond to various pension scenarios, including a more individually oriented pension system. That is why it is important that the strategy adopted in 2018, 'PGGM, adding value to healthcare and welfare', was translated into concrete actions and plans in 2019. For important investment decisions, we look at whether they are robust enough in the different scenarios.

PGGM is fully dependent on the income that it generates from the administration contracts with its clients. Its raison d'être is put under pressure if existing administration contracts are terminated and there is no certainty regarding new contracts.

The organisational set up and management of PGGM must match the needs and requirements of our main stakeholders, such as PFZW and the supervisory authorities. PGGM wishes to assign responsibilities to the lowest possible levels in the organisation. This calls for an organisation with clear communication, consultation and decision-making structures.

In order to be able to absorb any losses, PGGM must maintain sufficient capital. PGGM has a policy for the minimum capital requirement. In view of the size of PGGM's equity in relation to the assets that PGGM manages for its clients, it is necessary to limit and/or insure PGGM's liability.

Service provision

The processes have been designed to enable PGGM to better meet the future demand for custom services and differentiation (with different pension schemes). PGGM has formed client-oriented teams for that purpose, which will be able to meet client requirements with a higher degree of flexibility. PGGM wishes to use the scale of the organisation by standardising processes wherever possible.

In this way, PGGM will become more of a 'mass customisation organisation', in which client-specific solutions are facilitated without everything having to be custom-made for every client. This calls for a carefully-considered architecture in which customisation is the aim, while retaining economies of scale. Vermogensbeheer has taken a first step towards mass customization with its mutual funds. In the coming years, the organisation will continue to prepare for making the funds generic for the different types of clients. PGGM aims to provide best-in-class asset management service, in which PGGM Vermogensbeheer must always measure up to the best quartile of (integrated) asset managers. A uniform selection and monitoring framework is applied to that end for the selection of internal and external asset managers. A good reputation

In replacing the basic administration, the pension administration department took a first step towards mass customisation. In the coming years, the pension administration department will move forward with its transformation into a complete 'mass customisation organisation'.

Via its regular services, PGGM aims to offer participants a good pension product and there is a limited appetite for operational risks.

The services are data and IT-driven to a significant extent, which is why PGGM has an increased exposure to IT and cyber risks. Privacy is very important in this context. PGGM has a limited risk appetite in relation to privacy, IT and cyber risks.

Reputation

A good reputation is essential for PGGM. On the basis of its social role and mandate from clients, PGGM aims to operate responsibly and supportively. PGGM accepts that there are parties that may have a different vision of some matters and that this could lead to reputational damage. There is a low risk appetite for reputational damage as a result of incorrect and/or incomplete services provided.

In today's turbulent pension domain where the developments can follow on each other quickly and be divergent in nature, it is essential that PGGM and its most important client PFZW see eye to eye in terms of vision, strategy and objectives. Disruptions in this coordination resulting from faulty communication or other causes can have a major impact on PGGM's effectiveness and efficiency and put pressure on its reputation with PFZW and other stakeholders.

Compliance

Clients and society expect PGGM to conduct ethical and controlled business operations. To that end, PGGM pursues an active or proactive compliance and integrity policy that ensures that we comply with integrity standards, laws and regulations and with the requirements of supervisory authorities. PGGM realised this in 2019 as well with the aid of activities in the field of setting frameworks and policy making, advice, monitoring, reporting, and training and awareness.

Internal organisation

Compliance is from and for everyone and therefore concerns the entire organisation. Compliance at PGGM is based on a model with three lines of defence. The responsible management is primarily responsible. Compliance monitors, checks and advises the management and employees on compliance matters, on request or otherwise. The goal of the compliance function is also to increase knowledge and awareness of ethics, laws and regulations and other compliance-related subjects.

The Compliance department consists of a team of compliance professionals, each with their own account responsibility and/or specialism. The account managers perform the second-line compliance tasks relating to the chain (including the legal entities in this chain). The specialists in the compliance team advise and/or support the account managers in the performance of their tasks.

In the internal PGGM organisation and processes, Compliance is involved in all relevant (proposed) changes with (potential) consequences for the internal organization and the processes within PGGM.

The Director Compliance is also PGGM's compliance officer and is part of PGGM's senior management ('top 30'), whereby he advises PGGM's various unit boards and Executive Committee (EC).

Integrity

As an organisation, PGGM must earn and keep the trust of stakeholders and the parties that it does business with. This goes beyond simply complying with laws and regulations. PGGM itself, its clients and society impose increasingly high standards for good governance, a culture of integrity and behaviour with integrity. This requires managed business operations performed with integrity to a high standard. PGGM is aware that culture plays an increasingly important role in the management of risks. For this reason, it focuses on 'soft controls' (factors that influence behaviour) in the management of risks and the realisation of objectives, as well as 'hard controls' (demonstrable measures in processes and systems). Employees are taught how to deal with integrity issues through integrity sessions.

The PGGM Code of Conduct, the PGGM Whistleblower scheme, the PGGM Incidents Policy and the Social Integrity regulations are examples of regulations and standards PGGM maintains for the benefit of ethical and controlled business operations. It also voluntarily applies the Corporate Governance Code (2016) at the PGGM level, which contains rules of conduct which listed companies must satisfy. Although PGGM is not a listed company, it endorses the idea behind this Governance Code.

Furthermore, it is important to PGGM that companies in which it invests on behalf of its clients comply with the Corporate Governance Code.

PGGM has a whistleblower scheme containing a procedure for internal and external reporting of (potential) wrongdoing and for handling this. The scheme also provides assurances for the protection of employees who report (potential) wrongdoing in good faith. The PGGM whistleblower scheme applies to PGGM N.V. and all its subsidiaries. No reports were submitted under the Whistleblower Scheme in 2019.

Compliance tests a number of aspects in the field of integrity. Examples of this include checking private securities transactions of employees on the basis of the requirements of the Code of Conduct, pre-employment screening of employees, prevention and if necessary, transparent management of conflicting interests and protection of confidential information.

Compliance also focuses on guaranteeing adequate awareness in relation to laws and regulations, compliance procedures and measures to prevent money laundering and fraud, for instance. Compliance also provides training courses, including e-learning, for new employees on important topics, such as the Code of Conduct and information security.

Compliance with laws and regulations

PGGM wants to realise its service provision with integrity. To that end, it maintains internal policy rules and procedures to ensure demonstrable compliance with laws and regulations concerning itself and its clients. PGGM wants to be as transparent as possible to all stakeholders and the parties with which it does business.

Compliance monitors the changes in laws and regulations proactively. It does this by identifying changes early in cooperation with other relevant departments, carrying out an impact analysis of

these changes and by subsequently implementing the changes in documentation, processes and/or systems and verifying the correctness, completeness and timeliness of the implementation. The compliance officer issues a statement and reports regularly to PGGM's clients and to the supervisory authorities.

During the reporting year, Compliance worked with the responsible management to further professionalise compliance with the requirements under MiFID II. The GDPR programme was also concluded in 2019. A great deal of work was done to support the organisation in embedding that programme.

The Benchmark Regulation (BMR) came into force in order to guarantee the accuracy and integrity of indices used as benchmarks in the EU. PGGM had prepared for this. PGGM is also preparing for the IBOR Reform. The EONIA and EURIBOR benchmarks will be replaced in 2021 at the latest with €ster and a modified form of Euribor.

The EMIR regulation, the European Market Infrastructure Regulation, came into force in June. The exemption of pension funds from mandatory clearing was extended by two years, with the possibility of another two extensions of one year each if no suitable solution is found. PGGM is nevertheless preparing for the situation after this extension and the first derivatives have already been traded on this new central clearing platform.

The IORP II directive, Institutions for Occupational Retirement Provision, was implemented in Dutch legislation in 2019. Compliance mainly provided the advising at the clients in relation to the set-up of the key functions: risk management, internal audit and the actuarial function.

During the reporting year, Compliance participated in periodic internal consultation on the possible implications of Brexit for continued orderly operations and dealings with our asset managers and brokers.

In 2018 and 2019, the AFM conducted a MiFID II investigation at ten companies, including Vermogensbeheer, that provide investment services to professional investors and qualifying counterparties. The investigation covered matters including compliance with the obligations relating to cost transparency, product governance and commissions. According to the AFM, between January and July 2018, Vermogensbeheer did not comply with all cost transparency, product governance and commission obligations and in connection with this, it issued a warning to Vermogensbeheer. On the basis of Vermogensbeheer's response, some of the AFM's findings were withdrawn. Vermogensbeheer used the findings of the AFM and the report published by the AFM with general outcomes of the sector-wide investigation to conduct a thorough assessment of necessary changes in the internal procedures and measures aimed at compliance with MiFID II.

PGGM did not encounter any significant compliance or integrity incidents in 2019 and was not involved in any noteworthy legal proceedings or sanctions relating to non-compliance with laws and regulations.

Investigations by regulatory authorities

PGGM and its clients are subject to several regulatory regimes. PGGM is subject to supervision by DNB, the AFM, the Netherlands Authority for Consumers and Markets (ACM) and the Dutch Data Protection Authority (AP). As a pension administration organisation, PGGM is classified by DNB as a guideline group, as a result of which DNB exercised direct supervision of PGGM in 2019. DNB and the AFM also exercise direct supervision over Vermogensbeheer. PGGM perceives the supervision to be professional and of great added value, but also notes that the supervision is becoming more intensive

and specific, as a result of which the costs of supervision (both internal and external) increased again this year.

PGGM underwent various theme-based and specific investigations this year by DNB, including in the fields of asset management, ICT and data quality.

In 2019 intensive and constructive talks were held with the Netherlands Authority for the Financial Markets (AFM). Matters discussed with the AFM included the way in which asset segregation is applied within PGGM Treasury B.V. (PTBV). Different scenarios were also discussed for the future design of PTBV. Vermogensbeheer has decided that the treasury will be organised at the client and fund level.

Privacy

In an era in which (personal) data can be shared and saved increasingly easily, adequate protection is very important.

PGGM plays two roles in this context:

1. As an employer and a cooperative, PGGM is a data controller; and
2. For its institutional clients, PGGM is a processor.

For the purposes of the General Data Protection Regulation (GDPR), the institutional clients are data controllers for:

- administration of pension agreements on the basis of an administration agreement or administration regulations;
- market research and statistical analyses concerning pension matters;
- provision of information on pension matters;
- determination of the amount and payment of pension entitlements and benefits; and
- calculation, recording and collection of premiums from employers and entrepreneurs.

We perform the processing of personal data carefully and believe that, in satisfying the provisions of the GDPR, we have taken appropriate technical and organisational measures to protect the personal data.

Finally, we also believe that ‘hard’ measures alone are not enough. Close attention must also be devoted to the ‘soft’ side. This means that we place a great deal of emphasis on the privacy awareness of employees. This gives them the opportunity to make the right choices when necessary, in line with the importance that we attach to protection of personal data.

Data protection officer

PGGM is not required by law to appoint a data protection officer. However, in view of the high volume of personal data, including special personal data, that PGGM processes, PGGM believes it would be wise to create this kind of independent position. With this, we wish to facilitate access to our business by interested parties, including the Dutch DPA.

The data protection officer is appointed by the Executive Board and is responsible for compliance with its statutory obligations under the GDPR. The most important duties of the data protection officer are, based on an independent perspective, to monitor compliance with the GDPR and advise on new and changed processes and systems in which personal data are involved. Within our organisation, this advisory role is required as part of the governance.

Within PGGM, the data protection officer is appointed in addition to Compliance & Risk, due to the importance that PGGM attaches to careful treatment of personal data and also due to the independence and specific knowledge and expertise required for this role. The statement from the data protection officer can be found elsewhere in this annual report.

Data leaks

PGGM has made a connection between the incidents process and the process concerning data leaks. We encourage the reporting of incidents and data leaks in order to be able to identify, address and analyse these and to implement structural improvements in the business processes and management measures.

PGGM has taken measures to document data leaks and to report these in a timely manner, either itself or through the controllers that we serve, to enable the Dutch DPA to check that PGGM and its clients have complied with their reporting obligations. Processes to reduce the number of data leaks as much as possible and prevent a repeat of such data leaks are also constantly being looked into.

PGGM further fleshed out control of personal data processing and protection in 2019. The Privacy Control Framework was an important tool in this which enabled the organisation to identify risks and then implement control measures. This has brought the technical and organisational embedding for the protection of the personal data of PGGM and its clients to a new level.

Requests from data subjects

The GDPR assigns different rights to those handling personal data. As a controller, we implement these rights. We support pension funds for whom we act as a controller in compliance with this obligation. There have been timely and adequate responses to the requests received by ourselves and our clients. This takes place directly or via the clients.

Statement from data protection officer

PGGM further fleshed out control of personal data processing and protection in 2019. The Privacy Control Framework was an important tool in this which enabled the organisation to identify risks and then implement control measures. This has brought the technical and organisational embedding for the protection of the personal data of PGGM and its clients to a new level.

The data protection officer provides support where necessary and will continue to monitor from the independent second line. Compared to 2019, the data protection officer will be in a better position to perform supervisory duties and shoulder responsibilities in 2020 because the supporting Privacy Office is being accommodated in the first line. For both the data protection officer and the PGGM organisation as a whole, support from automated tooling will be further developed and implemented in 2020 as well.

In control statement

Objective

The objective of the In Control Statement (ICS) is for the Executive Board to make an explicit statement about the quality of the internal risk management and control systems. This reflects the importance that we attach to ethical and controlled business operations and to transparent reporting on these. In the ICS, we focus on the financial reporting risks and the non-financial risks. As such, PGGM is in compliance with the best practice provisions of the Dutch Corporate Governance Code.

Responsibility

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 risks and the imposition of control measures.

Activities

To execute our responsibility, we have, during the reporting year, independently and systematically analysed and assessed the risks relating to the achievement of our objectives and the applicable internal risk management and control systems of our organisation during the year under review. Among other things, we used the PGGM Risk Framework for that purpose, based on the COSO Enterprise Risk Management methodology. The significant risks were determined for each business unit, using the PGGM Risk Language.

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, see the chapter on Risk Management.

Statement

On the basis of the above-referenced activities, we are of the opinion that we can in all reasonableness state that:

- a. the approach and governance outlined in this report provides sufficient insight into the shortcomings in the operation of the internal risk management and control systems;
- b. the above-referenced systems provide a reasonable degree of certainty that the financial reporting does not contain any material inaccuracies;
- c. on the basis of the current state of affairs it can justifiably be stated that the financial reporting has been prepared on a going concern basis;
- d. the report contains the material risks and uncertainties that are relevant to the expectation of company continuity for a period of twelve months following the date of the preparation of the report.

Zeist, 15 April 2020

Executive Board:

Edwin Velzel, voorzitter

Willem Jan Brinkman

Financial statements

PGGM N.V. 2019

Consolidated balance sheet as at 31 December 2019

(before profit appropriation)
(amounts in thousands of euros)

	Ref.	31 December 2019	31 December 2018
Assets			
Fixed assets			
Intangible fixed assets	3	2,071	16,846
Property, plant and equipment	4	88,330	83,833
Financial fixed assets	5	21,301	19,797
Total fixed assets		111,702	120,476
Current assets			
Receivables	6	111,495	39,280
Cash and cash equivalents	7	114,800	133,072
Total current assets		226,295	172,352
Total assets		337,997	292,828
Liabilities			
Equity			
Paid and called-up capital	8	200	200
Statutory reserve		11,289	6,641
Share premium reserve		158,712	158,712
Other reserves		33,080	43,681
Undistributed profit		7,593	-11,194
Total equity		210,874	198,040
Provisions			
Provisions	9	20,611	18,215
Total provisions		20,611	18,215
Current liabilities			
Current liabilities	10	106,512	76,573
Total current liabilities		106,512	76,573
Total liabilities		337,997	292,828

Consolidated income statement for 2019

(amounts in thousands of euros)

	Ref.	2019	2018
Management fees	12	297,263	278,103
Other revenue	12	594	615
Total operating income		297,857	278,718
Costs of outsourced work and other external expenses	13	43,025	49,005
Personnel expenses	14	170,976	159,163
Amortisation of intangible fixed assets and depreciation of property, plant and equipment	15	21,460	21,511
Other operating expenses	16	52,664	60,905
Total operating expenses		288,125	290,584
Subtotal		9,732	-11,866
Financial income		87	4
Financial expenses		-616	-407
Result before taxes		9,203	-12,269
Taxes	17	1,610	-1,075
Result after taxes		7,593	-11,194

Consolidated cash flow statement for 2019

(amounts in thousands of euros)

	Ref.	2019	2018
Cash flow from operating activities			
Operating result		9,732	-11,866
Adjustments for:			
Amortisation, depreciation and impairments	3,15	21,460	21,511
Changes in property plant and equipment: revaluation	4	-6,197	-1,302
Changes in financial fixed assets	5	-1,504	-553
Changes in provisions	9	2,396	6,206
Changes in money market funds	6	-30,095	-
Changes in working capital: receivables and current liabilities	6,10	-12,181	42,990
Changes in equity	8	5,241	-529
Cash flow from operating activities		-11,148	56,457
Interest income		87	4
Interest paid		-616	-407
Income tax received/paid		-1,610	1,075
		-2,139	672
Total cash flow from operating activities		-13,287	57,129
Cash flow from investment activities			
Investments in and acquisitions of:			
intangible fixed assets	3	-1,161	-843
property, plant and equipment	4	-3,861	-1,513
Disposals and sales of:			
property, plant and equipment	4	37	29
Total cash flow from investment activities		-4,985	-2,327
Cash flow from financing activities			
Cash flow from financing activities		-	-
Total cash flow from financing activities		-	-
Net cash flow		-18,272	54,802
Changes in cash and cash equivalents			
Cash assets at the beginning of the period		133,072	78,270
Cash assets at the end of the period		114,800	133,072
Changes in cash and cash equivalents		-18,272	54,802

Notes to the consolidated financial statements for 2019

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, the Netherlands. 100% of the shares in PGGM N.V. are held by PGGM Coöperatie U.A. (PGGM Coöperatie).

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

- a. to perform or cause performance of (i) the administrative management of prescribed pension entitlements and pensions in payment and (ii) the implementation of prescribed pension entitlements and pensions in payment, both in the broadest sense;
- b. to perform or cause performance of asset management in the broadest sense;
- c. to perform work that focuses on the development, sale or implementation of additional income provisions, insofar as they are not already included in a collective pension scheme, including the related information provision, 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 the offering of services, including, but not limited to, services in respect of the collection of premiums, financial administration, board support and substantive advice to social funds that are affiliated with clients 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 to do everything related or possibly conducive to the foregoing, in the broadest sense.

Statement of compliance

The annual financial statements have been prepared in accordance with the financial reporting requirements of Part 9, Book 2 of the Dutch Civil Code and the Dutch Financial Reporting Guidelines.

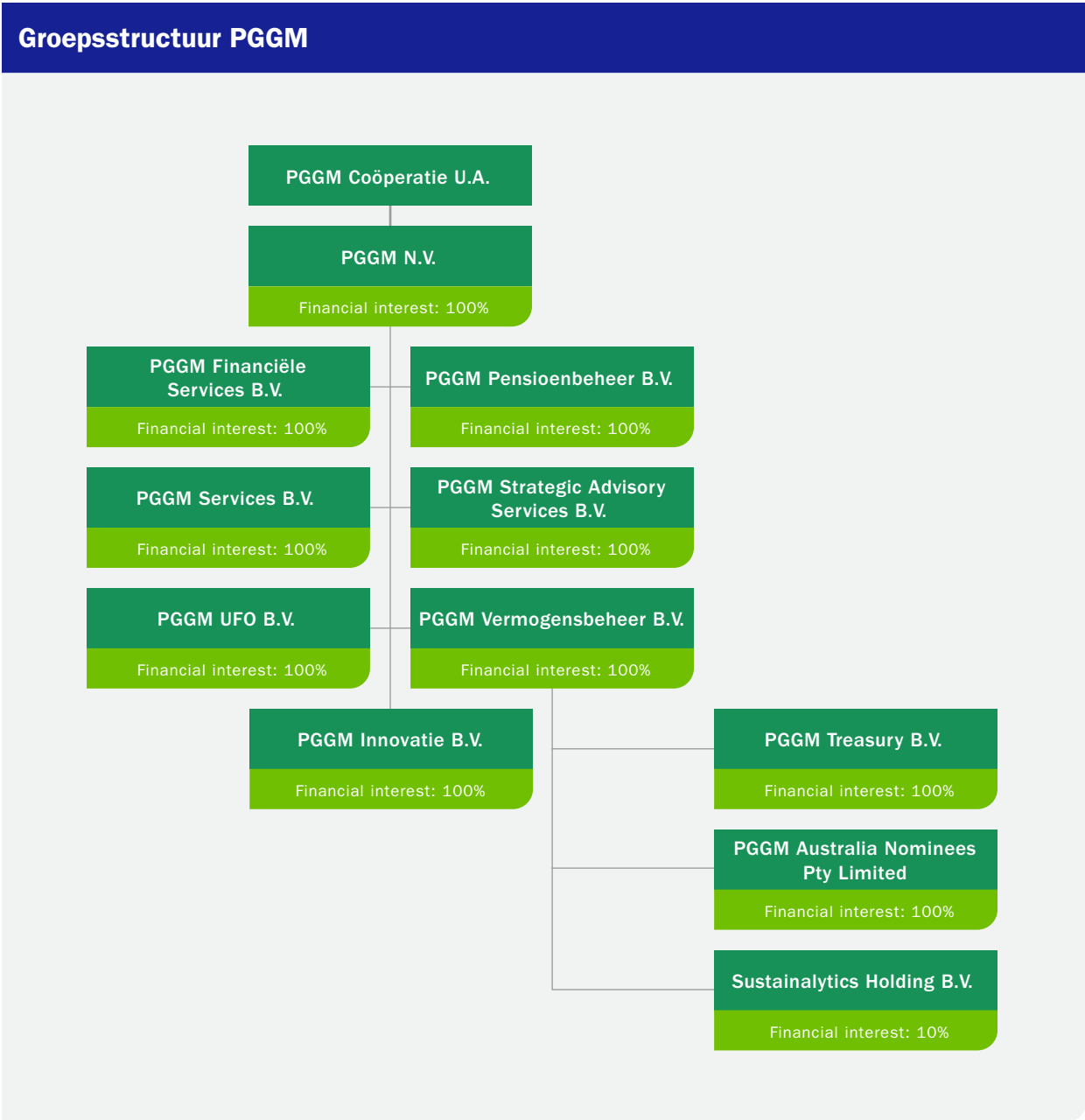
Group structure

PGGM N.V. is a holding company which, through participating interests, has performed activities in the area of board support, policy advice, pension administration, fiduciary advice and asset management since 1 January 2008.

PGGM N.V. has a two-tier board and is the holding company of nine direct and indirect subsidiaries and one minority interest which together with its shareholder, PGGM Coöperatie U.A., 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 as to create maximum clarity regarding the conditions associated with a particular licence and the supervision of these conditions.

The following overview shows the legal structure of PGGM Coöperatie, PGGM N.V. and its subsidiaries and participating interests (the PGGM group) as at 31 December 2019.



PGGM Vermogensbeheer B.V.

PGGM Vermogensbeheer B.V. (Vermogensbeheer) is the sole shareholder of PGGM Treasury B.V. (Treasury) and PGGM Australia Nominees Pty Ltd. (PAN).

AFM licence

Pursuant to Section 2:67 of the Financial Supervision Act (Wft), the AFM has granted Vermogensbeheer an AIFM licence allowing it to act as the manager of an investment fund as defined in Section 1:1 of the Wft, effective from 4 April 2014. The licence is limited to offering rights of participation to professional investors.

Pursuant to Section 2:67a(2) of the Wft, Vermogensbeheer is also 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.

Vermogensbeheer established Treasury B.V. on 6 March 2009. Treasury is a wholly-owned subsidiary of Vermogensbeheer. For that reason, the assets and liabilities, as well as the result, are fully incorporated into the consolidated financial statements of Vermogensbeheer. Due to changing legislation resulting from the AIFM Directive, a single entity is legally prevented from holding both an AIFM and a MiFID licence. Treasury has therefore held the MiFID licence pursuant to Section 2:96(b) of the Wft since 5 April 2014.

PGGM Australia Nominees Pty Limited

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

Sustainalytics Holding B.V.

Vermogensbeheer holds a 10% interest (2018: 11%) in Sustainalytics Holding B.V. This participating interest has not been consolidated, given that no significant influence can be exercised.

Vermogensbeheer's capital interest in Sustainalytics fell as a result of a capital expansion of Sustainalytics on 4 January 2019.

PGGM Pensioenbeheer B.V.

The pension administration activities have been transferred to PGGM Pensioenbeheer B.V. (Pensioenbeheer). These activities consist of client management and pension administration. Pensioenbeheer has a Wft licence from the AFM to provide advice (Section 2:75) and act as an intermediary (Section 2:80) in:

- pension insurance;
- premium pension receivables; and
- capital.

PGGM Strategic Advisory Services B.V.

PGGM Strategic Advisory Services B.V. (PSAS) has a licence from the AFM pursuant to Section 2:96 of the Wft for providing investment services as defined in Section 1:1(d) of the Wft, and consequently is subject to AFM market conduct supervision and prudential supervision by De Nederlandsche Bank (DNB).

At the end of 2014, PSAS requested the AFM to withdraw the licence for investment service b and c. Effective from 21 January 2015, PSAS has a licence 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.

PGGM Financiële Services B.V.

PGGM Financiële Services B.V. (Financiële Services) has a Wft licence from the AFM to:

- a. provide advice (Section 2:75 of the Wft) on current accounts, consumer credit, electronic money, mortgage loans, income insurance, private and business non-life insurance, savings accounts, capital and health insurance;
- b. act as an intermediary (Section 2:80 of the Wft) in current accounts, consumer credit, electronic money, mortgage loans, income insurance, private and business non-life insurance, savings accounts, capital and health insurance.

PGGM Innovatie B.V.

PGGM Innovatie B.V. (Innovatie) objectives are as follows:

- a. to carry out procedures in any case in the field of innovation in favour of subsidiaries, group companies and third parties;
- b. to directly or indirectly perform activities or have activities performed aimed at offering products and services to members and former members of pension funds in the Netherlands and to their partners, that contribute to strengthen their personal and financial balance and that can promote the contacts between themselves, the services related thereto included;
- c. to perform activities or have activities performed aimed at the development of and the performance of products and services in the field of inter alia absenteeism, (re)integration and incapacity for work in favour of employers, organisations or institutions registered with pension funds in the Netherlands;
- d. to advise, conduct research or to render support to employers, partnerships of employers, employers and employees organisations and other organisations concerning employment-related issues;
- e. to enter into agreements with third parties regarding the products and services referred to under (a), (b), (c) and (d);
- f. to participate in, to take an interest in any other way in and to conduct the management of other businesses, of whatever nature, to finance other persons and to provide security, to give guarantees and to bind itself in any other way for debts of other persons, as well as all activities which are incidental to or which may be conducive to any of the foregoing in the broadest sense.

Innovatie was founded on 21 February 2019.

PGGM Services B.V.

PGGM Services B.V. (Services) is focused on performing work aimed at offering products and services to employees and former employees who are employed or have been employed in the healthcare and welfare sector and to their partners that contribute to strengthening their personal and financial balance and that can promote mutual contacts among them.

PGGM UFO B.V.

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

Other participating interests

Nederlandse Investeringsinstelling N.V.

Vermogensbeheer no longer holds an interest in the Nederlandse Investeringsinstelling N.V. (NLII) (2018: 3%).

Reporting period

These financial statements relate to the 2019 financial year, which ended on the balance sheet date of 31 December 2019.

Accounting standards

The consolidated annual financial statements have been prepared in accordance with the financial reporting requirements of Part 9, Book 2 of the Dutch Civil Code and 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 company 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 deemed to be related parties. Legal entities that can exercise predominant control are also deemed to be related parties. The members of the Executive Board under the Articles of Association, other key officers in the management of the companies or their parent company and those closely allied are also deemed to be 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. Principles

2.1 Accounting principles

Comparison to previous year

The accounting principles used for valuations and to determine the result are unchanged with respect to the previous financial year.

Foreign currency

The financial statements are presented in euros, PGGM N.V.'s functional currency. All financial information in euros is rounded off 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. This valuation forms part of the fair value valuation. Income and expenses relating to transactions in foreign currencies during the reporting period are converted at the exchange rate prevailing on the transaction date. All foreign currency translation differences are recognised in the statement of income and expenses.

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 translation gains and losses are directly recognised under equity in the statutory foreign currency translation reserve.

Use of estimates

The preparation of the annual financial statements in accordance with Part 9 Book 2 of the Dutch Civil Code 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., 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 carry voting rights and can be exercised directly. Participations 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, as are any profits made within the group. The group companies are integrally consolidated, whereby the third party minority interests are recorded separately.

The following companies are included in the consolidation:

Vennootschappen		
Naam	Place of business	Share in subscribed capital
PGGM AUSTRALIA NOMINEES PTY LIMITED	Sydney, Australië	100%
PGGM Financiële Services B.V.	Zeist, The Netherlands	100%
PGGM Innovatie B.V.	Zeist, The Netherlands	100%
PGGM Pensioenbeheer 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 Treasury B.V.	Zeist, The Netherlands	100%
PGGM UFO B.V.	Zeist, The Netherlands	100%
PGGM Vermogensbeheer B.V.	Zeist, The Netherlands	100%

Acquisitions and disposals 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 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, 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 shown as an accrued liability item.

The companies involved in the consolidation are included in the consolidation until they are sold; they are deconsolidated at the moment when control is transferred.

2.2 Accounting principles for the valuation of assets and liabilities

Recognition of an asset or liability

An asset is recognised in the balance sheet when it is probable that the future economic benefits will accrue to PGGM N.V. and its value can be reliably established.

A liability is included on the balance sheet if it is probable that its settlement will be associated with an outflow of resources and the amount thereof can be reliably established.

When a transaction causes almost all or all future economic benefits and almost all or all risks related to an asset or liability to be transferred to a third party, then the asset or the liability is no longer recognised on the balance sheet. In addition, assets or liabilities are no longer recognised on the balance sheet from the time that the conditions of probable future economic benefits and reliability of establishing the value are no longer met. Assets and liabilities in general are stated at the acquisition price or production cost, or their current value. If no specific valuation principle is stated, valuation is on the basis of the acquisition price.

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 financial instruments are recognised at fair value in the subsequent valuation, with value changes being accounted for in the income statement, directly attributable transaction costs are taken directly to 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.

Fair value

The fair value of a financial instrument is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties who are independent of each other. The fair value of financial instruments shown in the balance sheet under 'Cash and cash equivalents', 'Current receivables' and 'Current liabilities' is an approximation of their b.

Intangible fixed assets

Intangible fixed assets are stated at their acquisition price or production cost net of amortisation. Impairments are taken into account; an impairment arises when the carrying amount of an asset (or the cash flow generating entity to which the asset belongs) is greater than the realisable value. Intangible fixed assets are stated at their acquisition price on initial recognition. With regard to the determination of whether an intangible fixed asset is subject to an impairment, please see the 'Impairment of Fixed Assets' section.

Goodwill

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.

Software

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

Property, plant and equipment

Land and buildings

Land and buildings are stated at fair value. At the time when the asset is acquired or produced, it is stated at the acquisition price or production cost. Subsequently, it is recognised at the current purchase price or the lower value in use, net of cumulative depreciation. If a decision is taken to sell property, plant or equipment, the value is recognised at the net realisable value.

Buildings are subject to straight-line depreciation over their estimated economic life with a residual value of 20% of the current purchase price. Buildings are subdivided into the categories shells, completions and installations and are depreciated to the aforementioned residual value in 40, 25 and 15 years respectively. Land is not subject to depreciation. The value is reviewed once every three years by means of an appraisal carried out by a certified external appraiser.

Parameters including the following are taken into account in the appraisal:

- continuing intention of permanent use as company office space;
- changes in the space requirements;
- changes in the net initial return;
- changes in the market rental value;
- recent transactions; and effective VAT burden.

The appreciation of property, plant and equipment 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 that it is a reversal of a downward value adjustment of the same asset previously accounted for as an expense in the income statement.

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

The costs of major maintenance to and replacement of (parts of) company buildings are capitalised at acquisition price net of cumulative depreciation. The costs of regular maintenance and repairs 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. These assets are subject to straight-line depreciation over their estimated five to ten-year economic life, taking account of any potential contract term. The residual value is zero.

Other operating 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. These assets are subject to straight-line depreciation over their estimated five to ten-year economic life. The residual value is 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 involving 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 to be unrealised.

Participating interests with a negative net asset value are stated at 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 the participating interest and for the remainder, 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 initial valuation of acquired participating interests is based on the fair value of the identifiable assets and liabilities at the moment of acquisition. For the subsequent 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 significant influence

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

Impairments of fixed 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 an 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 also conducted on every balance sheet date to determine whether there are any indications that impairment losses shown in earlier years have been reduced. If this appears to be the case, the realisable value of the asset is estimated.

The reversal of a previously recognised impairment only takes place when there is a change in the estimates used for determining the realisable value since the recognition of the latest impairment loss shown. In that case, the book value of the asset is increased to the estimated realisable value, but no higher than the book value (after depreciation) that would have been established if no impairment loss would have been recognised for the asset in previous years.

Receivables

On initial recognition, receivables are stated at the fair value of the consideration received in return. Accounts receivable are stated at the amortised cost price after initial recognition. 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 taken to the income statement. Provisions for bad debt are deducted from the book value of the receivable.

The investments in money market funds are recognised in receivables and stated at fair value. The net asset value published by the fund manager is used for the fair value. The net asset value is the value that the particular investment fund uses upon entry or exit. After initial recognition, investments in money market funds must be stated at fair value, with changes in the value recognised directly in the income statement. Interest received during the year is recognised as income in the income statement.

Cash and cash equivalents

Cash and cash equivalents are stated at face value.

Provisions

General

Provisions are stated at the face value of the expenditure expected to be necessary to settle the liabilities, unless stated otherwise.

Restructuring provision

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

Provision for Life Insurance

On the sale of the life insurance portfolio, a number of guarantees were provided to the buyer. The guarantees agreed with the buyer are also taken into account in this provision.

Provision for anniversaries

The provision for anniversaries is a provision for future anniversary payments. The anniversary bonus scheme was withdrawn on 1 January 2018. Employees will be (partially) compensated for the withdrawal of this bonus. The anniversary provision is made on the basis of the calculation in the collective labour agreement (CLA), taking account of the following elements:

- employees to whom the scheme applies;
- years of service on the reference date of 1 January 2018;
- salaries; and
- percentage of the benefits paid in four years according to the CLA.

Provision for onerous contracts

The provision for onerous contracts relates to the negative difference between the expected benefits from the performance to be received by PGGM N.V. 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 the costs of fulfilling the obligations and the compensation or penalties which must be paid if the obligations are not fulfilled. A provision is formed for onerous contracts if it is probable that the inevitable costs of compliance with the obligations exceed the economic benefits of those contracts.

Other provisions

The other provisions are shown at face value.

Subordinated loans

The subordinated loan is shown at the amortised cost price on the basis of the effective interest method, taking account of the market rate at the time of the contracting of the subordinated loan. The interest expense is shown in the statement of income and expenses on the basis of the effective interest method.

Current liabilities

Current liabilities are stated at fair value on initial recognition. After initial recognition, the liabilities are recognised at amortised cost (equal to the face value if there are no transaction costs).

2.3 Principles for determination of the result

Recognition of income and expenses

Income is recorded in the statement of income and expenses if an increase in economic potential associated with an increase in the value of an asset or a decrease in the value of a liability occurred, provided that the value thereof can be reliably established.

An expense is recorded if a decrease in economic potential associated with a decrease in the value of an asset or an increase in the value of a liability occurred, provided that the value thereof can be reliably established.

The result is determined as the difference between the net realisable value of the delivered performance and the costs and other expenses incurred over the year. Transaction revenues are recognised in the year in which they are realised.

References are included in the balance sheet, income statement and cash flow statement. These references refer to the explanatory notes.

Management fees

These are fees received from third parties for the implementation work for the board support, policy advice, pension administration, fiduciary advice and asset management services. Income from the provision of services is recognised proportionate to the degree to which the services have been provided, based on the services performed up to the balance sheet date as a percentage of the total services to be provided, net of any discounts and the like and tax levied on the revenue.

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.

Personnel expenses

The personnel benefits are recognised in the income statement in the period in which the professional performance is effected and, insofar as it is not yet paid, as a liability in the balance sheet. If the amounts paid exceed the benefits owed, the excess is recognised as prepayment and accrued income insofar as the personnel is expected to repay this amount or the amount will be offset against future payments by the company. If a benefit is paid for which no entitlements have been accrued (for example, continued payment in case of illness or occupational disability), the expected expenses are recognised in the period in which the benefit is owed. A provision is made for liabilities existing on the balance sheet date for the continued future payment of benefits (including severance pay) to employees who, on the balance sheet date, are expected to be fully or partially unable to perform work due to illness or occupational disability. The liability is recognised as the best estimate of the amounts that will be needed to settle the relevant liability on the balance sheet date. Additions to and the release of liabilities are charged or credited to the income statement, respectively.

Financial income and expenses

PGGM N.V. and its subsidiaries state interest income and expenses relating to cash and cash equivalents as a result of the interest compensation system at PGGM N.V. In the financial statements, the interest income and expenses are assessed for each 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 the results of these participating interests, determined on the basis of the Group's accounting policies. Results on transactions, involving 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 that these can be deemed to be unrealised. 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 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 that 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 tax on profits to be paid or offset 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 in 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 opportunities 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 likely that the temporary difference will not 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 on the taxable result is calculated for each entity. Ultimately, PGGM Coöperatie U.A. settles with the Tax and Customs Administration.

Equity

Paid and called-up capital

The paid and called-up capital relates to the paid-up nominal amounts on issued shares.

Statutory reserve

The statutory reserve is the change in the revaluation reserve for the land and buildings.

Share premium reserve

The amounts contributed by shareholders in excess of the nominal share capital are recognised as share premium.

Other reserves

The other reserves consist of the profit determined and the changes resulting from software developed internally and a corporation tax rate change.

Undistributed profit

The undistributed profit is an accumulation of the annual net profit.

2.4 Principles for the cash flow statement

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 out are recognised in the cash flow from financing activities.

3. Intangible fixed assets

	Goodwill	Software	Total
Balance as at 1 January 2018			
Cost price	139,871	49,886	189,757
Accumulated amortisation and impairment	-110,080	-47,791	-157,871
Balance as at 31 December 2018	29,791	2,095	31,886
Changes in 2018			
Investments	-	843	843
Amortisation	-14,895	-988	-15,883
Saldo	-14,895	-145	-15,040
Balance as at 31 December 2018			
Cost price	139,871	50,729	190,600
Accumulated amortisation and impairment	-124,975	-48,779	-173,754
Carrying amount 31 December 2018	14,896	1,950	16,846
Changes in 2019			
Investments	-	1,161	1,161
Amortisation	-14,896	-1,040	-15,936
Balance	-14,896	121	-14,775
Balance as at 31 December 2019			
Cost price	139,871	51,890	191,761
Accumulated amortisation and impairment	-139,871	-49,819	-189,690
Carrying amount 31 December 2019	-	2,071	2,071
Amortisation period	5-7 years	5 years	

Goodwill

The goodwill arose following the acquisition of the administrative organisation by PGGM in 2008 and concerns the positive difference between the acquisition price and the acquired assets and liabilities. Capitalised goodwill is subject to straight-line amortisation on the basis of the useful economic life of the asset.

Software

The investments primarily concern licences for the pension's and investment administration's back office system.

4. Property, plant and equipment

	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Other operating assets</i>	<i>Total</i>
Balance as at 1 January 2018				
Cost price	93,472	3,281	22,544	119,297
Accumulated depreciation and impairment	-11,578	-2,588	-18,456	-32,622
Carrying amount as of 1 January 2018	81,894	693	4,088	86,675

Changes in 2018

Investments	24	198	1,291	1,513
Revaluations	1,302	-	-	1,302
Disposals	-	-	-170	-170
Depreciation	-3,986	-200	-1,442	-5,628
Depreciation of disposals	-	-	141	141
Adjustment of carrying amount - revaluation	24	-	-	24
Adjustment of accumulated impairment, amortisation and depreciation - revaluation	-24	-	-	-24
Balance	-2,660	-2	-180	-2,842

Balance as at 31 December 2018

Cost price	94,822	3,479	23,665	121,966
Accumulated depreciation and impairment	-15,588	-2,788	-19,757	-38,133
Carrying amount 31 December 2018	79,234	691	3,908	83,833

Balance as at 1 January 2019

Cost price	94,822	3,479	23,665	121,966
Accumulated depreciation and impairments	-15,588	-2,788	-19,757	-38,133
Carrying amount 1 January 2019	79,234	691	3,908	83,833

Changes 2019

Investments	1,400	183	2,278	3,861
Revaluation	8,524	-	-	8,524
Disposals	-	-	-169	-169
Depreciation	-3,996	-220	-1,308	-5,524
Depreciation of disposals	-	-	132	132
Adjustment of gross carrying amount - revaluation	-	-	-	-
Adjustment of accumulated impairment and amortisation/depreciation - revaluation	-2,327	-	-	-2,327
Balance	3,601	-37	933	4,497

Balance as at 31 December 2019

Acquisition price or production cost	104,746	3,662	25,774	134,182
Accumulated depreciation and impairment	-21,911	-3,008	-20,933	-45,852
Carrying amount 31 December 2019	82,835	654	4,841	88,330

Depreciation terms

Land and sites:	no depreciation applicable
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 is the legal owner of both the buildings and the land. In accordance with the policy, a full valuation was performed by the external appraiser at the end of 2019. On this basis, the valuation was adjusted by €6.2 million. At the end of 2019, it was established that there was no impairment.

5. Financial fixed assets

	<i>Participating interests</i>	<i>Deferred taxes</i>	<i>Volo Pension loan</i>	<i>Total</i>
Balance as at 1 January 2018	1,599	15,305	2,340	19,244
Changes in 2018				
Value changes	-	553	-	553
Balance as at 31 December 2018	1,599	15,858	2,340	19,797
Changes in 2019				
Value changes	-	1,504	-	1,504
Balance as at 31 December 2019	1,599	17,362	2,340	21,301

Participating interests

At the end of the financial year, the participating interest concerned the capital interest of 10% (2018: 11%) in Sustainalytics.

Vermogensbeheer no longer holds an interest in NLII. NLII was dissolved on 1 October 2018; shareholders decided to dissolve the company. Vermogensbeheer received a payment in December 2019 based on the distribution plan.

Deferred tax assets/liabilities

The deferred taxes or the deferred tax receivable relates entirely to the temporary fiscal and commercial differences in the fiscal and commercial valuation. The total amount for 2019 of €13.2 million (2018: €15.9 million) has a term of longer than one year.

Volo pensioen loan

At the end of 2016, PGGM N.V. made additional capital available in the form of a subordinated loan with an indefinite term to finance the start-up costs of Stichting Algemeen Pensioenfonds Volo pensioen Volo pensioen. The amount of the subordinated loan is €2.34 million (2018: €2.34 million). Volo pensioen pays interest equal to the EURIBOR rate with a 50 basis point mark-up. The interest is owed quarterly in arrears on the last day of each quarter and is calculated on the basis of a 30-day month and a 360-day year.

As a result of the termination of the contract with Volo pensioen and the fact that the business case can no longer be realised, PGGM N.V. has classified the Volo pensioen contract as an onerous contract. PGGM N.V. has created a provision for this in accordance with the reporting guidelines for the unavoidable costs. The settlement agreement provides for additional financing so that the loan can be repaid in the event of the liquidation of Volo pensioen. PGGM N.V. therefore does not recognize any impairment.

6. Receivables

	31 December 2019	31 December 2018
Accounts receivable	64,464	26,439
Other receivables	30,095	-
Still to be invoiced	9,925	6,662
Prepayments and accrued income	7,011	6,179
Totaal	111.495	39.280

Of this, an amount of €1.1 million (2018: €1.8 million) has a term of more than one year.

Accounts receivable

The accounts receivable primarily consist of the amounts invoiced to institutional clients relating to pension administration, policy advising and asset management activities. An amount of €4.5 million (2018: €9.0 million) relates to the settlement of the Deferred Performance Interest (DPI) scheme and consists of a claim on PGGM's Private Equity funds. Of this, an amount of €2.8 million (2018: €4.5 million) has a term of more than one year. Further insight into the contracts resulted in adjustments to the comparative figures for 2018. This has no impact on the equity or result for 2018 or 2019. From 2019 onwards, pre-invoiced amounts are recognised in the accounts receivable and an accrued liability is recorded at the same time in order to reconcile with the operational invoicing process. The comparative figures have not been adjusted for this.

Other receivables

In 2019, PGGM decided to invest some of the cash in money market funds. In December, €30.1 million was invested in money market funds.

Still to be invoiced

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

Prepayments and accrued income

The prepayments and accrued income primarily consist of prepaid expenses to suppliers.

7. Cash and cash equivalents

Cash relates to credit balances which are held in Dutch credit institutions.

The company's own cash and cash equivalents form part of the balance and interest set-off system within PGGM. As a result of participation in the interest set-off system, the company is jointly and severally liable for all obligations arising from this. An amount of €8.2 million of the cash is not freely available (year-end 2018: €8.2 million). This concerns the balance of a blocked account retained in relation to the sale of the life insurance activities.

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 Vermogensbeheer to hold bank accounts and money market instruments and undertake derivative transactions for the account and risk of 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 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.

€ 0.2mIn of the cash is held by PGGM N.V. for collection of premiums from a client.

The cash and cash equivalents decreased mainly as a result of the investment of €30.1 million in money market funds. Investments in money market funds are recognised in other receivables.

8. Equity

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

9. Provisions

	Restructuring	Life insurance	Anniversaries	Onerous contracts	DVI	Total
Balance as at 1 January 2018	4,789	-	3,710	-	3,510	12,009
Changes in 2018						
Contributions	1,058	2,900	-	6,300	2,314	12,572
Withdrawals	-3,672	-	-513	-	-	-4,185
Release	-350	-	-1,831	-	-	-2,181
Balance as at 31 December 2018	1,825	2,900	1,366	6,300	5,824	18,215
Changes in 2019						
Contributions	995	-	-	3,700	2,829	7,524
Withdrawals	-1,652	-	-523	-1,000	-	-3,175
Release	-111	-1,800	-42	-	-	-1,953
Balance as at 31 December 2019	1,057	1,100	801	9,000	8,653	20,611

These provisions are predominantly long term.

Restructuring provision

As a result of the Daadkrachtig Vernieuwen programme, multiple restructuring plans were initiated. On the basis of these plans a provision for severance pay for collective and individual processes was included in the restructuring provision.

Provision for Life Insurance

On the sale of the life insurance portfolio, a number of guarantees were provided to the buyer. The guarantees agreed with the buyer are taken into account in this provision.

Provision for anniversaries

The anniversary provision is calculated on the basis of the calculation method according to the 2018 CLA.

Provision for onerous contracts

In accordance with the reporting guidelines, PGGM N.V. has included a provision for the unavoidable costs of onerous contracts with Stichting Pensioenfonds Philips (Philips), Stichting Beroepspensioenfonds Loodsen (Loodsen) and Volo pensioen.

Provisions for DVI

PGGM N.V. has included a provision for Deferred Variable Income (DVI). DVI is intended for rewarding key employees. This form of remuneration is in addition to the variable remuneration scheme.

10. Current liabilities

	31 December 2019	31 December 2018
Fees from institutional clients received in advance	68,200	30,709
Accruals and deferred income	22,204	26,864
Taxes and social security contributions	12,157	12,728
Amounts owed to group companies	409	3,381
Creditors	3,542	2,754
Outstanding pension payments	-	137
Totaal	106.512	76.573

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

Fees from institutional clients received in advance

The fees received in advance largely relate to the client fee received in advance in the first quarter of 2020 and invoices for work for institutional clients involving board advice, pension administration and asset management activities.

Accruals and deferred income

The item accruals and deferred income primarily consists of amounts payable, reserves for holiday days, bonuses for personnel and interest payments. An amount of €4.5 million (2018: €9.0 million) relates to the Deferred Performance Interest (DPI) scheme. Of this, an amount of €2.8 million (2018: €4.5 million) has a term of more than one year. Further insight into the contracts resulted in adjustments to the comparative figures for 2018. This has no impact on the equity or result for 2018 or 2019. From 2019 onwards, pre-invoiced amounts are recognised in the accounts receivable and an accrued liability is recorded at the same time in order to reconcile with the operational invoicing process. The comparative figures have not been adjusted for this.

Taxes and social security contributions

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

11. Off-balance sheet assets and liabilities

Claims

There were no outstanding claims at year-end 2019.

Credit facility PFZW

PGGM N.V. has a credit facility with Stichting Pensioenfonds Zorg en Welzijn (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 made available from 1 January 2008 for an indefinite period. No repayment arrangement has been made. PGGM N.V. made no use of the credit facility with PFZW in 2019.

Balance and interest set-off system

Together with its subsidiaries and its sole shareholder PGGM Coöperatie, PGGM N.V. makes use of the balance and interest set-off system at one of the Dutch credit institutions.

Liability of a tax entity

Together with its subsidiaries and single shareholder, PGGM Coöperatie, PGGM N.V. forms a tax entity for corporation tax purposes 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 VAT purposes, 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 liabilities

The operational lease liabilities relate to lease cars provided to personnel. The liability runs until 2024. The total liability amounted to €4.0 million as of 31 December 2019 (2018: €4.3 million). An amount of €1.6 million (2018: €1.6 million) is payable within one year.

Buildings liability

The total liability amounted to €3.0 million as of 31 December 2019 (2018: €3.1 million). The liability runs until 2022.

Hardware and software liability

The total liability amounted to €29.5 million as of 31 December 2019 (2018: €9.6 million). The liability runs until 2024. An amount of €4.4 million is payable within one year. Further insight into the contracts resulted in adjustments to the comparative figures for 2018.

Issued guarantee Rabo PGGM PPI

PGGM N.V. has issued a guarantee of €875,000 (2018: €875,000) to finance the costs of Stichting Rabo PGGM Premiepensioeninstelling.

Issued guarantee PGGM Levensverzekeringen N.V.

PGGM N.V. has issued specific guarantees for the sale of PGGM Levensverzekeringen N.V.

The guarantees issued run until 2023. PGGM N.V. issued the following guarantees as part of the sale:

- compensation of surplus or shortfall on annuity contract;
- compensation of claims from policyholders and
- compensation of the difference between the benchmark return and the PFZW return.

Issued guarantee Volo pensioen

PGGM N.V. and Volo pensioen conducted negotiations on the settlement and liquidation of Volo pensioen in 2018 and laid down the results in a settlement agreement. In 2019, Volo pensioen called in the guarantee that ensures that Volo pensioen can at all times have at its disposal the minimum buffer capital required by the Pensions Act. PGGM N.V. paid out a total of €1.0 million in guarantees in 2019, thereby satisfying the obligation in the settlement agreement. In 2019 PGGM N.V. recognised this charge under the called-in guarantee in the year in which it arose, in accordance with the reporting guidelines (see notes 9 and 28 under allocation).

12. Revenue

Management fees

	2019	2018
Management fees for asset management	137,750	126,627
Management fees for pension administration	123,013	114,948
Management fees for policy advice and board support	36,500	36,528
Total	297,263	278,103

Management fees for asset management

The fees for asset management relate to the asset management activities for institutional clients and the PGGM funds. A management fee is charged for these services. These fees are renegotiated each year. The increase in revenue was mainly due to new fee agreements in 2019 and one-off revenues.

Management fees for pension administration

The fees for pension administration concern administration and management services for pension funds. The increase in revenue was mainly due to new fee agreements in 2019.

Management fees for policy advice and board support

The fees for policy advice and board support concern the advisory services and board support activities provided to institutional clients. This likewise includes the advisory services in relation to investment policy and fiduciary advice.

Other revenue

	2019	2018
Revenue from members	594	597
Other revenue	-	18
Total	594	615

Revenue from members

The revenue from members' activities consists of payments for organising paid activities for PGGM Coöperatie members. In addition, a fixed fee was paid by PFZW in 2019 for communications in relation to mortgages contracted via Attens.

13. Costs of outsourced work and other external expenses

	2019	2018
External personnel	42,040	47,733
Consultancy costs	985	1,272
Total	43,025	49,005

14. Personnel expenses

	2019	2018
Salary	127,268	117,195
Pension costs	14,779	14,295
Social security costs	14,277	13,441
Other personnel costs	14,652	14,232
Total	170,976	159,163

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

	2019	2018
Pensioenbeheer	492	490
Vermogensbeheer	399	363
Information, Finance, Control	367	383
Institutional Business	161	161
Corporate Staff services	70	81
PGGM&CO Members' Organisation	17	19
Total	1,506	1,497

The average number of FTEs for 2019 was 1,498 (2018: 1,424).

Employee pension scheme of PGGM N.V.

The pension scheme for PGGM N.V. employees 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 pension 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:

2019	Periodically paid remuneration	Remuneration payable in the future	Total
	Gross salary and holiday allowance	Pension costs	
Edwin Velzel	502	30	531
Willem Jan Brinkman ¹	69	5	74
Paul Boomkamp ²	364	24	389
Total	935	59	994

2018	Periodically paid remuneration	Remuneration payable in the future	Total
	Gross salary and holiday allowance	Pension costs	
Edwin Velzel	493	29	522
Paul Boomkamp	430	29	459
Total	923	58	981

1. CFRO from 29 November 2019

2. CFRO until 1 September 2019

The periodically paid remuneration is the sum of the gross salary and the holiday allowance.

Pension costs are shown in 'Remuneration payable in the future'.

The remuneration of board members is stated in accordance with Section 2:383c of the Dutch Civil Code. For a more detailed explanation of the remuneration of the members of the Executive Board, see the Directors' Report.

Each member of the Supervisory Board receives an annual fee of €29,253 (2018: €28,819). The chair receives remuneration of €33,836 (2018: €33,335). These fees include work undertaken for the Audit, Risk and Compliance Committee and the Remuneration, Selection and Appointments Committee and are exclusive travel expenses and VAT. In 2019, the total remuneration of the Supervisory Board was €182,856, exclusive VAT (2018: €168,434). The remuneration of the Supervisory Board was indexed by 1% in 2019.

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

15. Amortisation of intangible fixed assets and depreciation of property, plant and equipment

	2019	2018
Amortisation of intangible fixed assets	15,936	15,883
Depreciation of property, plant and equipment	5,524	5,628
Total	21,460	21,511

16. Other operating expenses

	2019	2018
IT costs	36,658	33,010
Other expenses	10,048	22,743
Accommodation expenses	5,576	4,770
Marketing expenses	382	382
Total	52,664	60,905

Other expenses

The other expenses consist of the changes in the provisions and other expenses.

17. Taxes

	2019	2018
Tax expense	4,048	3,186
Change in deferred tax assets	-1,662	-2,384
Adjustment of deferred tax due to reduction in corporation tax rates	-776	-1,877
Total	1,610	-1,075

Nominal tax liability	25.00%	25.00%
Adjustment of deferred tax due to reduction in corporation tax rates	-8.43%	-15.3%
Non-taxable revenue and expenses	0.92%	-0.94%
Effective tax liability	17.49%	8.76%

The increase is due primarily to the ratio of the commercial result, changes in deferred tax assets and the adjustment of the deferred tax due to a reduction in corporation tax rates.

18. 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. See the notes on personnel costs for the remuneration of board members.

19. Auditors' fees

Pursuant to Section 2:382a(3) of the Dutch Civil Code, reference is made to the financial statements of PGGM Coöperatie for an explanation of the auditors' fees.

20. Post-balance-sheet-date events

PGGM Innovatie B.V. (Innovatie) took over VERNET verzuimnetwerk B.V. (VERNET) in January 2020. Since January 2020 VERNET is a wholly-owned subsidiary of Innovatie. VERNET has the purpose of producing and supplying national absence and financial risk information, offering a network and/or platform for the provision and sharing of knowledge and advice and advising in the areas of absence, absence prevention and sustainable employability.

Coronavirus pandemic

At the time of preparation of the financial statements, PGGM faced one of the biggest challenges in its existence: the outbreak of the coronavirus pandemic. Although we are well-prepared for the various scenarios relating to potential disruptions of the normal course of business, it became clear to us at an early stage, well before the World Health Organisation announced the pandemic, that we would need to take radical measures.

The pandemic will certainly have major consequences for the economy as well as for the public and for social life. In particular, a difficult period has begun for the healthcare and welfare sector, with which we feel a close connection. The utmost will be demanded of countless healthcare professionals for whom we administer pensions.

There was already an immediate major impact on the assets of our clients and the coverage of the pension funds was put under pressure. We are doing everything possible to support them with this and to assure the continuity of PGGM and our service provision. We also complied with the government's call to facilitate working from home wherever possible and the necessary IT and other support was quickly arranged. Only a few employees remain at the office for critical processes that can only be performed there. Within a very short space of time, working from home reached a level not previously seen at PGGM and the organisation is preparing to continue to serve the interests of clients and their millions of participants in a time of unprecedented dynamism and uncertainty. Without knowing how long this crisis will last or how deep its effect will be, our organisation is showing determination to address it.

For the time being, we do not see concrete major financial consequences resulting from the coronavirus crisis for PGGM's business operations. It is conceivable that backlog will arise in the work flow if the coronavirus measures last for a longer period. These will then have to be caught up at a later time, at higher costs. The increase in working from home has also given rise to an increased risk of operational errors. These could possibly also have significant negative financial consequences. In order to minimise the risk of operational errors, the PGGM office remains open with limited staffing. There is also increased attention to continued application of the necessary operational control mechanisms.

It can also be reported that the work for our clients (pension funds) continues in full and the contacts have been intensified. Customer demand, and consequently the jobs, are therefore assured. Our clients are also sufficiently solvent, so that no payment risk arises. In addition, we maintain in close contacts with our suppliers to ensure the continuity of their services to us for after the end of the coronavirus measures.

21. Risk management

PGGM risk framework

For the implementation of risk management, PGGM N.V. uses the PGGM Risk Framework to structurally provide an insight into, monitor and report on risks. PGGM's Risk Framework is based on the COSO Enterprise Risk Management methodology accepted internationally as standard. Application of the PGGM Risk Framework ensures that the risks are managed in a uniform manner, as efficiently and effectively as possible. Risk management at PGGM N.V. is organised in accordance with the generally accepted 'three lines of defence' model. Responsibility and primary risk management lie with line management (first line). The Finance & Control and Risk & Compliance departments supervise and report on the risks (second line) and Internal Audit (third line) tests whether the management verifiably complies with the different requirements set.

Within risk management, a distinction is made between the risks run by our institutional clients directly in terms of their own investments and the risks faced by the organisation. PGGM recognises the following risks: solvency, market, currency, interest rate, credit, liquidity and concentration risks.

Solvency risk

PGGM N.V. and its subsidiaries that qualify as financial companies as defined in the Wft are designated as the guideline group. This means that they are subject to prudential supervision by DNB. Under this Act, 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 guideline group and the sum of the solvency requirements of the group divisions. On this basis, PGGM N.V. complies with the statutory requirements.

The regulatory authorities also have imposed a solvency requirement on Vermogensbeheer, Treasury and PSAS.

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

Solvency	31 December 2019	31 December 2018
Total equity	210,874	198,040
Statutory requirement	52,093	49,590
Surplus	158,781	148,450

Market risk

Market risk is the price risk of a fall in the value of the investments due to a change in market factors. In 2019, PGGM decided to invest some of the cash in money market funds. In December, €30.1 million was invested in money market funds. Money market funds are highly liquid. PGGM N.V. is exposed to market risk as part of the sale of the life insurance portfolio.

Currency risk

The currency risk is the risk that the value of an investment and/or value of a participating interest abroad will decline as a result of changes in exchange rates. Since PGGM N.V. does not hold any investments and the participating interest outside the Netherlands is of a very limited size, the currency risk is negligible.

Interest rate risk

Interest rate risk is the risk that the balance of the value of bonds and/or loans changes as a result of changes in market rates.

At the end of 2016, PGGM N.V. made additional capital available in the form of a subordinated loan with an indefinite term to finance the start-up costs of Volo pensioen. The amount of the subordinated loan is €2.34 million (2018: €2.34 million). Volo pensioen pays interest equal to the EURIBOR rate with a 50 basis point mark-up. The interest is owed quarterly in arrears on the last day of each quarter and is calculated on the basis of a 30-day month and a 360-day year.

On the sale of the life insurance portfolio, a number of guarantees were provided to the buyer. The investment insurance policyholders are entitled to a guaranteed PFZW return. This guarantee remains in effect for the policyholders after the sale. In the sales agreement, PGGM N.V. gave the buyer a guarantee in relation to the PFZW return. The 'mismatch' settlement is therefore the settlement of the difference between the PFZW return and the return on the benchmark (replication of actual return on the replicated asset mix (RAM)). PGGM determines the RAM so that it matches PFZW's investment mix as closely as possible. PGGM N.V. has no bonds.

Credit risk

The credit risk is defined as the risk that counterparties will be 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 N.V. has concluded with its clients. Since PGGM N.V.'s clients are Dutch pension funds, the risk as a consequence of insolvency is low.

PGGM N.V. has a policy concerning the retention of cash. PGGM N.V. continuously assesses this policy and has classified this credit risk as minor.

Liquidity risk

Liquidity risk (including the cash flow risk) 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 N.V. runs a concentration risk when it is dependent on providing services to a single client. PGGM N.V. 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 for 2019

Company balance sheet as at 31 December 2019

(before profit appropriation)

(amounts in thousands of euros)

	Ref.	31 December 2019	31 December 2018
Assets			
Fixed assets			
Intangible fixed assets	22	763	15,349
Property, plant and equipment	23	88,289	83,782
Financial fixed assets	24	118,780	109,989
Total fixed assets		207,832	209,120
Current assets			
Receivables	25	53,964	26,560
Cash and cash equivalents	26	8,615	38,610
Total current assets		62,579	65,170
Total assets		270,411	274,290
Liabilities			
Equity			
	27		
Paid and called-up capital		200	200
Statutory reserve		11,289	6,641
Share premium reserve		158,712	158,712
Other reserves		33,080	43,681
Undistributed profit		7,593	-11,194
Total equity		210,874	198,040
Provisions	28	18,011	18,215
Total Provisions		18,011	18,215
Current liabilities	29	41,526	58,035
Total current liabilities		41,526	58,035
Total liabilities		270,411	274,290

Company income statement for 2019

(amounts in thousands of euros)

	<i>Ref.</i>	2019	2018
Result of participating interests		16,692	8,891
Other results after taxes	31	-9,099	-20,085
Result after taxes		7,593	-11,194

Notes to the company financial statements 2019

The company financial statements form part of PGGM N.V.'s 2019 Consolidated Financial Statements. In respect of the company's separate income statement, use is made of the exemption by virtue of Section 2:402 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.

22. 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 category software has a carrying amount of €0.8 million as at 31 December 2019 (31 December 2018: €15.3 million) relating to PGGM N.V.

23. Property, plant and equipment

	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Other operating- assets</i>	<i>Total</i>
Balance as at 1 January 2018				
Cost price	93,428	3,281	20,154	116,863
Accumulated depreciation and impairment	-11,534	-2,588	-16,119	-30,241
Carrying amount 1 January 2018	81,894	693	4,035	86,622
Changes in 2018				
Investments	24	198	1,239	1,461
Revaluations	1,302	-	-	1,302
Disposals	-	-	-136	-136
Depreciation	-3,986	-200	-1,396	-5,582
Depreciation of disposals	-	-	115	115
Adjustment of gross carrying amount - revaluation	24	-	-	24
Adjustment of accumulated impairment and amortisation/depreciation - revaluation	-24	-	-	-24
Balance	-2,660	-2	-178	-2,840
Balance as at 31 December 2018				
Cost price	94,778	3,479	21,257	119,514
Accumulated amortisation/depreciation and impairment	-15,544	-2,788	-17,400	-35,732
Carrying amount 31 December 2018	79,234	691	3,857	83,782
Changes in 2019				
Investments	1,400	183	2,273	3,856
Revaluations	8,524	-	-	8,524
Disposals	-	-	-167	-167
Depreciation	-3,996	-220	-1,295	-5,511
Depreciation of disposals	-	-	132	132
Adjustment of gross carrying amount - revaluation	-	-	-	-
Adjustment of accumulated impairment and amortisation/ depreciation - revaluation	-2,327	-	-	-2,327
Balance	3,601	-37	943	4,507
Balance as at 31 December 2019				
Cost price	104,702	3,662	23,363	131,727
Accumulated amortisation/depreciation and impairment	-21,867	-3,008	-18,563	-43,438
Carrying amount 31 December 2019	82,835	654	4,800	88,289

Depreciation terms

Land and sites:	no depreciation applicable
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 is the legal owner of both the land and the buildings.

24. Financial fixed assets

	31 December 2019	31 December 2018
Participating interests	100,443	92,733
Deferred tax assets	15,997	14,916
Subordinated loan to Volo pensioen	2,340	2,340
	118,780	109,989

Participating interests

Balance as at 1 January	92,733	86,092
--------------------------------	---------------	---------------

Investments	18	-
Share premium payments	11,000	12,750
Dividend payment	-20,000	-15,000
Result of participating interests	16,692	8,891
Balance as at 31 December	100,443	92,733

Result of participating interests

The balance relates to the following participating interests:

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

Deferred tax assets

The deferred tax assets relate to temporary differences in the tax valuation and commercial valuation of goodwill.

25. Receivables

	31 December 2019	31 December 2018
Receivables from group companies	19,007	23,270
Accounts receivable	530	123
Other receivables, prepayments and accrued income	34,427	3,167
Total	53,964	26,560

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

Receivables from group companies

	31 December 2019	31 December 2018
PGGM Vermogensbeheer B.V.	11,062	22,109
PGGM UFO B.V.	6,212	367
PGGM Strategic Advisory Services B.V.	1,181	-
PGGM Financiële Services B.V.	271	-
PGGM Innovatie B.V.	203	-
PGGM Coöperatie U.A.	63	780
PGGM Treasury B.V.	15	14
Total	19,007	23,270

An amount of €4.5 million (2018: €9.0 million) relates to the settlement of the Deferred Performance Interest (DPI) scheme and consists of a claim on PGGM's Private Equity funds. Of this, an amount of €2.8 million (2018: €4.5 million) has a term of more than one year. Further insight into the contracts resulted in adjustments to the comparative figures for 2018. This has no impact on the equity or result for 2018 or 2019.

Other receivables, prepayments and accrued income

In 2019, €30.1 million was put into money market funds. The other receivables, prepayments and accrued income also include prepaid expenses.

26. Cash and cash equivalents

Cash relates to credit balances which are held with Dutch credit institutions.

The company's own cash and cash equivalents form part of the balance and interest set-off system within PGGM. As a result of participation in the interest set-off system, the company is jointly and severally liable for all obligations arising from this.

An amount of €8.2 million of the cash is not freely available (year-end 2018: €8.2 million). This concerns the balance of a blocked account retained in relation to the sale of the life insurance activities.

The cash and cash equivalents decreased mainly as a result of the investment of €30.1 million in money market funds. Investments in money market funds are recognised in other receivables

27. Equity

	Paid-up and called-up capital	Statutory reserve	Share premium reserves	Other reserves	Undistributed result	Total
Balance as at 1 January 2018	200	5,664	158,712	42,274	2,913	209,763
Appropriation of profit for 2017	-	-	-	2,913	-2,913	-
Revaluation reserve for property, plant and equipment	-	977	-	-	-	977
Change resulting from reduction in corporation tax rates	-	-	-	-1,506	-	-1,506
Result for 2018	-	-	-	-	-11,194	-11,194
Balance as at 31 December 2018	200	6,641	158,712	43,681	-11,194	198,040
Appropriation of profit for 2018	-	-	-	-11,194	11,194	-
Revaluation reserve for property, plant and equipment	-	4,648	-	-	-	4,648
Change resulting from reduction in corporation tax rates	-	-	-	593	-	593
Result for 2019	-	-	-	-	7,593	7,593
Balance as at 31 December 2019	200	11,289	158,712	33,080	7,593	210,874

The authorised capital is €1 million (2018: €1 million), consisting of 1,000 shares, each with a nominal value of €1,000. As of 31 December 2019, 200 shares were subscribed and paid up.

Statutory reserve

The changes in the statutory reserve in 2019 concern changes in the revaluation reserve for the buildings and land as a result of a new test performed by the external appraiser at the end 2019.

Reduction in corporation tax rates

The Upper House of the Dutch Parliament approved the 2020 Tax Plan on 17 December 2019.

A significant change in the 2020 Tax Plan is that the corporation tax rates have been adjusted with respect to the 2019 Tax Plan. The regular rate of 25% will remain in 2020 and will ultimately decrease to 21.7% in 2021. The impact of this change is an upward valuation of €1.4 million in the 2019 financial year. Deferred taxation of €0.6 million relating to the building was taken directly to equity, as this deferral was also shown directly via the equity in 2012 and 2016. The remainder in the amount of €0.8 million is credited to taxes in the income statement.

Undistributed profit

The result after tax for 2019 is part of the undistributed profit of the equity item.

Proposal for profit appropriation

It is proposed to the General Meeting of Shareholders that the result after tax for 2019 be credited to the other reserves.

28. Provisions

	Restructuring	Life Anniversaries insurance	Onerous contracts	DVI	Total	
Balance as at 1 January 2018	4,789	-	3,710	-	3,510	12,009
Changes in 2018						
Contributions	1,058	2,900	-	6,300	2,314	12,572
Withdrawals	-3,672	-	-513	-	-	-4,185
Release	-350	-	-1,831	-	-	-2,181
Balance as at 31 December 2018	1,825	2,900	1,366	6,300	5,824	18,215
Mutaties 2019						
Contributions	995	-	-	1,100	2,829	4,924
Withdrawals	-1,652	-	-523	-1,000	-	-3,175
Release	-111	-1,800	-42	-	-	-1,953
Balance as at 31 December 2019	1,057	1,100	801	6,400	8,653	18,011

These provisions are predominantly long term.

Restructuring provision

As a result of the Daadkrachtig Vernieuwen programme, multiple restructuring plans were initiated. On the basis of these plans a provision for severance pay for collective and individual processes was included in the restructuring provision.

Provision for Life Insurance

On the sale of the life insurance portfolio, a number of guarantees were provided to the buyer. The guarantees agreed with the buyer are also taken into account in this provision.

Provision for anniversaries

The anniversary provision is calculated on the basis of the calculation method according to the 2018 CLA.

Provision for onerous contracts

In accordance with the reporting guidelines, PGGM N.V. has included a provision for the unavoidable costs of onerous contracts with Stichting Pensioenfonds Philips, Stichting Beroepspensioenfonds Loodsen and Volo pensioen.

Provisions for DVI

PGGM N.V. has included a provision for Deferred Variable Income (DVI). DVI is intended for rewarding key employees. This form of remuneration is in addition to the variable remuneration scheme.

29. Current liabilities

	31 December 2019	31 December 2018
Amounts owed to credit institutions	7,111	14,575
Amounts owed to group companies	2,819	6,849
Taxes and social security contributions	12,157	12,728
Amounts owed in relation to pensions	-	137
Amounts owed to policy-holders from direct insurance	56	125
Pre-invoiced amounts	109	-
Accruals and deferred income	17,098	22,281
Creditors	2,176	1,340
Total	41,526	58,035

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

Amounts owed to group companies

	31 December 2019	31 December 2018
PGGM Pensioenbeheer B.V.	2,561	5,277
PGGM Services B.V.	258	82
PGGM Strategic Advisory Services B.V.	-	1,467
PGGM Financiële Services B.V.	-	23
Totaal	2,819	6,849

No interest is charged on the amounts owed to group companies.

Taxes and social security contributions

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

Accruals and deferred income

The item accruals and deferred income primarily consists of amounts payable, reserves for holiday days, bonuses for personnel and interest payments. An amount of €4.5 million (2018: €9.0 million) relates to the Deferred Performance Interest (DPI) scheme. Of this, an amount of €2.8 million (2018: €4.5 million) has a term of more than one year. Further insight into the contracts resulted in adjustments to the comparative figures for 2018. This has no impact on the equity or result for 2018 or 2019.

30. 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.

31. Other results after taxes

Other results after taxes relate to:

	2019	2018
Amortisation of intangible fixed assets and depreciation of property, plant and equipment	-14,895	-14,895
Other revenue and expenses	-65,238	-81,319
Charged-on expenses	74,930	71,928
Taxes on result	-3,896	4,201
Total	-9,099	-20,085

32. Post-balance sheet events

Coronavirus pandemic

At the time of writing of this annual report in March 2020, PGGM faced one of the biggest challenges in its existence: the outbreak of the coronavirus pandemic. Although we are well-prepared for the various scenarios relating to potential disruptions of the normal course of business, it became clear to us at an early stage, well before the WHO announced the pandemic, that we would need to take radical measures.

The pandemic will certainly have major consequences for the economy as well as for the public and for social life. In particular, a difficult period has begun for the healthcare and welfare sector, with which we feel such a close connection. The utmost will be demanded of countless healthcare professionals for whom we administer pensions.

There was already an immediate major impact on the assets of our clients and the coverage of the pension funds was put under pressure. We are doing everything possible to support them with this and to assure the continuity of PGGM and our service provision. We also complied with the government's call to facilitate work from home wherever possible and the necessary IT and other support was quickly arranged. Only a few employees remain at the office for critical processes that can only be performed there. Within a very short space of time, working from home reached a level not previously seen at PGGM and the organisation is preparing to continue to serve the interests of clients and their millions of participants in a time of unprecedented dynamism and uncertainty. Without knowing how long this crisis will last or how deep its effect will be, our organisation is showing determination to address it.

For the time being, we are not seeing concrete major financial consequences of the coronavirus crisis for PGGM's business operations. It is conceivable that arrears will arise in the work flow if the coronavirus measures last for a longer period. These will then have to be caught up at a later time, at higher costs. The increase in working from home has also given rise to an increased risk of operational errors. These could possibly also have significant negative financial consequences. In order to minimise the risk of operational errors, the PGGM office remains open with limited staffing. There is also increased attention to continued application of the necessary operational control mechanisms.

It can also be reported that the work for our clients (pension funds) continues in full and contacts have been intensified. Customer demand, and consequently the jobs, are therefore assured. Our clients are also sufficiently solvent, so that no payment risk arises. In addition, we are maintaining close contacts with our suppliers to ensure the continuity of their services to us for after the end of the coronavirus measures.

Zeist, 15 april 2020

Executive Board:

Edwin Velzel, chair

Willem Jan Brinkman

Supervisory Board:

Marjanne Sint, chair

Miriam van Dongen, deputy chair

Micky Adriaansens

Henk Broeders

Eric de Macker

Jan van Rutte

Other information



Independent auditor's report

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

Report on the audit of the financial statements 2019 included in the annual report

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 2019 and of its result for 2019, in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2019 of PGGM N.V. ('the company') based in Zeist.

The financial statements comprise:

- 1 the consolidated and company balance sheet as 31 December 2019;
- 2 the consolidated and company profit and loss account for 2019; and
- 3 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 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), '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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Audit approach

Summary

Materiality

- Materiality of EUR 2.5 million
- 0.8% of the management fees

Group audit

- Full-scope audit of the significant group entities
- 99% of total assets
- 99% of revenue

Key audit matters

- Valuation property
- Accurate processing of the management fees
- Reliability and continuity of the electronic data processing

Opinion

Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 2.5 million (2018: EUR 2.0 million). The materiality is determined with reference to the management fees (0.8 %). We consider the management fees as the most appropriate benchmark as it demonstrates the nature of the business and because it is a stable indicator for the size of the company. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 125,000 (2018: EUR 100,000), 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 at the head of a group of components. The financial information of this group is included in the financial statements of PGGM N.V.



Our group audit mainly focused on significant components, based on the size and nature of the group components, which are PGGM Vermogensbeheer B.V., PGGM Pensioenbeheer B.V., PGGM Strategic Advisory Services B.V. and PGGM Treasury B.V. For these significant group components, we have performed audit procedures ourselves.

By performing the procedures mentioned above at group components, 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.

The audit coverage as stated in the section Summary amounts to 99% of the total assets and 99% of the revenue.

Audit scope in relation to fraud

In accordance with the Dutch standards on auditing we are responsible for obtaining a reasonable (but not absolute) level of assurance that the financial statements taken as a whole are free from material misstatements, whether caused by fraud or error.

As part of our risk assessment procedures we have evaluated events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud ('fraud risk factors') to determine whether fraud risks are relevant to our audit. During this risk assessment we made use of our own forensic specialist.

We communicated identified fraud risks throughout our team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at group level.

In accordance with the auditing standard we evaluated the fraud risk regarding management override of controls (a presumed risk).

Our audit procedures included an evaluation of the design, implementation as well as the operating effectiveness of internal controls relevant to mitigate these risks and substantive audit procedures, including detailed testing of (administrative) journal entries, and evaluation of management bias.

In determining the audit procedures we use the company's assessment and evaluation in relation to fraud risk management (prevention, detection and response), including the set-up of ethical standards to create a culture of honesty.

As part of our evaluation of any instances of fraud, we inspected the incident register/whistle blowing reports and follow up by management.

We communicated our risk assessment and audit response to management and the Supervisory Board. Our audit procedures differ from a specific forensic fraud investigation, of which the investigation often has a more in-depth character.

Our procedures to address fraud risks did not result in the identification of a key audit matter.

We note that our audit is based on the procedures described in line with applicable auditing standards and are not primarily designed to detect fraud.



Audit scope in relation to non-compliance with laws and regulations

We have evaluated facts and circumstances in order to assess laws and regulation relevant to the company.

We identified laws and regulations that could reasonably be expected to have a material effect on the financial statements based on our general understanding and sector experience, through discussion with relevant management and evaluating the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level. The potential effect of these laws and regulations on the financial statements varies considerably:

- Firstly, the company is subject to laws and regulations that directly affect the financial statements including taxation and financial reporting (including related company legislation). We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
- Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognized or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation.

We identified the following laws and regulations that can have an indirect, reasonable and material effect on the financial statements:

- Supervisory legislation within the group, amongst other the 'Wet op het financieel toezicht' (Wft, Financial Supervision Act), MiFID II, AIFMD and CRD IV/CRR.
- General Data Protection Regulation

The Dutch auditing standards limit the required audit procedures to identify non-compliance with laws and regulations that have an indirect effect to inquiring of relevant management and inspection of regulatory and legal correspondence, if any. Through these procedures, we did not identify any additional actual or suspected non-compliance other than those previously identified by the company in each of the above areas.

We considered the effect of actual or suspected non-compliance as part of our procedures on the related financial statement items.

Our procedures to address compliance with laws and regulations did not result in the identification of a key audit matter.

We note that our audit is not primarily designed to detect non-compliance with laws and regulations and differs from a specific forensic investigation. Management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud, including compliance with laws and regulations.



The more distant non-compliance with indirect laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Valuation property

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. As the asset is acquired, PGGM N.V. uses the current cost to implement the fair value. The determination of the current cost is strongly dependent on market variables, including the estimated initial rate of return, land prices and the appropriate adjustment factors. PGGM N.V. has engaged an external appraiser for support at determining the current purchase price of the property. The notes on page 73 and page 81 (note 4 'Tangible fixed assets') include the applied valuation principles and the movement schedule of the property.

The determination of the current cost of the property requires a high degree of judgement of the directors and contains subjective elements of estimation. Therefore, combined with the size of the account in the financial statements, we consider the valuation of the property as a key matter in our audit.

Our response

We assessed the substantiation of the valuation by PGGM N.V. and included the valuation report of the external appraiser to make this assessment. We evaluated the independence of the external appraiser engaged by PGGM N.V., reviewed the assumptions applied by PGGM N.V., inspected 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 and disclosure in the financial statements are in accordance 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.



Accurate processing of the management fees

Description

PGGM N.V. receives management fees for various asset management activities, pension administration activities and advisory services which PGGM N.V. performs for its clients. These management fees amount to EUR 297 million in 2019 (2018: EUR 278 million) and are PGGM N.V.'s largest financial statement caption on a consolidated level.

In view of the size of the management fees we consider the accurate processing of the management fees in the financial statements as a key matter in our audit.

Our response

PGGM N.V. has a central revenue administration. Given this central revenue administration, we have performed all procedures related to the management fees on group level and have determined whether the management fees are correctly allocated to the components of PGGM N.V. Our work consisted, among other procedures, of:

- performing a reconciliation of the recorded revenue with the underlying contracts. We have evaluated the authenticity for each contract and by inspecting the contracts we have verified that it has been signed by all parties;
- performing a reconciliation of the management fees from the asset management activities with the asset management expenses as stated in the financial statements of the PGGM investment funds. The financial statements of the investment funds with liquid investments are accompanied by an auditor's report from the external auditor. For the management fees related to PGGM investment funds for which no audited financial statements over 2019 were available during our audit, we have performed substantive procedures ourselves;

Our observation

Based on our procedures we have determined that the management fees are accurately processed in the financial statements of PGGM N.V.

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.



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:

- evaluating changes in the IT infrastructure;
- 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 for our audit related to IT systems and processes, for example in relation to the payment process, authorization 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.

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

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch 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 Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is 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 information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding 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 Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive



Board is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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 frameworks 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 the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us 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 detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the 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.

A further description of our responsibilities for the audit of the financial statements is included in appendix 'Description of our responsibilities for the audit of the financial statements' of this auditor's report. This description forms part of our auditor's report.

Amstelveen, 15 April 2020

KPMG Accountants N.V.

F.M. van den Wildenberg RA

Appendix:

Description of our responsibilities for the audit of the financial statements



Appendix

Description of our responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board;
- concluding on the appropriateness of the Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PGGM N.V.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Provisions of the Articles of Association governing the appropriation of the results

Article 35 of the Articles of Association reads as follows:

- 35.1 Distribution of profits pursuant to the provisions in this article takes place after the adoption of the financial statements which show that such distribution is allowed.
- 35.2 The profits shall be at the free disposal of the General Meeting of Shareholders.
- 35.3 On the recommendation of the Executive Board, the General Meeting shall be authorised to resolve to make a distribution from the reserves, without prejudice to Article 35.4.
- 35.4 The company may only make distributions to the shareholders and other persons entitled to the profit intended for distribution to the extent that the equity exceeds the subscribed capital plus 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 is complied with as evidenced by an interim statement of assets and liabilities as referred to in Section 2:105(4) of the Dutch Civil Code.
- 35.6 When calculating the share distribution, the shares which the company holds in its own share capital are not included.
- 35.7 A deficit may only be charged to the statutory reserves to the extent that this is permitted by law.

General

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Commercial Register number 30228472

Executive Board

Edwin Velzel (Chair)
Chief executive officer (CEO)
Willem Jan Brinkman
Chief financial & risk officer (CFRO)

Auditor

KPMG Accountants N.V.
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Information

If you have any questions regarding the content of the Annual Report, please contact us via:
www.pggm.nl/jaarverslag

Retirement schedule of the Supervisory Board

Naam	Datum benoeming	Datum 1 ^e herbenoeming	Datum aftreden
Marjanne Sint (Chair)	01.04.2018	01.04.2022	01.04.2026
Miriam van Dongen (deputy chair)	13.06.2013	13.06.2017	13.06.2021
Eric de Macker	01.10.2015	01.10.2019	01.10.2023
Jan van Rutte	17.05.2017	17.05.2021	17.05.2025
Micky Adriaansens	01.01.2018	01.01.2022	01.01.2026
Henk Broeders	01.11.2018	01.11.2022	01.11.2026

Regulation of the Articles of Association:

Article 23(1) of the Articles of Association of PGGM N.V.: a supervisory director shall step down no later than the date of the first General Meeting held after the end of four years following his or her latest appointment. At the end of his or her term of office, a supervisory director may be reappointed, on the understanding that he or she shall step down no later than the date of the first General Meeting held after he or she has served for eight years as a supervisory director, consecutively or otherwise; thereafter, he or she may not be reappointed.

Ancillary positions held by members of the Supervisory Board

Marjanne Sint (1949)

Nationality: Dutch

Main position: *Marjanne Sint Consultancy B.V.*
(Management and operations consultancy)

Executive and supervisory positions

- Chair of the Supervisory Board of PGGM N.V. and member of the Remuneration, Selection and Appointments Committee
- Chair of the Supervisory Board of the Bank Nederlandse Gemeenten
- Member of Supervisory Board of Bergman Clinics B.V.
- Chair of IBO (internationalisation of education) (until 1 June 2019)
- Chair of VNG Financial Controllability of the Social Domain
- Chair of AMF steering committee of the Ministries of Home Affairs and Defence

Miriam van Dongen (1969)

Nationality: Dutch

Main position: *Supervisory Director/Supervisor*

Executive and supervisory positions

- Member of the Supervisory Board (deputy chair) of PGGM N.V. and Chair of the Audit, Risk and Compliance Committee
- Member of the Supervisory Board and Chair of the Audit Committee of Kadaster (Land Registry Office)
- Member of the Supervisory Board, Chair of the Audit Committee, Member of the Risk Committee and Member of the Remuneration and
- Appointments Committee of Vivat N.V.
- Member of the Supervisory Board and Chair of the Audit Committee Optiver Holding B.V.
- Member of the Board of Stichting Administratiekantoor Aandelen KASBANK

Micky Adriaansens (1964)

Nationality: Dutch

Main position: *CEO of Twijnstra Gudde*

Executive and supervisory positions

- Member of the Supervisory Board of PGGM N.V. and member of the Remuneration, Selection and Appointments Committee
- Member of the Supervisory Board of Insinger Gilissen Bankiers N.V.
- Member of the Supervisory Council of Stichting Amsta
- Member of the Upper House of the Dutch Parliament for the VVD (as of June 2019)

Henk Broeders (1964)

Nationality: Dutch

Main position: *Supervisory Director/Supervisor*

Executive and supervisory positions

- Member of the Supervisory Board of PGGM N.V. and Member of the Audit, Risk and Compliance Committee
- Member of the Supervisory Board and Chair of the Audit Committee of Alexander Monro Breast Cancer Hospital
- Chair of the Board of Stichting Hanarth Fonds
- Chair of Supervisory Board of Stater N.V.
- Board member of Stichting Steun VUmc Alzheimercentrum
- Director Broeders Board Services
- Member of advisory board to SMS Oncology

Eric de Macker (1960)

Nationality: Dutch

Main position: *Partner at VOOR B.V. (labour mediation)*

Executive and supervisory positions

- Member of the Supervisory Board of PGGM N.V. and Chair of the Remuneration, Selection and Appointments Committee
- Member of the Supervisory Board of Stichting Rivierduinen GGZ
- Member of the Advisory Council of Nederlandse Vereniging van Arbeidsdeskundigen
- Member of the Advisory Council of Stichting CNV Internationaal

Jan van Rutte (1950)

Nationality: Dutch

Main position: *Supervisory Director/Supervisor*

Executive and supervisory positions

- Member of the Supervisory Board of PGGM N.V. and Member of the Audit, Risk and Compliance Committee
- Chair of the Supervisory Board and member of the Human Resources & Organisation Committee of Volksbank N.V.
- Member of the Supervisory Board and member of the Audit Committee of BNG Bank N.V.
- Member of the Supervisory Board of ORMIT Holding B.V.
- Member of the Supervisory Board of Nederlandse Investeringsinstelling N.V. (until mid-November 2019)
- Member of the Supervisory Board of Stichting Health Center Hoenderdaal
- Member of the Board of Stichting Administratiekantoor KASBANK
- Member of the Board of ABN AMRO Foundation

Remuneration of the Executive Board

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 2019 remuneration package for the members of the Executive Board.

Remuneration policy vision

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 and our values (supportive, responsible and steadfast).

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 chair of the Executive Board (CEO), Edwin Velzel, was appointed on 1 November 2017. Kees Beuving substituted for Edwin from 1 February 2019 to 1 April 2019. Willem Jan Brinkman was appointed as a member of the Supervisory Board in the position of chief financial & risk officer (CFRO) effective 29 November 2019. Paul Boomkamp resigned as chief financial & risk officer as of 1 September 2019.

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 and the like. 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 on the basis of three CLAs (Hospital Sector, Insurance Industry, Banking Business). Effective 1 January 2019, the salary increased by 1.8% in comparison with 2018.

The salary for the members of the Executive Board is based on a rating according to the Hay classification. The job level of the chair is one level higher than that of the other Executive Board member. The fixed salaries and other remuneration components are included in the financial statements. The pension and social security contributions are in accordance with the CLA.

Ancillary positions held by members of the Executive Board

Edwin Velzel (1963)

Nationality: Dutch

Main position: Chief executive officer, PGGM N.V.

Executive and supervisory positions

- Chair of the Executive Board of PGGM N.V.
- Member of the Supervisory Board of PGGM Vermogensbeheer B.V.
- Member of the Supervisory Board of Klaverblad Verzekeringen
- Member of the Supervisory Board of Omring (Care and Nursing)
- Member of the Supervisory Board of Gelre hospitals (as of 1 September 2019)

Willem Jan Brinkman (1973)

Nationality: Dutch

Main position: Chief financial & risk officer PGGM N.V. (as of 29 November 2019)

Executive and supervisory positions

- Member of the Executive Board of PGGM N.V.
- Member of the Supervisory Board of PGGM Vermogensbeheer B.V.
- Member of FNV investment advisory committee
- Liquidator for the Nederlandse Investeringsinstelling N.V.

Kees Beuving (1951)

Nationality: Dutch

Main position: Acting chair of the Executive Board of PGGM N.V. (until 1 April 2019)

Executive and supervisory positions

- Acting chair of the Executive Board of PGGM N.V.
- Member of the Supervisory Board of BNG Bank
- Member of the Supervisory Board of VSB Fonds
- Chair of the Board of VSB-vermogensfonds
- Chair of the Board of VOx Impuls (NGO)
- Chair of the Board of Aleda Foundation (NGO)
- Chair of the Supervisory Board of Museum Catharijneconvent
- Chair of the Supervisory Board of Bartiméus Fonds
- Adviser to Larive International B.V.
- Treasurer of the Board of Stichting Kasteel Amerongen

Paul Boomkamp (1969)

Nationality: Dutch

Main position: *Chief financial & risk officer PGGM N.V. (until 1 September 2019)*

Executive and supervisory positions

- Member of the Executive Board of PGGM N.V.
- Member of the Supervisory Board of PGGM Vermogensbeheer B.V.
- Member of the Advisory Board of the Social Insurance Bank and Chair of the IT Advisory Committee
- Member of the Supervisory Board of Stichting Emergis, centre for mental healthcare in Goes and Chair of the Audit Committee (until 1 September 2019)