

# PGGM N.V.

Annual Report 2013



*Voor een waardevolle toekomst*

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## General

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E.F. Bos (Chair since 6 March 2013)  
*Chief executive officer*  
P.A.M. Loven  
*Chief finance risk officer*

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<sup>1</sup> The Executive Committee undertakes the day-to-day management of PGGM N.V. The EC is made up of the people responsible for the six business units of PGGM and its subsidiaries. The chair of the EC is the Chief Executive Officer (CEO) who together with the Chief Financial Risk Officer (CFRO) forms the Executive Board.

# Foreword

PGGM is an organisation which works with money, but is all about people. Great changes are taking place: in society, the pension sector, the financial sector, the economy and in our organisation. If there is one thing that keeps us on track, it's knowing for whom we are working.

As a cooperative pension fund service provider, we do our utmost for our clients and our members. The intention is to help them realise a valuable future in which not only are there good arrangements for pensions, but also for healthcare, living and work.

On behalf of our clients and members, we spent a great deal of time and energy supporting a number of important issues in 2013; from the Pension Agreement, the consolidation in the market and investments in the Netherlands, to making the financial sector sustainable and designing new architecture for our members' association.

We pursued these issues in intensive cooperation with our clients and members; both through the role we play in setting up pensions and through our dedication to the creation of a valuable future.

To this end, our experts sat down with politicians and other interested parties in The Hague to discuss the Pension Agreement. In addition, we participated in discussions about allocating pension money to the Dutch economy. Together with our clients, we played an active role in this debate and are proud of the ideas we contributed.

In 2013, we achieved a number of good results. We acquired the service provider A&O Services and its subsidiary A&O Vermogensbeheer. This enabled us to welcome new funds including the Stichting Bedrijfstakpensioenfondsvoor het Schilders-, Afwerkings- en Glaszetbedrijf (the pension fund foundation for painters, craftsmen and glaziers). In addition, we were able to integrate the previously acquired pension fund service provider Doctors' Pension Funds Services into PGGM. These acquisitions enabled us to bring in both new clients as well as supplementary expertise; giving substance to our ambition to play a role in the consolidation of the market. In this context, growth is not an objective in itself but, together, we are stronger.

One significant trajectory Pension Management successfully completed in 2013 was the raising of the state pension age to 67 years. This was a huge task. Also of particular note was the trajectory carried out with Pensioenfondsvoor Zorg en Welzijn (PFZW = the pension fund for the health and social sector) surrounding PFZW's new investment framework. A great deal is to change: for example, on their behalf, PFZW wants us to concentrate specifically on the achievement of the return it requires to realise its ambition to index-link pensions. In 2013, we were instructed to look at how we could, in the coming years, implement PFZW's new investment framework.

In addition to the activities which are directly pension related, we are also looking at whether we can develop initiatives to provide a broader contribution to the realisation of a valuable future. One of the most important aspects of a valuable future is growing old in good health.

One threat to this is the rapidly increasing problem of dementia. In 2013, we entered into a partnership with Alzheimer Nederland in order to support it in its battle to fight this disease.

In 2013, we also developed activities for our members offering them points of reference to help strengthen their personal and financial 'balance sheets' and, consequently, their valuable futures.

We think it's important to involve people in the current developments in the area of pensions. And to clarify these developments we have also looked at our own communication. Since 2013, a group of PGGM experts have had a prominent place on our website; here they explain complex matters, present our vision of various issues and, where they can, provide insight into the dilemmas confronting us. Moreover, we are going to make better use of this year's annual report to explain what we are doing, what our objectives are and what we did to achieve these objectives in the previous year. To do this as well as possible, our intention is to adopt 'integrated reporting'; a form of reporting in which we can cohesively present 'the story behind the figures'. This report is the initial step in that direction.

In 2014, we wish to innovate decisively; and we laid a sound basis for this in 2013. We were pleased to welcome a new colleague to our Executive Committee (EC), Jeroen de Munnik is the new Chief of Institutional Business (CIB). This position became vacant after I took up the position of acting Chief Executive Officer (CEO) following the departure of Martin van Rijn; in 2013, I was officially appointed CEO.

After my first hundred days as CEO, I began to emphasise that, within PGGM, the interests of our clients are our greatest concern.

We want to do everything possible to ensure that our clients' costs are kept as low as possible. Our point of departure continues to be achieving a healthy balance between risk, return and costs. We wish to add as much value as possible for our clients, so that they are able to accrue pensions for their participants. Consequently, stringently controlling costs has become an even more important element than it was previously; while quality must emphatically be retained.

Over the last few years, our organisation has been growing steadily; in respect of the volume of work, turnover, number of employees and, therefore, the costs. In 2014, we are also expecting to increase our workload; which means we will have to work more efficiently.

We want to be a versatile organisation, to find solutions for the numerous challenges facing the pension sector and to innovate decisively.

By so doing, we will - as both a link piece and an innovator - contribute to the provision of a valuable future. For our clients and their participants, for our members and, more broadly, for society as a whole. Therefore, for the people who - as far as we are concerned - are ultimately what it is all about.

Else Bos  
CEO PGGM



# PGGM in 3 minutes

Helping people to enjoy their old age; or, as we refer to it: a valuable future.

That is our mission, and everything we do focusses on and contributes to this mission.

We do this as a not-for-profit cooperative pension fund service provider, and we do it in a way which enables us to add sustainable value.

In this context we adopted a three-pronged approach.

An approach which immediately defines our pillars:

1. From the perspective of our core business, *the pillar 'institutional'*, we do our utmost for our clients: pension funds and their participants.
2. From the perspective of our form of cooperative, *the pillar 'members'*, we do our utmost for the more than 650,000 members in the health and social sector affiliated to our members' association PGGM&CO.
3. From the perspective of *the pillar 'social agenda'* we develop initiatives to provide broader support to our clients and members thus enabling them to achieve a valuable future.

Our clients are our first priority. Their interests are our interests. As a pension fund service provider, we do absolutely everything we can to help the pension funds, for which we work, provide their participants with good and affordable pensions.

Our employees are professionals in pension management, investment management and in providing advice to pension boards.

In addition to dedicating ourselves to the provision of good pensions, we focus on developing and realising future solutions; solutions which will safeguard pensions even in the long term. We help our clients find answers to important questions about the structure of a pension system. Whereby we believe in values such as sustainability, collectivity and solidarity.

Providing a pension fund service is our core business. But we are more than simply a pension fund service provider. As a not-for-profit cooperative financial institution, we stand up for our members.

They have taught us that a valuable future means more than just a financially sound future, it also requires a good

living environment, good healthcare and the opportunity to work for longer. Consequently, PGGM is considering solutions which make these objectives possible. We wish to make a link between the domains pensions, care, living and work. In the first instance, we are doing this for our members and the participants in our clients' pension funds, but ultimately we hope it will benefit society as a whole.

We also want to support our members individually. Financial choices and other significant events, such as redundancy, divorce and informal care, can have a long-term impact and play a role in the realisation of a valuable future. In 2013, we launched a new proposition to provide a better service to members.

Sustainability is in our blood. We are fully aware of the impact the actions we take today will have on tomorrow's world. Consequently, we endeavour to minimise our negative impact and enhance our positive impact; by, for example, investing responsibly. We employ the controlling power of the money we manage on behalf of our clients to make a positive contribution to the sustainable development of the world. We and our clients are convinced that financial and social returns go hand in hand. By investing responsibly, we are simultaneously hoping to promote corporate governance and responsible investment amongst others.

## 2014

We want to do our work as well as possible. And in 2014, we will continue looking at how we can consistently improve our organisation.

In the market, we are experiencing increasing cost pressures, and we intend to control these costs stringently in 2014. We will, moreover, innovate decisively. Firstly, to benefit our clients who, year in year out, deserve a professional service at the lowest possible price. Secondly, to benefit our members, who deserve help to achieve a valuable future; all the more so now the government is increasingly withdrawing and focussing on a participation society.

# Trends and developments in the sector

A great deal of what PGGM is doing is related to developments in society. For a number of years, the subject 'pensions' has been a hotly debated topic both amongst the public and politicians.

In the first instance, this was due to the financial crisis which caused immediate problems, such as lower returns in the financial markets.

But the crisis also exposed a number of problems surrounding the sustainability of the system.

Bottlenecks have appeared as a consequence of demographic developments, for example increased longevity, falling birth rates (fewer younger workers) and an ageing population.

But there are other developments in society which require the system be modernised. The Dutch pension system was, for example, designed for employees who work for the same employer or in the same sector their whole lives while, in practice, this is changing; you only need to look at the increase in the number of self-employed people to appreciate this.

In addition, there is considerable public discussion about intergenerational solidarity and the growing need for freedom of choice and an individual approach – with personal responsibility and a smaller role for the government.

## Modernising the pension system

Over the last few years, we have been extremely involved in the developments surrounding the pension system. And this will continue in the coming year.

Although everyone agrees that the pension system must be modernised, a number of developments are mitigating the speed at which this is happening. We are aware, for example, that The Hague has a number of other pressing issues, such as balancing the budget in the short term. And this means the government is searching for ways to reduce its expenditure and raise its income; a fact which was apparent in the Pension Agreement concluded by the cabinet in December 2013.

Added to this was the fact that the parties were divided about the approach. And the same applies to the pension sector itself. The large number of stakeholders means there is a diversity of interests, and this prevents the best solution being arrived at unanimously and directly and leads to lengthy debate. Moreover, the laborious process surrounding the Pension Agreement has created uncertainty.

Politicians have, therefore, agreed there will be a fundamental discussion about the future of the system in 2014. And, currently, we can see this debate slowly beginning to take shape. While, in society, increasing attention is being paid to the drawbacks of the system.

From the perspective of PGGM, we are endeavouring to achieve a sustainable pension system. We would like to make an active contribution to the reform: we recognise (and acknowledge) the problems and imbalances in the current system, but we want to retain the good parts. We are emphasising the importance of solutions offering collectivity and solidarity. And we are doing this in cooperation with our clients and partners, such as pension funds, other service providers, insurance companies, and the Pension Federation, DUFAS and Eumedion. In so doing, we are promoting both our clients' interests and our own interests as a pension fund service provider. In 2013, we and our clients contributed knowledge and expertise to the administrative and political discussions surrounding the Pension Agreement.

## Changes in the financial sector

The developments in the pension system are being played out against the background of an important and significant transformation. As the financial crisis highlighted the fact that the financial sector had to change.

In a broad sense, the pension sector is part of the financial sector, a sector 'under construction'; with banks having to phase out government support, dispose of units, retain more capital and, in the same way as insurance companies, focus on more simple products.

A sector which is subject to vast quantities of new legislation and regulation; and one which is having to innovate and regain trust. Being a not-for-profit cooperative pension fund service provider, PGGM has a unique position in the financial sector, however, it is still affected by all these developments; sometimes indirectly, sometimes directly.

One example is the AIFM Directive (Alternative Investment Fund Managers Directive). This new, so-called 'one size fits all' legislation applies to investment institutions, such as hedge funds, real estate funds and private equity funds but, as of 2014, it will also apply to PGGM. The legislation was developed in response to the financial crisis and its purpose is to acquire better insight into the potential financial and system risks within the financial sector, so that these risks can be better managed. As far as PGGM is concerned, this will offer better protection to our clients, the pension funds. On 4 April, PGGM received an AIFM licence from the Netherlands Authority for the Financial Markets. This means that PGGM now complies with the new, more rigorous European requirements.

As a consequence of the financial crisis, it has become painfully obvious that - apart from the necessary modernisation - things could be done better both by the pension sector and by us. To this end, good communications and transparency are absolutely essential and the basis of a sustainable financial system.

One development in the financial markets, which positively impacted on us, is the fact that investments are being looked at in a different way. Thanks to the crisis, more attention is being paid to the longer term and risk management. And that is pure profit. For us, as a cooperative pension investor, a sustainable and healthy financial system, and a correspondingly stable basis for pensions, is naturally of huge importance.

Of special interest in this context is the support we were able to offer our client PFZW in 2013, when they renewed their investment instruction to us. Under the working title White Sheet Of Paper (WSOP), the PFZW Executive Board prepared a new investment framework.

And in 2013, we were instructed to consider how we could implement this framework in the coming years. We expect this to have a significant impact. In brief, PFZW is asking us to organise their investments in a way which satisfies their ambition: indexation of the pensions.

Moreover, the investments must always be manageable and comprehensible, with greater emphasis being placed on sustainability.

## The Dutch economy

The consequences of the financial crisis are still visible in the Dutch economy, which is having to contend with a shortfall of long-term finance. Pension funds can help to strengthen the Dutch economy; as, due to their long-term commitments, pension funds are pre-eminently able to provide this long-term finance.

In 2013, the cabinet and institutional investors collectively undertook research to ascertain which structures are necessary to improve the financial sustainability of the Dutch economy.

This resulted in the announcement that the Nederlandse Investeringsinstelling (NII = Netherlands Investment Institution) and the Nederlandse Hypotheekinstelling (NHI = Netherlands Mortgage Institution) were to be established.

PGGM was one of the signatories to the statement of intent prepared for this purpose.

We and our clients are willing to invest more in the Netherlands, on condition this is not at the expense of return. After all, a healthy and stable Dutch economy is equally important to all our participants.

# Mission and vision

Within the context of all the developments in society and the pension sector, we are working on our mission, our higher objective: helping people realise a valuable future. This is of paramount importance to PGGM.

Our mission keeps us on course in this period of unprecedented turbulence. For whom? For our institutional clients, their participants and our members.

But what exactly do we mean by a valuable future?

We believe it is a future with pleasant living conditions, in which healthcare is well organised, working longer possible and an individual's financial position secure.

In particular, we concentrate our efforts on the pension, the finances. And, naturally, in a valuable future pension provision is optimally safeguarded. Virtually all our people work to this end; offering excellent pension service provision and investment management.

As well as supporting pension funds. That is our core business. That is where we currently excel and intend to carry on excelling.

## Pensions in the future

But we are also thinking about the future of pensions. Consequently, we look at the 'whole picture' of old age. We cannot do this alone so, as far as possible, we seek to cooperate with organisations that are as socially committed as we are. Together, we hope to find answers to the issues surrounding an ageing population within different domains.

*Healthcare*: because it is questionable whether, in future, healthcare will continue to be affordable and accessible to everyone. We want to grow old in good health so that we can enjoy our pensions.

*Living* : because the majority of people want to live independently for as long as possible.

*Work*: because we are going to have to carry on working for longer, but we have to be able to do so.

Unfortunately, different domains do not, of course, always work together; so we wish to make a specific contribution to help solve the issues surrounding an ageing population in an integrated way.



## Intensifying our audacious objective

In 2013, we decisively pursued the realisation of our vision. To illustrate more specifically what we hope to achieve, we have, within our vision, intensified our so-called audacious objective.

An objective which should stimulate and challenge us to grow even further.

An objective that reflects our ambition and will help our mission; i.e. the achievement of our higher objective.

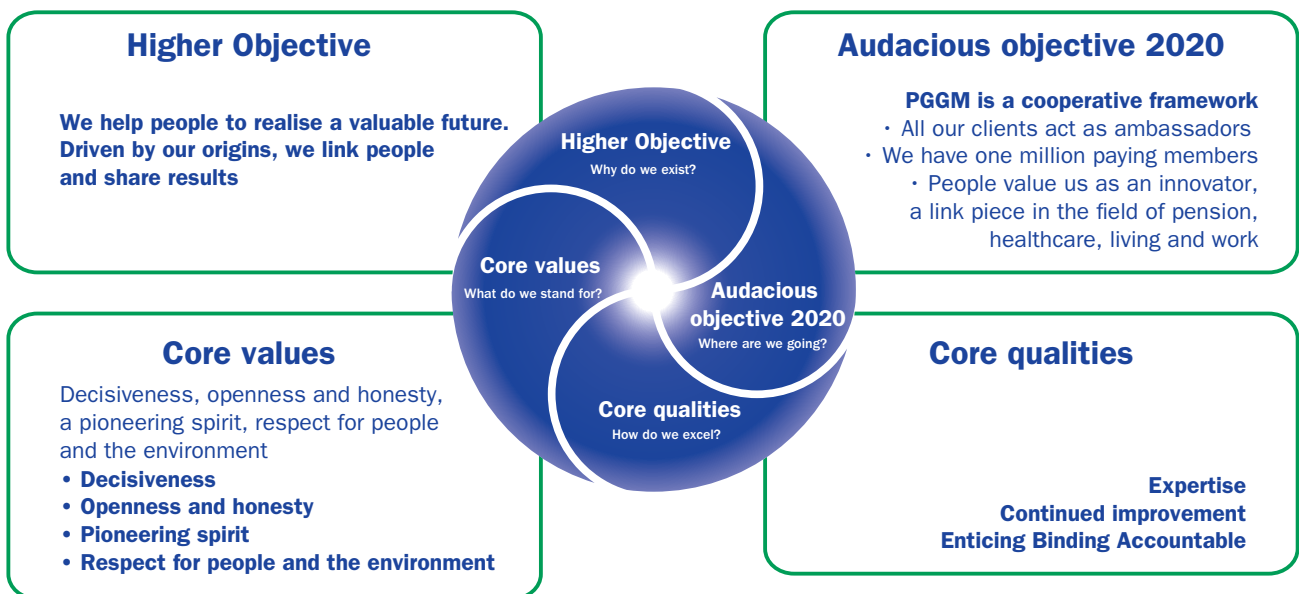
Like our core values and core qualities, this higher objective remains unchanged.

This means that in 2013 and 2014, we continued and are continuing to work decisively towards a valuable future.

We are exploring new paths and daring to let go of some old and trusted ways, we respect differences and act responsibly and sustainably.

From this fundamental perspective, we strive for quality with a professional passion. We critically examine ourselves and our ways of working and constantly make improvements.

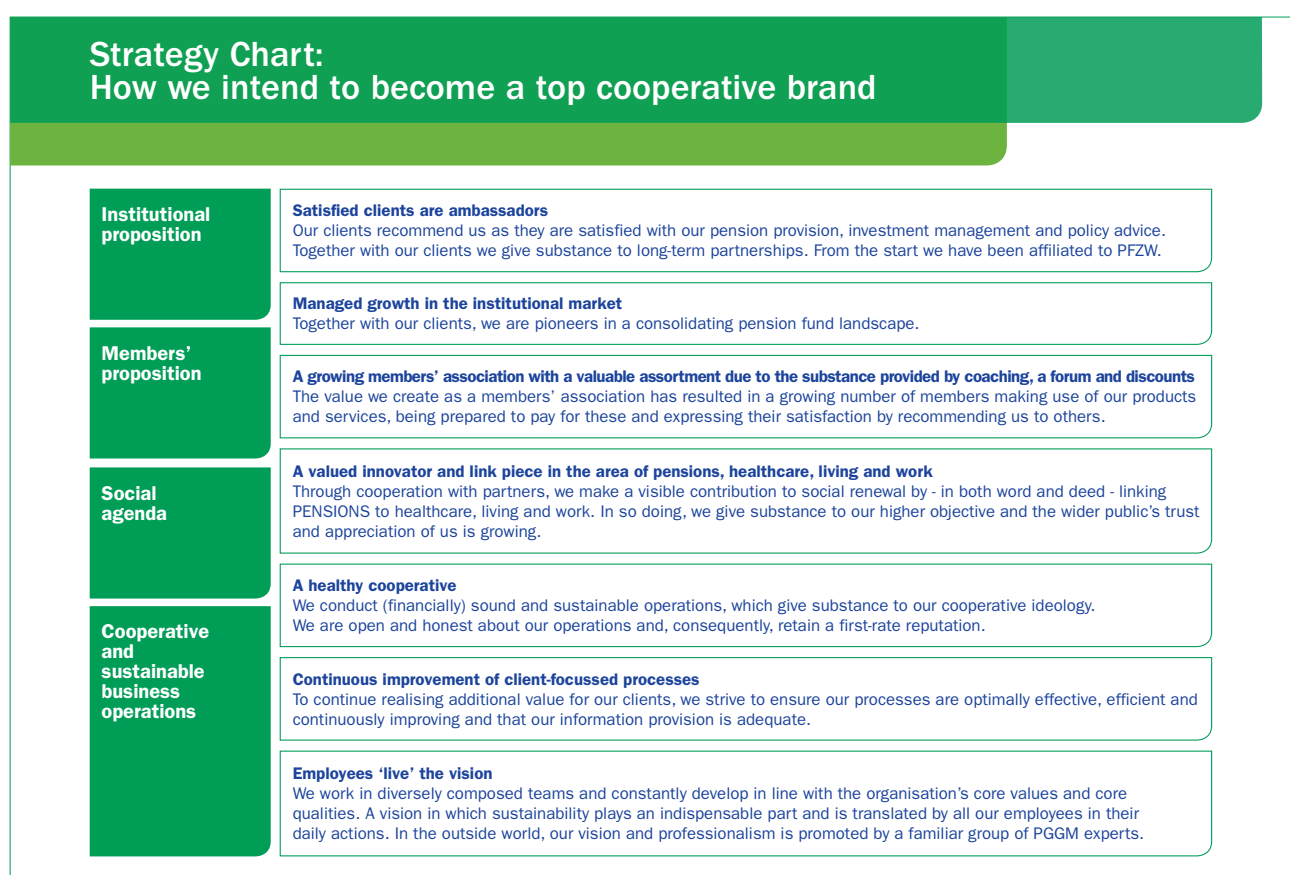
We ensure we are attractive to clients, we listen, bring people together and are accountable for the promises we make.



# Strategy

PGGM's strategy must ensure we can actually achieve our mission. We describe our strategy from various perspectives: PGGM's three pillars (institutional proposition, members' proposition and social agenda) and from the perspective of the business operations (cooperative and sustainable business operations). Each perspective has a number of focus points for the coming years. In 2013, we compiled the following strategy chart for 2014.

PGGM's Strategy Chart:



## Institutional proposition

We are the pension fund service provider for our institutional clients. We want to continue serving them well and keep them satisfied so they continue to choose us in the future.

PFZW is our largest client; and it is from there that we stem. In the past few years, we have attracted more clients to our platform which pleases both us and our clients. The past five years have shown that the quality of

our service and the client focus of the pension provision improves as more clients are serviced.

New clients deliver diversity which contributes positively to renewal, innovation and learning curves.

This positive experience has enabled PGGM to play a prominent role in consolidating the market.

Due to our origins, our institutional proposition focusses - to a significant degree - on PFZW and other pension funds in the health and social sector.

We believe strong collectivity in this sector is essential and we want to be of service in this respect. However, PGGM also welcomes suitable clients from outside the health and social sector. We look carefully at who fits in with us and at the rate at which we can and want to grow.

In 2013, we had, for the first time, to deal with a large number of contract renewals and we realised that such trajectories were not simply a formality. Every contract required hard work. One of the conclusions drawn from 2013 is that to retain a competitive institutional proposition, we must reduce our costs even further, while maintaining our high quality.

## Members' proposition

We are aiming to have one million paying members by 2020. An important cooperative principle is the principle of reciprocity.

All cooperatives are financed directly or indirectly by their members. Payment is proof of value. We want to deliver value to the cooperative's members in the future, value which is so relevant they are prepared to pay for it; whether it be a product, service or membership. If we are an organisation with numerous members, we can more easily press forward to achieve our higher objective. After all, our views have a broad base, we are in it together. That members consciously choose us proves commitment to PGGM. A factor that will be of extra importance in the future, should the pension system change significantly. Due to our origins, the members' association focusses on individual members in the health and social sector.

## Social agenda

In 2014, PGGM wishes to define and promote its social agenda more emphatically and explicitly in association with both its institutional and its members' propositions. In the knowledge that through our competencies, network and scale, we can add sustainable value for our clients and members.

Through cooperation with partners, we make a visible contribution to social renewal by - in both word and deed - linking pensions to healthcare, living and work. We do this primarily for our members and clients but, ultimately, it will positively impact on everyone in the Netherlands.

## Cooperative and sustainable business operations

A valuable future for our clients (pension funds), their participants and members of the cooperative is unthinkable without respect for people, the environment and society. After all, a good pension is worth more in a liveable world.

PGGM defines sustainability as an awareness of the impact actions taken today will have on tomorrow's world. Consequently, we endeavour to minimise our negative impact and enhance our positive impact. We give shape to this via an active, integral sustainability policy with four themes. These themes can be seen in the diagram at the bottom of the page.

PGGM's four sustainable themes are:



PGGM wishes to be in a healthy commercial position, but not with profit and growth as the principal objectives. A cooperative enterprise should be a sustainable business model, built on collectivity, solidarity and transparency.

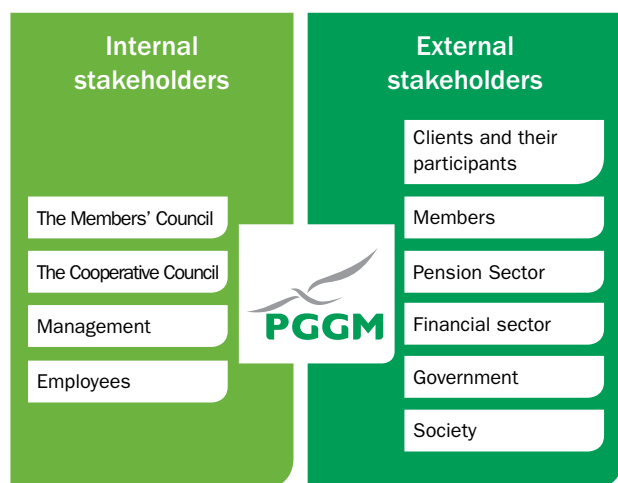
It is not just about products and services, but about (mutual) participation, consultation and the promotion of interests. This requires continuous dialogue between the organisation and its clients and between the association and its members.

PGGM's employees live the vision: we work in diversely composed teams and constantly develop in line with the organisation's core values and core qualities. A vision in which sustainability plays an indispensable part and is translated into the daily actions of all our employees. In the outside world, our vision and professionalism is promoted by a familiar group of PGGM experts.



# Stakeholders & the value we add

One of PGGM's convictions is that the best way to achieve a valuable future is by working together. There is a good reason why we are a cooperative at the heart of society. We try to add value through our three pillars: institutional, members and social agenda. This delivers several stakeholders; local, national and international stakeholders from both within and outside the pension sector. Below, we have provided details of the most important stakeholders.



## From our institutional proposition:

### Clients and their participants

Our clients are responsible for the pensions of more than 2.5 million employees, former employees and pensioners. As a pension fund service provider, we feel equally responsible. PGGM deems every client unique, we adapt our service provision to the ambition of the relevant pension fund and its Executive Board. For a number of years, we have been doing this for:

- Pensioenfond Zorg en Welzijn
- Pensioenfond voor de Particuliere Beveiliging (the pension fund for private security firms)

- Pensioenfond Architectenbureaus (the pension fund for architects)
- *Beroepspensioenfond voor zelfstandige kunstenaars (AENA, the occupational pension fund for self-employed artists) is currently being wound up. As of 14 November 2013, the collective value of all the pension rights and claims was transferred to the pension fund PNO Media. AENA is now in the liquidation phase.*
- *In 2013, we supported Pensioenfond Cultuur (the pension fund for those in the culture sector) during its liquidation trajectory and the transfer of its assets to PFZW.*
- *Similarly in 2013, we supported the Pensioenregeling van Predikanten (pension scheme for church ministers) during its liquidation trajectory and the transfer of its assets to PFZW.*
- *In 2013, we acquired the service provider A&O Services and its subsidiary A&O Vermogensbeheer. A&O Services is being integrated into PGGM in phases. A&O Services' largest clients are: Stichting Bedrijfstakpensioenfond voor het Schilders-, Afwerkings- en Glaszetbedrijf, Bedrijfs Eigen Regelingen (BER Funds, company-specific funds) and Stichting Bedrijfspensioenfond voor Onderhoud en Reiniging in Scheepvaart, Industrie en Milieu en Aanverwante Activiteiten (the pension fund for care and maintenance of marine, industry, the environment, and related activities).*
- *In 2013, the previously acquired pension fund provider Doctors Pension Funds Services (DPFS) was integrated into PGGM. And one of DPFS' clients Stichting Pensioenfond voor Huisartsen (SPH, a pension fund for GPs) also took the step of moving to PGGM entirely.*
- *In 2013, we succeeded in contracting our first company pension fund: Smurfit Kappa. A significant step which enabled us to broaden our expertise.*
- *In 2013, together with the Rabobank, PGGM introduced its own Premium Pension Institution (PPI) for SMEs to the market. In respect of the PPI, Rabobank is responsible for the payments and PGGM for the pension management. The other partners in the PPI are: Achmea, for insurance, and Robeco, for investment management.*

## The value we add for: Clients

PGGM provides pension management, investment management and board advice to diverse clients. We add value by *providing an excellent service* in respect of the pension schemes entrusted to us and through professional communication with participants, which we undertake on behalf of our clients.

In addition, we support the executive boards of pension funds in the execution of their responsibilities towards their participants. We do this by *sharing our knowledge* of legal, financial and actuarial matters. Hereby, our clients make use of our knowledge, insight and extensive global and domestic network.

Financially, we add value directly. As a cooperative pension investor in the Netherlands, we are - together with our clients - building a platform in order to invest as responsibly as possible. Moreover, we are focussing on a healthy balance between return and costs, with a view to the long term. We achieve a *financial return* for our clients by executing their investment plans as well as possible through competent and risk-weighted investments management and by continually reducing our costs. The latter applies to the entirety of our business operations, i.e. to all our services and activities. To this end, we launched a new company-wide programme in 2013: Improved Business Operations.

We are a not-for-profit organisation. The revenue we generate is used to contribute to the *maintenance of a healthy pension sector*. We share our results with our clients and undertake acquisitions in order to strengthen our power in the sector. In this way, we are better placed to ensure the retention of the values of *collectivity and solidarity*, which are essential for pensions. By working together, we can reduce costs and share risks.

## The pension sector

- We maintain intensive contact with parties in the pension sector, such as fellow *pension fund providers* and *pension funds*, but also with *Eumedion*, an organisation which represents the interests of all Dutch institutional investors and is an opinion former in the field of corporate governance, the *Pension Federation*, with which we have actively been focussing on how to achieve transparent guidelines, and *Netspar*. And, naturally, with the *employers* affiliated to our clients and the *social partners* involved.
- One of our partners in the sector is the Danish organisation *PKA*, a pension fund service provider which, just like PGGM, serves pension funds with participants from the health and social sector and invests globally.

Together we want to find added value in divergent areas, such as the commitment of members, risk management, benchmarking of costs, transparency and collective investment opportunities.

- In 2013, our experts participated in various meetings in *The Hague* on the subject of the *Pension Agreement*.

## Regulation and supervision

- We champion healthy business operations, the sustainable development of the pension system and a sound financial sector in close contact with parties such as the *government*, the *Dutch Central Bank (DNB)* and the *Authority for the Financial Markets (AFM)*.

- One important aspect which affects the pension sector is international legislation. The *European Union* influences every level of Dutch pension provision; regulations specifically related to pensions, as well as capital requirements and legislation in the field of banks and insurance companies all emanate from Brussels. The last unregulated parts of the financial markets are currently being dealt with. Financial legislation should ensure greater stability; but it does not always take account of the specific characteristics of Dutch pension funds in the financial markets. Halfway through 2014, a new *European Parliament* will be elected and a new *European Commission* installed. Irrespective of the composition, the trend towards harmonisation and integration will remain intact; creating both opportunities and pitfalls. In this context, we are adopting a constructive attitude.

## From the perspective of managing our clients' assets

When investing on behalf of its clients, PGGM has a collective objective: to achieve a return on the pension money deposited. But, in so doing, to try, as far as possible, to use the power of the money to reduce its carbon footprint and increase its positive impact, the aim being a more sustainable world. And, when possible, to contribute to the Dutch economy. Consequently, in 2013, not only did we seek dialogues with markets and enterprises in which we invest on behalf of our clients, we also held talks with other stakeholders, such as NGOs and governments.

- In 2013, together with other institutional investors and pension funds, PGGM participated in *consultations in The Hague* during which plans were made to employ pension capital for the Dutch economy, without any concessions being made regarding pension ambitions. These consultations resulted in a joint statement of intent for the establishment of the *Netherlands Investment Institution (NII)* and the *Netherlands Mortgage Institution (NHI)*. This will enhance the potential to provide scarce long-term finance. By easing the financing requirements of the Dutch banks in the international capital market, pension funds can, from their position as a shareholder, directly contribute to financial stability within the Netherlands.
- Other initiatives looking at *investment opportunities in the Netherlands* related to making housing more energy efficient and generating sustainable energy. The *National Energy Agreement*, concluded in 2013 and focussed on policy assurance, public-private cooperation and bringing together knowledge, expertise and economies of scale, could be of benefit in this respect.
- PGGM is committed to responsible investment and closely involved in the setting up and development of the *United Nations Principles for Responsible Investment (UN PRI)*, with which we naturally comply. The PRI network is an international group of investors which endeavours to integrate ESG (environmental, social and governance aspects) into their investment processes. PGGM's CEO, Else Bos, is a member of the PRI Advisory Council.
- As an associate founding member of the *International Sustainability Alliance (ISA)*, PGGM makes every effort to ensure greater sustainability in the world's supply of real estate. ISA is a network of real estate organisations, developers, owners, tenants/lessees and investors. Together with the *BRE Trust*, ISA works with the world's largest, most comprehensive and confidential database of the environmental performance of real estate. This enables members to develop sustainable strategies for their real estate and to link these to financial performance.
- To recoup imputable investment losses and to enforce good corporate governance, PGGM conducts legal proceedings for our clients whenever necessary. We do that as a shareholder in listed companies, both in the Netherlands and abroad. In 2013, we were appointed the *lead plaintiff* in the case against *Hewlett Packard (HP) in the United States*. HP made misleading announcements about the acquisition and integration of the undertaking Autonomy. HP filed an application to suspend the case but it was rejected by the court. and the proceedings are being continued in 2014.
- PGGM is in dialogue with a large number of businesses around the world on a great many topics, including human rights, environmental pollution and corruption. Unfortunately, together with our clients, PGGM is occasionally forced to impose an exclusion when dialogue with a company proves unsuccessful. For example, in 2013 *the American supermarket group Walmart* was excluded. Walmart's policy in the US limited the opportunities for its employees to organise themselves in trade unions. This contravenes international labour guidelines (ILO). The decision to exclude Walmart followed a lengthy period in which PGGM frequently raised the matter with the company, but Walmart was not prepared to change.
- The right to vote is one of a shareholder's most important rights. Consequently, we exercise our vote at shareholders' meetings on the basis of our own opinion. In so doing, we are, on behalf of our clients, contributing to good corporate governance. We also pay extra attention to resolutions involving environmental or social issues. In 2013, we submitted two shareholder resolutions to the *German real-estate company GSW* when it became apparent that the appointment of the new CEO was not in accordance with *best practices* and constructive dialogue with the company proved impossible. The resolutions called for the removal of the chairman and expressed no confidence in the new CEO. A majority of shareholders voted for both resolutions. As far as we are aware, this was the first time a large majority had been obtained for such resolutions in Germany. At the end of the summer of 2013 both the CEO and the Chairman resigned.
- In 2013, after several years' dialogue, we decided to cease investing in five Israeli banks, namely *Bank Hapoalim, Bank Leumi, First International Bank of Israel, Israel Discount Bank and Mizrahi Tefahot Bank*. These banks are involved in the financing of the expansion of Israeli settlements in occupied Palestinian territories. There were concerns about this as the settlements are seen as illegal under international law and international observers believe they constitute a major obstacle to a peaceful (two-state) solution to the Israeli-Palestinian conflict. It emerged from these discussions that the banks had little or no scope to end their involvement in financing the expansion of settlements in the occupied Palestinian territories. Since there was no perspective of imminent change, we decided that, as of 1 January 2014, we would no longer invest in the banks concerned. The exclusion illustrates that we, as a responsible investor, attach significance to the companies in which we invest complying with international agreements.

## Our position in the financial sector

Together with our clients, our involvement in the financial sector is relatively significant as, on their behalf, we are shareholders, clients and business partners of several large financial institutions. Due to our involvement in the sector, we envisage a role for ourselves in the investigation, implementation and stimulation of desirable behavioural changes in others. And we will do this in close cooperation with our clients.

- In 2013, PGGM participated in consultations with a group of Dutch Chief Investment Officers (CIOs) to consider which changes are necessary for a sustainable financial system. This dialogue, partially instigated by PGGM, will be continued in 2014.
- PGGM is a member of the international *Enhanced Disclosure Task Force* (EDTF), an initiative of the financial sector, under the auspices of the *Financial Stability Board* (FSB). Over the last few years, PGGM has also cooperated in a proposal from the private sector for greater transparency about the risks taken by banks. For PGGM and its clients, it is important that banks improve the reporting of their risk profile. This would enable us to assess the interests in banks

better and to take more responsible investment decisions. Moreover, we believe that greater transparency would help strengthen banks' risk management and culture and promote the recovery of trust in the financial sector. This recovery is necessary and will positively influence financial stability in the broadest sense of the word. In 2013, PGGM (together with others) promoted the recommendations of the EDTF in the area of better reporting; one platform it used for this purpose was a seminar of the *Dutch Banking Association*. In addition, in 2013 the banks' annual reports were - for the first time - analysed in the light of the EDTF recommendations.

- We are a partner of the *Duisenberg School of Finance*. We support their mission to be one of the world's best financial educational institutes and a breeding ground for top financial talent. Together with the school and with other partners from the financial sector, we are working on a unique educational institute that paves the way to new ways of thinking: a school of thought that combines current knowledge and developments in the financial sector with a social, future-focused orientation.

### The value we add from the perspective of: the pension sector

We want to contribute to stability in the pension sector, financial sector and the Dutch economy. Consequently, we *regularly talk to politicians* and other stakeholders about the modernisation of the pension system, so that *good pensions can continue to be safeguarded for years to come*. For this reason, we *are challenging the financial sector to move towards a healthier form of business operations*. And, together with our clients, we are considering how to contribute to *investments in our own country*, in order to pump more capital into the Dutch economy.

With our clients, we are also trying to help *reduce our carbon footprint and increase our positive impact on the world*. This is an important aspect of our operations, and the core of our collective responsible investment policy. We *use the power of the money we manage for our clients in a number of ways*: we add value by focussing on investments in solutions for sustainable development; we integrate ESG factors (environmental, social, governance) into various investment processes; we aim to influence matters positively by entering into dialogues with the markets and enterprises in which we invest; we exercise our voting rights as a shareholder; and, if necessary, conduct legal proceedings and exclude specific investments.

And we do all this in conjunction with and on behalf of our clients.

## From our basis as a cooperative:

In 2013, PGGM welcomed 70,000 new members. We wish to support our total of 650,000 members in the realisation of their valuable futures. And we intend to do this by, amongst other things, helping to strengthen their personal and financial balance sheets. Members help us by offering valuable insight into what they find important in the area of pensions, healthcare, living and work.

- With the Rabobank, PGGM has launched a joint initiative: the Geld voor Later Wijzer (Money for later indicator). Via this online tool, PGGM can - on the basis of members' pension details - offer their members insight into their current and future financial situation.

- PGGM works with the American organisation AARP, which promotes the interests of the over-50s in America and, with almost 40 million members, is the largest association in the world.

AARP and PGGM are both confronted by similar sorts of (social) issues. Successful for more than 55 years, the robust American association is well placed to offer PGGM's young members' association inspiration and experience. We cooperate in areas such as age-friendly personnel policies and changes in the welfare state.

### The value we add for: Members

We offer members value through three different services: Coaching, Forum and Discounts.

*Coaching:* through our work in the institutional pillar, we are specialists in a sound financial future.

And we are happy to *share this knowledge* with our members. We want to raise long-term pension awareness and offer support in the financial issues of the day. With a view to a valuable future, we also offer insight into choices in the areas of pensions, healthcare, living and working. We do this using methods including information indicators, saving tips, handy online tools and check lists. In addition, members can follow short training/educational courses and workshops at the PGGM Academy at a discount.

*Forum:* one of PGGM's core values is acting as a *link piece*. We are witnessing the social landscape of the Netherlands change into a participation society with people having greater personal responsibility. We believe it is intelligent to make use of the *wisdom of the crowd*. Through our forum, members can get in touch with one another and share their knowledge and insight into a valuable future.

*Discounts:* we can use our scale to demand *financial discounts* for our members. Because with a discount, you have greater financial flexibility to strengthen your financial balance sheet. We seek the largest part of the discounts among the top ten expenditures according to Nibud (the Dutch National Institute for Family Finance Information).

## From the perspective of society:

- In 2013, PGGM entered into a partnership with *Alzheimer Nederland*. One of the most important aspects of a valuable future is growing old in good health. One threat to this is the rapidly increasing problem of dementia. Together, we are going to try and combat this illness, in order to improve the quality of life of those who live with this incurable brain disease. We do this by, amongst other things, being a sponsor of Alzheimer Nederland. In addition, we support the *carers* of people with dementia, because many of our members – employees in the health and social sector – are carers.
- 2013 was the first full year of *WeHelpen* (We Help), an online marketplace where people can ask for and

supply help. PGGM was involved from the start of this platform which helps people to help one another. In 2013, the site attracted 114,000 unique visitors, had 8,300 accounts, answered 10,600 questions and hosted 610 help networks.

The latter refers to networks for people requesting help, for example a carers' network.

In 2013, the use of the site was still relatively low, we expect the number of participants to grow at an accelerated pace in 2014.

- Our office is in *Zeist*. We are very conscious of our environment and are actively associated with the municipality. This is evidenced by the fact that, since its establishment in 2004, we have been a partner in *Samen voor Zeist (Together for Zeist)*, a platform in which companies and social organisations come together to exchange knowledge and experiences.

And for years, we have functioned as host of the *Zeister Beursvloer* (Zeist's trading floor), an initiative of Samen voor Zeist. The *Zeister Beursvloer* is a meeting in which several of Zeist's social institutions present their wants and requirements, and organisations based in Zeist provide so-called 'matches'. PGGM is the host of *Zeister Beursvloer*, but PGGM employees also make matches with social institutions either personally or on behalf of their departments. In 2013, 244 employees did so successfully. In total, their matches represented a social value of € 57,000. This was a slight increase on 2012, when 212 employees were good for more than € 55,000. In addition, in cooperation with the municipality of Zeist, we have - within PGGM's green space - been able to offer work to four people who have a job-market impairment. In this way, we are trying to contribute to the municipality and the neighbourhood.

- In 2013, we launched the *Make it Possible* (MIP) programme. Our objective: to offer employment experience opportunities at PGGM to people who have become alienated from the job market. Via the MIP programme, not only do these people get another (potentially renewed) introduction to work, but also have a chance to raise their job-related knowledge and develop personally.

In 2013, we achieved our objective of placing eight people. The programme is valued by society and was awarded the 2013 Okura-Emma at Work Award.

- In 2013, we became a partner in KLM's *Sustainable Biofuel Programme*, we were the first partner from the financial world. Our ambition: to make aircraft fuel cleaner. By making a financial contribution, we are helping to have alternative fuels developed for aviation.

This relates to the second generation of biofuels which do not compete with agricultural crops and do not disrupt global food provision.

As a global pension investor we fly all over the world. However, we do our utmost to minimise this; and, when we do fly, we compensate for the flights.

- In 2013, we joined the cooperative *Circle Economy*, an action-focussed platform in which stakeholders meet each other to cooperate on system changes to minimise waste. PGGM wants to contribute to the transition to a circle economy. Not only does minimising waste refer to the use of raw materials, but also to the failure to make use of human capital, such as the knowledge and experience of retired or retiring people.

In cooperation with the Circle Economy, we want to develop a method to analyse the cyclical nature of organisations.

### **The value we add for: Society**

We endeavour to ensure a valuable future. In addition to the aforementioned initiatives, the linking of pensions to the domains healthcare, living and work are important in this context. Consequently, together with healthcare insurers, housing associations and the government, we look for opportunities to find intelligent solutions facilitating an enjoyable old age.

One of our ideas is *zorgsparen* (saving for care); collective saving, combined for both a pension and elderly care. This should improve income solidarity: people either grow old in good health, live longer and, therefore, receive more pension, or they grow old in ill health, live for a shorter time and receive more care (pension).

In addition, PGGM is considering the possibility of linking *living and pensions*. In 2013, we started examining the advantages and disadvantages of a person investing their pension equity in their own homes; and we will continue considering this question in 2014.

In 2013, our endeavours for a valuable future were, in the main, an investment which will pay rewards in the long term.

What is important is that society has *trust* in the pension sector; and here we are also trying to add value, by operating openly and honestly. Amongst other things in 2013, we launched a new website and a group of our experts started using this to share their knowledge of and insight into the area of pensions.

Our experts have also played a role in the media by interpreting contemporary developments and offering insight into all aspects of our profession; and we will continue to do this.

## From the perspective of our organisation:

### Supervisory Board

- The *Supervisory Board* (SB) supervises PGGM's Executive Board and its policy, and also has an advisory role.
- As of 1 January 2013, Ms M.R. van Dongen joined the board as a new supervisory board member. The Supervisory Board gave her a hearty welcome. Ms M.R. van Dongen replaced Ms A.M. Vliegthart, who retired from the board as of 1 January 2013. The board would like to thank Ms Vliegthart for all her dedication and hard work.
- In 2013, the SB assessed its own performance, and that of two committees:  
*The Audit, Risk & Compliance Committee and the Remuneration, Selection and Appointments Committee.* Conclusion: the board's performance and that of the individual members can be viewed as open, sound, committed and independent. The composition of the board is balanced and there is sufficient balance between experience and new input. One point worthy of attention is the (almost) concurrent end of the Supervisory Board members' terms of appointment in 2015. However, three of the six members are eligible for reappointment.  
In 2011, an external expert carried out an evaluation. It has been agreed that this will be repeated once every three years; the next one will be carried out in 2014.

The evaluation revealed that more knowledge in the area of investment is required. Amongst other things, in-depth meetings will be held in this context in 2014. A further point of attention was that more time should be allotted to collective reflection. This has been given substance by arranging extra time for closed meetings prior to the SB meetings.

### Management and employees

- Our people ensure that PGGM is a *healthy organisation*. They live the vision and make plans to move PGGM and its clients and members forward. Moreover, they ensure the plans do not simply remain plans. We work together to realise a valuable future. In this respect, our *employees* play a key role together with *management*.  
Every day they link their own qualities to the requirements of our clients and members.
- People want *worthwhile work*. Work that has a purpose.  
PGGM's aim is for people to enjoy their work and to make a positive contribution to the organisation's objectives. Consequently, it is vital for all employees to have insight into their contribution to PGGM's vision and strategy.

- To maintain and enhance the level of expertise within our organisation the Human Resources (HR) department transformed the educational department into the *PGGM Academy* in 2013.  
In the PGGM Academy, we have centralised the training and education, concluded contracts with preferred suppliers and critically considered whether or not a training/educational course adds any value. Consequently, employees can follow more courses, at lower costs but with higher returns.  
In 2014, we are going to expand the PGGM Academy and make it a centre of expertise, whereby we will dovetail the offer to the diverse development phases of our employees, such as junior, middle-management, senior.  
In addition, just as we did in 2013, we will roll out specific programmes for management development.

- PGGM has a diversity policy entitled '*The mix makes the difference*'. We believe diversity makes a valuable contribution to the achievement of our higher objective: helping people to achieve a valuable future. This means that we work with diversely composed teams and, with an eye on the differences, we manage in a differentiated way. One of the points of attention of our diversity policy is to increase the number of women in senior positions. To this end, the HR department developed a *mentor programme for ambitious women* in 2013. The programme should ensure that more female candidates are available when management positions become vacant in the organisation. The objective is to ensure growth starts at the grass roots.  
The programme will start in 2014. In addition to this programme, specific educational/training programmes for women were added to the courses on offer in 2013.

### Works council

- PGGM's management and the *Works Council* (WC) strive to involve all PGGM's employees optimally in the decision-making process. Employees are closely involved in all the requests for consent and advice. In 2013, the WC extended the strategy to *Participation in decision-making 2.0 next step*. The most important focus points of which are: the further participation of employees in the decision-making process and the principle that participation in decision-making is the collective responsibility of the Works Council (WC), management and employees.
- The WC consists of 10 core members and 12 special members (in 2012 there were 5).  
These special members are appointed for a period of 3 to 12 months and sit in one of the Works Council's committees. *Special members* are employees prepared to undertake work for the benefit of the decision-making process within PGGM without being full WC members. The aim of their endeavours is to enhance the level of employee participation.

- 2013 was a busy year for the Works Council, it had to deal with a large number of requests for advice and consent. Such as the appointment of Else Bos and Jeroen de Munnik to the Executive Committee and the request for advice regarding the acquisition of the pension fund service provider A&O. In 2013, the WC organised four meetings for employees. The highest attendance was recorded at the meeting about the Collective Labour Agreement negotiations. This was a themed meeting organised by the WC in conjunction with the HR department and the trade unions.

Other important internal stakeholders are the *Cooperative Council* and the *Members' Council*. For a description of these internal stakeholders, please see the notes to the organisational structure in the next chapter.

Division of employees in 2013	
<b>Division of employees per department</b>	
Institutional Business	140
Pension Management	407
Relations & Communication	219
Investments Management	359
Information, Finance, Control	294
Corporate Staff	97
<b>Total</b>	<b>1,516</b>
<b>Division fulltime/part-time</b>	
Fulltime	1,040
Part-time	476
<b>Total</b>	<b>1,516</b>
<b>Division male/female</b>	
Male	886
Female	630
<b>Total</b>	<b>1,516</b>
<b>Age distribution</b>	
Younger than 25 years	10
25-34	316
35-44	521
45-54	462
55 and older	207
<b>Total</b>	<b>1,516</b>
<b>Staff turnover</b>	
<b>Position at the end of 2012</b>	1,425
Joined PGGM	189
Left PGGM	98
<b>Position at the end of 2013</b>	<b>1,516</b>
<b>Sickness absence</b>	<b>3.0%</b>
<b>Education/training costs</b>	<b>3,382,866</b>

### The value we add: Together

It is mainly thanks to our experts that we are able to add value. As a cooperative, we work on the principles of solidarity and reciprocity. Consequently, we *invest in our people*. We provide individual added value by offering our employees good training and educational opportunities, and supervising their career paths; thus facilitating their continuous development. But we also offer them the opportunity to act as carers or to continue working for longer. The value all this provides *is translated back* into our business and, consequently, to our clients and members.

Several of our employees undertake social activities. Last year, a spinning marathon, a salary donation programme and the donations of Christmas hampers raised a total of € 43,775 for Alzheimer Nederland. Within the context of 'Movember', our mustachioed PGGMers raised € 14,780 in 2013. The objective of Movember is to raise awareness of prostate cancer, testicular cancer and mental health issues.



# Services and activities

PGGM works for the realisation of a valuable future on the basis of three pillars: institutional (our core business), the members' association and a social agenda.

*We serve our clients, members and, on occasions, the broader society through four business and two support units.*

*The four business units:*

## ■ *Investments Management*

The Investments Management unit manages the pension assets of our institutional clients.

The point of departure is that we invest responsibly. Investments Management provides best-in-class investment management and offers integral investment management - from the implementation of the investment plan and the corresponding mandates, to reporting and risk management.

## ■ *Pension Management*

The Pension Management unit is responsible for administering the pension schemes of our institutional clients. In addition, Pension Management undertakes the administration of the Premium Pension Institution (PPI) of PGGM and Rabobank. Amongst other things, this unit is responsible for administering and calculating the pensions, paying the pensions and invoicing the contributions.

## ■ *Institutional Business (IB)*

The Institutional Business unit offers integral services to institutional clients. This could be in the area of pension management and/or investments management and/or other services (such as asset liability management (ALM), providing pension policy advice and board support).

## ■ *Relations & Communication (R&C)*

The Relations & Communication unit is responsible for marketing, distribution and communication services for PGGM and its clients; the objective being to expand the brand, stimulate client loyalty and enhance the results.

In addition, this unit helps increase the added value for members of the cooperative by providing insight, overviews and advice in the field of income-related products which fit in with members' wishes.

*The two supporting units:*

## ■ *Information, Finance & Control (IFC)*

The Information, Finance & Control unit promotes the effective execution of the strategy throughout PGGM and ensures integral insight into the organisation's performance. IFC also helps PGGM's business units serve their clients successfully by creating frameworks, as well as facilitating and monitoring legislation and regulations, information provision, compliance, finance and risks.

IFC is made up of the following departments: Finance & Control, IT & Facility Services, Corporate Risk & Compliance and Corporate Legal & Tax Affairs.

## ■ *Corporate Staff (COS)*

The Corporate Staff unit's responsibilities include linking, coordinating and managing the preparation of resolutions concerning the organisation's strategy, sustainability agenda and internal and external communications; in addition, it supports PGGM's management bodies and, more broadly, through HR, it supports the employees in the organisation.

Corporate Staff consists of the following departments: Corporate Communication, Corporate Secretariat, Human Resources, Corporate Strategy, Cooperation & Sustainability and Internal Audit.

## Developments in 2013

To serve our clients as well as possible, we implemented a number of changes and shifted the emphasis within the business units in 2013. The objective was to allow our clients to be more 'in control', to provide more customised solutions, to control costs more stringently and to apply new legislation.

These changes are appropriate for an organisation which is working for an increasing number of clients.

■ *New department in the IB unit: Fiduciary Advice*

In 2013, PGGM took further steps to provide institutional clients with independent advice about the content of their investment portfolios. Originally, this work was undertaken by the Manager Advice department, part of Investments Management which both provided advice and had the advice implemented. The department has since become the Fiduciary Advice department and has been moved to the Institutional Business unit. By separating this service from Investments Management, the level of transparency about opportunities and considerations has increased, and clients are better placed to take responsibility and control the implementation of their own investment policies. Furthermore, due to our critical role regarding those undertaking investment management, we are also in a better position to monitor our clients' interests.

■ *New service provision in the area of pension administration and board advice for occupational pension funds: PGGM Occupational Pension Fund Services*

With this new service, PGGM will not only be able to provide a customised service to industry-wide and company pension funds but also to occupational pension funds.

Due to the acquisition of the Doctors Pension Fund Services (DPFS), we have been able to incorporate its knowledge and expertise into PGGM's current service provision. In addition to the SPH, other occupational pension funds were able to make use of the service as of 1 January 2013.

■ *New activities in the Pension Management unit*

In 2013, we prepared the unit for a number of new activities. One important change is that we can now be responsible for the pension management of DC schemes (defined contribution) for the PPI of PGGM and Rabobank. In addition, large parts of the systems have been adapted as a result of the state retirement age being raised to 67 years.

Furthermore, in 2013, Pension Management optimally prepared itself for the changes which will ensue as a result of the new Pension Agreement. Although legislation in this context is still being drawn up, by 1 January 2015 we must have implemented the necessary changes in areas including administration, the collection of contributions and the payment of pensions.

In 2013, alongside this work, we also found time to incorporate the participants in the culture pension fund into the health and social sector pension fund.

■ *Innovations from the Relations & Communication unit: three pillars for the members' association*

To serve our approximately 650,000 members optimally, we laid a sound foundation for the members' association in 2013. Under the name PGGM&CO, PGGM supports the members of the cooperative in the realisation of a valuable future. Members are employees (and former employees) in the health and social sector.

In 2013, we translated our ambitions for the members' association into the three pillars: coaching, forum and discounts. On this basis and the wishes of our members, we will - in 2014 - continue looking for a suitable way to give substance to these three pillars.

■ *New service offered by the Investments Management unit: External Segregated Mandates*

The Investments Management unit has a new department: External Segregated Mandates (ESM). Through ESM, it is also possible to invest in external mandates for each client – mandates not associated with the PGGM funds.

The new department is responsible for the selection and monitoring of external managers in liquid markets, on the basis of our clients' specific policies and guidelines. In this way, we can offer more customised solutions to different pension funds.

An important step given PGGM is taking on more clients. The department was created when SPH joined PGGM as a new client in 2013 and PGGM acquired SPH's service provider, DPFS. By setting up the new department External Segregated Mandates, DPFS's quality and expertise are safeguarded within PGGM.

■ *New service: Client-facing risk management*

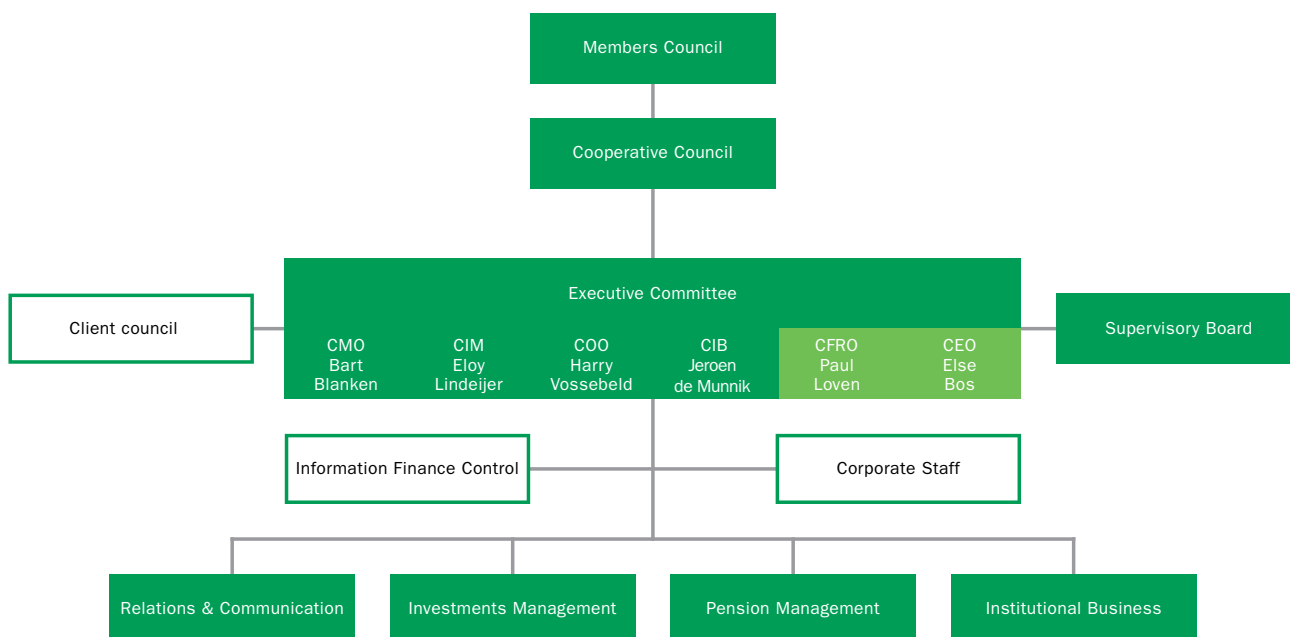
This service offers clients direct access to risk management within the investment chain and the service provider. This means that the Chief Risk Officer (CRO) of the Investments Management unit, the director of Corporate Risk & Compliance and PGGM's Chief Financial Risk Officer (CFRO) fulfil a 'client-facing' risk function. This function enables them to speak to clients about the risks facing them independently and without intermediation from the first line. Consequently, since 2013, clients can have direct discussions with the risk team in addition to standard discussions with investment strategists and administrators. The service has been set up in response to the wishes of our clients, who want greater control and, in this way, have access to an effective and independent operational risk function. This role is additional to the existing risk role.

# Governance

PGGM is a pension fund service provider with a not-for-profit cooperative structure.

We are not a listed company. Consequently, PGGM is not obliged to comply with the Dutch Corporate Governance Code (2011), which is applicable to all stock exchange listed companies. Despite this, we do, whenever possible, give substance to the best practice provisions of this code. We do this as we want to be as transparent as possible for all our stakeholders and the parties with whom we do business. In addition, PGGM offers insight into its remuneration policy. We abide by the principles of restrained remuneration laid down in the Dutch Corporate Governance Code and, naturally, by any statutory requirements imposed on remuneration policies.

The structure of our organisation is as follows:



## About PGGM Coöperatie U.A.

PGGM Coöperatie U.A. is the only shareholder in PGGM N.V. and was established in 2007 by the social partners in the health and social sector. Employers, employees and pensioners from this sector are members of the cooperative. The cooperative is governed by the Cooperative Council. The Cooperative Council is accountable to the Members' Council.

### The cooperative's Members' Council

The Members' Council is the most senior body of the PGGM cooperative and consists of thirty members who

represent the employers, employees and pensioners, and fifteen directly appointed members. The Members' Council represents the approximately 650,000 members of the cooperative. The Members' Council acts as the communication link between the Cooperative Council and the members. In addition, the Members' Council highlights issues in the field of work, and provides the cooperative with input and ideas. In so doing, the Members' Council enhances the members' influence and commitment and ensures the health and social sector exerts a direct influence on PGGM's policy.

## Activities 2013

- The Members' Council met four times in 2013. The meetings consisted of formal sessions and interactive, in-depth sessions on the basis of specific themes. During the formal session, the Members' Council adopted PGGM Coöperatie U.A.'s 2012 Annual Report and appointed the External Auditor. In addition, the Members' Council appointed a new member to the Cooperative Council.
- During the interactive sessions, the Members' Council considered possible future scenarios in the pension landscape, the supply of members, potential partners and PGGM's social agenda.
- At the invitation of a council member, a working visit was paid to Amarant. The purpose of the visit was to enhance the mutual link between different health and social sectors.
- In 2013, considerable attention was paid to giving substance to the members' proposition through the pillars coaching, forum and discounts.
- Moreover, the Members' Council was involved in the establishment of the new strategic framework. In this context, the Members' Council consulted the people it represents. The Members' Council deems it important that PGGM works on a valuable future for the members by offering services which people deem of added value whatever their stage of life.
- Furthermore, during 2013, there was considerable discussion about the role of the Members' Council and the content of their activities. To give greater substance to its role, the Members' Council drew up a number of points of attention for its own meetings and exchanged ideas in this respect with the Cooperative Council.
- The Members' Council believes open communication with the members is vital. In 2013, on the initiative of the communication working party, short minutes of each meeting were placed on the external members' forum for the first time.
- The sounding board 'Gezonder ouder worden' (growing older in good health) met twice. During these meetings, the members of the sounding board shared initiatives and information - gained from their field of work - about growing older in good health and the theme dementia. In this way, the Members' Council contributed to the further development of PGGM's plans and ensured a link to the members.

## Cooperative Council

The Cooperative Council is responsible for the cooperative PGGM's identity, mission, vision and (financial) policy frameworks.

The Cooperative Council is accountable to the Members' Council, the cooperative's most senior body.

The Cooperative Council consists of an independent chairperson and twelve representatives of the social partners which collectively established the cooperative. As of 1 January 2013, a number of Council members were reappointed while a number of new members also joined the Council. All the new members followed an induction trajectory, whereby they familiarised themselves with our organisation in a number of ways. Currently, there is one vacancy on the Council.

The cooperative owns 100% of the shares in PGGM N.V. Given its position, the Cooperative Council is able to monitor the main features of the N.V.'s performance at a distance.

## Activities 2013

- In 2013, the Cooperative Council met five times. Resolutions of the Cooperative Council are prepared in the general affairs committee.
- In 2013, the Cooperative Council paid considerable attention to the future development of the cooperative. This resulted in a new strategic framework for the period 2014-2020 being adopted on 6 December 2013. With the introduction of this strategic framework, the cooperative will be exclusively for individual members in the health and social sector.
- In 2013, attention was also paid to subjects such as care savings, the General Pension Institution (API) and the Netherlands Mortgage Institution (NHI). In addition, the Cooperative Council followed the developments surrounding the Premium Pension Institution (PPI) set up with the Rabobank.
- Finally, the Cooperative Council actively followed the developments related to the phasing out of bank products. In 2010, a decision was taken to stop recruiting clients for the retail proposition and to wind down the portfolio. The trajectory 'Transition Banking' was set in motion in December 2012, and completed on 15 November 2013.

## Shareholder PGGM N.V.

In its role as a shareholder in PGGM N.V., the Cooperative Council met three times. In 2013, the Cooperative Council approved four amendments to the articles of association; these amendments related to: changes to the two-tier board structure; the appointment terms of the Executive Board; changes to the senior management structure; and finally, changes to the objects clause.

## About PGGM N.V.

The pension fund service provider PGGM N.V. is a public limited company with twelve direct (and indirect) subsidiaries. The Supervisory Board supervises the performance of the Executive Board and the general day-to-day affairs of the company.

In its work, the Supervisory Board is assisted by two committees: the Audit, Risk and Compliance Committee and the Remuneration, Selection and Appointments Committee.

### Day-to-day management

The Executive Committee undertakes the day-to-day management of PGGM N.V.

The EC is made up of the people responsible for the six business units of PGGM and its subsidiaries.

The EC consists of two members from the Executive Board, and four members appointed by the chair of the Executive Board.

The chair of the EC is the Chief Executive Officer (CEO) who together with the Chief Financial Risk Officer (CFRO) forms the Executive Board. The other members of the Executive Committee are those responsible for the areas marketing, investment, clients and processes (i.e. the Chief Marketing Officer, the Chief of Investment Management, the Chief of Institutional Business and the Chief Operations Officer).

By virtue of the articles of association, the Executive Board is ultimately responsible for PGGM N.V. The Executive Board can be called to account by both the shareholder and the Supervisory Board.

### Changes in the organisation in 2013

#### EC at full strength

In 2013, the EC was brought back to full strength.

Else Bos is CEO, a role which she has held since the departure of her predecessor Martin van Rijn.

Since 1 October 2013, Jeroen de Munnik has been our new Chief of Institutional Business (CIB), the position previously held by Else Bos.

Jeroen de Munnik joined us from Aegon where he was part of AEGON Nederland's management board, responsible for AEGON's entire pension business.

#### A slimmed down senior management structure

In 2013, changes were made to the senior management structure. The number of members of the Executive Board was reduced from three to two. A decision taken in response to a proposal from the Supervisory Board in consultation with the EC. The Works Council issued positive advice in respect of this decision. Else Bos will continue as the chair and Paul Loven, the CFRO, will be deputy chair.

For the benefit of these changes, the organisational structure introduced in 2009 was evaluated. At that time, PGGM acquired an Executive Committee representing each of the company's client and product groups.

The appointment of the new CEO earlier this year and the subsequent CIB vacancy were reasons to re-examine the organisational changes made four years ago in greater detail. The evaluation demonstrated that the structure was still highly suitable. There is a clear and unambiguous division of duties and responsibilities. However, it was felt that a three-man Executive Board was a bit weighty; and that one CEO and one CFRO should suffice. Consequently, since 2013, the CIB has no longer been a member of the Executive Board.

#### From CFO to CFRO

In 2013, one other initiative was implemented.

The responsibility for the risk management of investments management was transferred from the CIM, Eloy Lindeijer, to the CFRO, Paul Loven. Given this new responsibility, the job title was changed from chief financial officer (CFO) to chief financial risk officer (CFRO).

#### New: the Client Council

On 1 January 2013, PGGM established a Client Council.

Representatives of our institutional clients (pension fund board members) are members of the Client Council.

The Client Council advises the EC on themes such as service provision, product development, strategy and the allocation of results. In addition, the clients have mutual contact and consider whether there are any portfolios they could act on collectively. The Client Council meets at least twice a year. Each institutional client has one seat in the Council.

Through the establishment of the Client Council, we are implementing our cooperative values in the service provision to our institutional clients; the Council will enable us to act collectively on serious, contemporary pension issues, as well as improve our service provision. In addition, the EC will be able to share information with clients, such as the course the organisation is pursuing and how, together with its clients, PGGM intends to confront future uncertainties. While the Members' Council is a source of inspiration for innovation in the area of products and services within the context of a valuable future for our members, the Client Council fulfils the same role regarding the developments and modernisation of the second pension pillar.

#### Remuneration policy

PGGM has a remuneration policy entitled 'Bewust Belonen' (Conscious Remuneration). The principles of this remuneration policy are that the policy must support the organisational strategy and objectives, as well as being future-proof.

## Remuneration policy

Max. Variable remuneration	Number of PGGM employees excluding IM	%	Number of Investments Management employees	%	Total number of employees
10%	212	21%	113	32%	325
15%	90	9%	1	0%	91
20%	9	1%	3	1%	12
25%	13	1%	78	22%	91
30%	0	0%	5	1%	5
35%	0	0%	1	0%	1
40%	16	2%	87	25%	103
50%	1	0%	2	1%	3
None	650	66%	61	17%	711
<b>Total</b>	<b>991</b>	<b>100%</b>	<b>351</b>	<b>100%</b>	<b>1,342</b>

Excluding A&O employees

The policy must also offer space to differentiate, be pragmatically feasible and comply with legislation and regulations.

### Variable remuneration

In 2013, PGGM decided some retrenchment would be appropriate in the area of remuneration. This manifested itself in the discontinuation of variable remuneration for the majority of employees receiving it as of 1 January 2014.

The discontinuation of variable remuneration was compensated for by paying a bonus of 50% of the maximum achievable variable remuneration. This bonus will be frozen and not, therefore, subject to any increases. In situations where - due to the nature of the work - individual variable remuneration is appropriate and effective, it will still be made use of. However, this will only apply to a limited number of jobs in the area of investments management.

The maximum level of variable remuneration for this group of employees will also fall. In no circumstances will variable remuneration ever exceed 100 percent of the fixed salary.

### DVI

In addition to variable remuneration, PGGM operates a so-called Deferred Variable Income (DVI) scheme. This scheme is intended for employees who have a key position and - due to their talent, knowledge and experience - are of paramount importance to the organisation.

In individual cases, the EC will decide who is eligible to receive DVI. Long-term objectives with a minimum focus of three years are linked to DVI.

The DVI percentage varies from 10% to a maximum of 60% per year, with due account being taken of the Restrained Remuneration Ruling issued by the Dutch Central Bank. In 2013, 28 employees received DVI.

### Private equity-team

The following remuneration agreements apply to the employees of PGGM's private equity team. Employees from middle management level upwards are entitled to a profit share instead of variable remuneration and/or DVI. Through the profit share, they can share in the investment returns that the private equity portfolios achieve for our clients. As an investment result can only be ascertained at the end of the investment, the remuneration is only payable after an average period of eight to ten years. The remuneration of the employees in the private equity team is also kept within the limits of all relevant legislation and regulations.

### Remuneration of the Executive Board

The members of the Executive Board are not entitled to receive variable remuneration. More information about the remuneration of the Executive Board can be found in the remuneration report.

## Supervisory Board

The Supervisory Board supervises the Executive Board's policy and the general affairs of the company and its subsidiaries.

In its work, the Supervisory Board is assisted by two committees: the Audit, Risk and Compliance Committee and the Remuneration, Selection and Appointments Committee. All members of the Supervisory Board are independent in the sense of the Corporate Governance Code.

When appointing its members, the Supervisory Board endeavours to achieve a complementary composition, this is included in the Board's profile.

As of 1 January 2013, Ms M.R. van Dongen joined the board as a new Supervisory Board member; she replaced Ms A.M. Vliegthart. With the exception of the aforementioned, there were no changes to the Supervisory Board.

At the end of 2013, the Supervisory Board consisted of two female members and four male members; this was in line with the Board's established profile.

### The SB's accountability

In this report the Supervisory Board explains how it carried out its supervision and how it supported the Executive Board by providing advice. In addition, it discusses the most important substantive issues with which the SB was involved in 2013.

### Activities 2013

The Supervisory Board met five times in 2013.

No member of the SB regularly absented him/herself from SB meetings. In addition, one extraordinary meeting was held in response to the possibility of a strategic cooperation.

The Supervisory Board's meetings are held in the presence of the Executive Board. Prior to these meetings, the Supervisory Board holds a closed meeting.

A two-day strategy meeting was also held, during which trends and developments in the market in relation to PGGM's strategy and position were discussed.

Fixed agenda items of each regular meeting are: developments in the environment; the state of affairs in respect of clients and client acquisition trajectories; the financial results; and PGGM's strategy.

Performance and audit reports are also discussed periodically. In this context, attention is paid to the most important risks associated with the business operations.

In 2013, there were extensive discussions about the update of the long-term plan for 2013-2015 and the creation of frameworks.

Within this context, thoughts were also exchanged with the Executive Board about PGGM and PFZW's collective ambitions and the position of the insurance companies PGGM Levensverzekeringen N.V. and PGGM Schadeverzekeringen N.V.

Furthermore, the Supervisory Board considered the intended acquisition of the pension fund A&O Services; when doing so, it took account of the positive advice issued by the WC.

On the grounds of article 14.3c of PGGM N.V.'s articles of association, the SB approved the long-term cooperation with A&O Services and the transfer of all the shares from A&O to PGGM N.V. After the SB issued its positive advice, this resolution was passed on to the shareholder.

On the grounds of article 11, section 1, of PGGM N.V.'s articles of association, the SB was closely involved in the selection process for a new CEO and the appointment - by the General Meeting of Shareholders - of Else Bos on 30 July 2013. As a corollary, the SB agreed to the changes to the senior management structure; these changes resulted in the number of Executive Board members being reduced to two (previously three). Within this context, discussions were also held about the position of the SB vis-à-vis the Executive Committee and a number of agreements were made about the scope of supervision. Moreover, the SB positively endorsed the expansion of the CFO position to CFRO.

In addition, the SB's agenda included further developments in the field of remuneration policies and the proposals for PGGM's new remuneration policy. The results of the employees' satisfaction survey were also discussed and attention paid to subjects such as care savings and the General Pension Institution.

The SB evaluated the performance and recommended the re-appointment of the external auditor.

Outside the meetings, there was frequent contact between the chair of the SB, other members of the SB and the Executive Board. And, on several occasions, members of the SB had contact with stakeholders, both within and outside PGGM.

### Audit Committee

The Audit Committee met four times in 2013.

As of 1 January 2013, Ms M.R. van Dongen joined the Audit Committee. The meetings were attended by the Executive Board's Chief Financial Risk Officer (CFRO), the director of the Internal Audit and the external auditor.

During the discussions about the annual report, the committee spoke to the auditor separately. These discussions confirmed there were no special circumstances which could not be shared with the members of the Executive Board.

An extraordinary meeting took place about governance changes involving the positioning and organisation of the risk function. These changes were part of the continued incorporation of the risk function within the CFO function. This resulted in the articles of association being amended, whereby the function of Chief Financial Officer was changed to Chief Financial Risk Officer.

Regular subjects dealt with in the committee meetings included: performance (including risk) and audit reporting; the annual financial statements and the annual report; the annual Internal Audit plan; the assessment of the internal auditor; and the internal assignment to the external auditor, as well as the latter's opinion. Other subjects under discussion included the long-term plan and the creation of frameworks. Attention was also paid to the client acquisition trajectory as well as the intended decision to acquire the pension fund A&O and the possibility of strategic cooperation. The Supervisory Board received the reports from the Audit Committee and the chair of the Audit Committee provided oral feedback of the discussions during an SB meeting.

In 2013, the CFRO and the chair of the Audit Committee had regular contact with each other outside meetings; they discussed contemporary topics and agendas for the meetings.

### Remuneration, Selection and Appointments Committee

The Remuneration, Selection and Appointments Committee met four times. During the meetings, recommendations were compiled for the Supervisory Board regarding the Executive Board's performance. Variable remuneration within PGGM was also discussed, as was the awarding of variable remuneration over 2013 and the 2013 remuneration policy for the Executive Board and PGGM N.V. The remuneration policy of the Private Equity department was dealt with separately.

In addition, the Supervisory Board's supervision of the Executive Committee was discussed in the light of the senior management structure being changed from three Executive Board members to two. To this end a number of agreements were made ensuring the Supervisory Board has an advisory role in the appointment, assessment, remuneration, and dismissal of the members of the Executive Committee. It was also agreed that each member of the Executive Committee would attend the Executive Committee's meetings at least once a year.

The SB discussed its own training, education and expertise plans and those of the Executive Committee. Furthermore, the fleet review, i.e. an assessment of the talent and potential amongst the employees, was discussed.

In separate meetings of the Remuneration, Selection and Appointments Committee, augmented by the attendance of the chair of the Audit Committee, the selection and appointment of the new CEO was prepared in consultation with a delegation on behalf of the shareholder. The Supervisory Board was delighted the shareholder decided to appoint Else Bos as CEO.

The Supervisory Board is of the opinion that the Executive Board performed well in 2013; and believes the same is true of the individual members of the Executive Board.

### Permanent education

The Supervisory Board has compiled its own training plan on the basis of the Suitability Policy Regulation issued by the DNB and AFM. This regulation defines the suitability of the SB members on the basis of the following subjects:

- Governance, organisation and communication;
- Products, services and markets in which the organisation is active;
- Controlled and ethical business operations;
- Balanced and consistent decision-making; in which, amongst other things, the interests of the clients and other stakeholders have a central position.

Moreover, attention is paid to the competencies essential for SB members.

On this basis, a long-term training plan has been drawn up which lays down annual training activities for the different areas of expertise.

In 2013, seven in-depth meetings were held. The topics of these meetings were: risk management within Investments Management; the concept 'Cradle to Cradle' led by Professor M. Braungart; developments in the field of Private Equity; clients' portfolio returns; HR policy developments; in-depth analyses of the new Pension Agreement; and our clients' new investment framework (White Sheet of Paper).

New SB members also follow their own induction programmes, in which, as well as acquiring substantive knowledge, they concentrate on getting to know the employees and the work undertaken by PGGM. In addition to the aforementioned in-depth modules for the Audit Committee and the SB, the SB members



participate in governance modules organised by PGGM four times a year; each of these meetings focusses on one of PGGM's units.

In the fourth quarter of 2013, the SB evaluated its own performance and that of its committees.

It did this by having a questionnaire completed and collectively discussing the outcome.

The outcome concluded that the SB's performance and that of the individual members was viewed as open, sound, committed and independent. The composition of the board is balanced and there is sufficient balance between experience and new input. However, the evaluation did reveal that more knowledge in the area of investments management is required. This deficiency will be dealt with by, for example, being included in the 2014 in-depth meetings. One point worthy of attention is the (almost) concurrent end of the Supervisory Board members' terms of appointment in 2015. However, three of the six members are eligible for reappointment; this will be placed on the agenda at the end of 2014. In 2011, an external expert carried out an evaluation. It has been agreed that this will be repeated once every three years; the next one will be carried out in 2014.

## Relations with the shareholder

The Supervisory Board's contact with the shareholder is primarily through shareholder meetings. In 2013, as well as the regular meetings, two extra shareholder meetings were held to deal with amendments to the articles of association and the acquisition of the pension fund service provider A&O Services. The Remuneration Committee also speaks to (a delegation representing) the shareholder at least twice a year regarding developments within PGGM and the Executive Board's remuneration policy.

## Consultation with the Works Council

At least once a year, every member of the SB attends a consultative meeting of the Works Council.

In 2013, the Supervisory Board and the Works Council also discussed subjects including the filling of the CEO function, the performance of the Executive Board and PGGM's remuneration policy.

The SB members experienced and valued these meetings as constructive and informative.

The Supervisory Board would like to thank the Executive Board, the Executive Committee and PGGM's employees for all their hard work and dedication in 2013.

Zeist, 20 May 2014

Mr H. (Herman) de Boon, chair  
Mr M.W. (Maarten) Dijkshoorn AAG  
Ms M.R. (Miriam) van Dongen  
Ms W.E.L. (Wanda) van Kerkvoorden  
Mr L.J. (Lodewijk) de Waal  
Mr W.H. (Wim) de Weijer MHA, deputy chair

# Risk Management

Within Risk Management, we distinguish between the risks run by our institutional clients directly and the risks faced by the PGGM organisation. This chapter is about the risk management of the company PGGM. Primarily, these are operational, strategic, legal, financial and reputational risks. In our financial statements, we report the specific risks we run – in accordance with statutory requirements. These are the risks related to solvency, the market, the exchange rate, the interest rate, credit, liquidity and insurance.

## Models and methods

- PGGM's risk management is based on the COSO Enterprise Risk Management (COSO ERM) method, an accepted international standard. Applying COSO ERM ensures that, throughout PGGM, the risks are clearly controlled in the most efficient and effective manner.
- Within PGGM, the quality of the internal control environment is guaranteed by use of the 'three lines of defence' model.  
In this model, the line management (1<sup>st</sup> line), risk, control and compliance (2<sup>nd</sup> line) and Internal Audit department (3<sup>rd</sup> line) each have their own responsibility. They determine the risk profile and the information about the degree of control plus the internal management statement.
- Each of PGGM's business units has a risk committee.
- In addition, under the chairmanship of the Chief Financial Risk Officer (CFRO), the Corporate Risk Committee discusses (subjects related to) risk management, compliance and information security once every six weeks.  
Consequently, not only is the committee responsible for policy but also for the relationship between the risk-taking propensity and the actual risks being run.
- This information forms the basis of the periodic risk reporting to the Executive Committee and the Executive Board.
- The total risk profile is discussed and reported to the EC, the Audit, Risk & Compliance Committee and the Supervisory Board.

## Compliance and risk management

Compliance is concerned with the integrity of the organisation and its employees and its demonstrated adherence to legislation and regulations. Control measures for risk management and compliance focus on the realisation of ethical and controlled business operations.

Specifically this means:

- That there is a reasonable degree of certainty that the organisation, existence and operation of the service provider's risk management system is effective.
- That prevailing legislation and regulations, as well as code of conduct agreements, are being complied with.
- That all incidents are reported completely, correctly and in a timely fashion, and are solved in accordance with the agreements.

## Activities in 2013

- In 2013, our activities in the areas of risk management, compliance and information security were made more professional. In this context, we focussed on continued improvement and raising the level of risk awareness of both line management and employees.  
In this way, we will ensure the function continues to comply with the requirements laid down by PGGM, its clients, supervisors and the sector.
- At the start of 2013, the reporting lines of CRO Investments were transferred to the CFRO – to ensure greater independence of the function's content.
- In addition, it was decided that the units' risk committees should be chaired by the 2<sup>nd</sup> line; this should ensure an even more stringent risk management function.
- To follow developments within the discipline, we had an impact analysis carried out of the changes in the COSO (Committee of Sponsoring Organisations of the Treadway Commission) *Internal Control–Integrated Framework* (a recent development in the area of risk management), versus the PGGM Risk framework, with the emphasis being on the activities of the 2<sup>nd</sup> line.

The impact analysis generated a limited number of follow-up actions which will be acted on in 2014.

- The 2<sup>nd</sup> line paid considerable attention to controlling the risks inherent in large projects. Large projects potentially lead to increased risks and, therefore, include a risk section which is periodically updated. The risk section specifies the most significant risks and the measures to control these.
- The organisation of the multi-client work within Pension Management creates additional operational risks. A great deal of attention has, therefore, been paid to the control of these risks.
- To raise the risk awareness of line managers and their employees even further, various e-learning programmes have been set up and implemented. In 2013, these e-learning programmes related to the PGGM Code of Conduct, *business continuity management* and using smartphones and tablets securely. It is compulsory for managers and employees to conclude these e-learning programmes with a satisfactory score.
- Activities to raise compliance awareness are carried out continuously through (code of conduct) presentations, intranet announcements and the discussion of dilemmas, among other things. These activities will continue in 2014.

# Principal Risks

Our organisation always faces a number of risks. The following table highlights the year's principal risks and most important developments.

Principal risks and developments in 2013	
Description of risk	Adjusting risk controls
<b>Alliance management</b>	
The risk that PGGM's objectives will not be realised due to insufficient alignment with our most important partners in cooperative ventures.	On entering into alliances, PGGM carries out risk analyses of both the partners and the potential effects on our own business operations.
<b>Client and chain management</b>	
The risk that PGGM's objectives will not be realised due to insufficient alignment with our most important partners (clients or suppliers), or insufficient control of the chain.	PGGM works explicitly in chains of clients, its own organisation and out-sourced activities. To manage the risks, agreements are made with clients and regular discussions held in respect of their realisation. To mitigate risks in the chain, the out-sourcing policy has been tightened. The rollout of this is well under way.
<b>Projects</b>	
The risk that PGGM's objectives will not be realised due to the inadequate execution of projects or due to projects being carried out which fail to contribute sufficiently to the realisation of these objectives.	PGGM undertakes numerous projects, both projects agreed with clients as well as projects of significance for its own business operations. The risk function has an advisory and/or challenging role in high impact projects, such as acquisition projects or projects for clients. The control measures which should mitigate the risks are aligned with the impact of the project. The number of projects and changes in the sector require and receive attention from the Executive Committee (EC), so it is always in a position to manage the project portfolio.
<b>Governance</b>	
The risk that well-managed business operations may be threatened due to the lack of correct preconditions (such as culture) and/or ambiguous or conflicting duties within or between PGGM's organisational units and functions.	In 2013, various initiatives were followed up which increased the efficiency and effectiveness of risk, control and compliance (2nd line) and Internal Audit (3rd line) functions. This is of importance, given the dynamic environment in which PGGM operates. In 2013, the EC once again exchanged ideas with the Audit, Risk & Compliance Committee about worst case scenarios.  Periodically, alignment is sought with the corporate bodies in respect of strategy, service provision and risks.

### Image/reputation

The risk that PGGM's market position deteriorates due to stakeholders having a negative perception of PGGM's image and/or the market position being ambiguous.

PGGM is in the news regularly; depending on the subject, the reaction is proactive or reactive. For example, PGGM provided insight into the costs of the pension fund service provision (including the remuneration policy), as well as the range of investment activities it undertakes for pension funds. Examples of these include the exclusion of five Israeli banks and the American retail chain Walmart, but also investments in mortgages and other 'orange' investments. Furthermore, the pension sector in general has been a favourite media topic. Communication with the media is carefully prepared by formulating a clear line for the spokespersons to present.

### Information security & fraud

The risk of not achieving one or more of PGGM's stated ambitions due to no/inadequate information security or unlawful acts causing financial and/or reputational damage.

Periodically fraud and error detection investigations are carried out in the form of data analyses. In 2013, these investigations did not reveal any findings worthy of mention. Measures were taken to limit the risks related to the use of mobile devices. Moreover, in 2013, every effort was made to raise employees' awareness of the important role they play in controlling this risk.

### Tax, legal & compliance

The risk associated with (changes to and compliance with) legislation and regulations, the potential of PGGM's legal position being threatened, including the possibility of contractual provisions not being enforceable or correctly documented.

Given the scope of the payment flows connected to the investments and the pension administration, a great deal of preparatory work was carried out in 2013 in order to arrange the payments for SEPA and to obtain an AIFMD licence; this work was supplementary to the work surrounding other legislation and regulations.

# In Control Statement

As the 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, operational and financial objectives are optimally controlled. However, they can never offer absolute security that these objectives will be achieved. The reality is that, when taking decisions, human assessment errors can occur and cost-benefit considerations constantly have to be made regarding the acceptance of risk and the imposition of control measures.

To execute our responsibilities, we have - during the reporting year - independently and systematically analysed and assessed the risks related to the achievement of our objectives and the applicable control environment within our organisation. In so doing, we made use of various instruments including the COSO ERM framework. The significant operational and financial risks facing each business unit were defined. Subsequently, the management of each business unit independently analysed and assessed these risks as well as the applicable control environment; 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 & Compliance Committee and the Supervisory Board. For a more detailed explanation of our work in this context, we would refer you to the previous chapter entitled Risk Management.

## Conclusion

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

Zeist, 20 May 2014

Executive Board  
E.F. Bos  
P.A.M. Loven

# Competitive position

PGGM operates as a pension fund service provider in a sector which is in a state of flux. The pension system itself is being modernised and the market consolidated. Below, our role in these developments is explained.

## Our position

PGGM has a strong position in the pension market, as the country's second pension fund service provider and as the market leader in the health and social sector. In 2013, we strengthened our position further through acquisitions, amongst other things.

In the Netherlands, pensions consist of three pillars. The first pillar consists of the state pensions (AOW); the second of the collective pensions accrued by employees via their employers; and the third of the supplementary pensions arranged by employees themselves via financial products such as insurances or bank savings accounts. We are active in both the second and third pillar.

## Distinctiveness

We distinguish ourselves in the market in a number of areas. Primarily, as a cooperative pension fund service provider, with both clients and members. But, in addition, there are three specific areas where we are emphatically distinctive and outstrip our competitors: responsible investment, the risk management of the investments we manage and our pension expertise.

A more in-depth explanation of the above follows in the subsequent paragraphs.

## 1. Responsible investment

Via the investments we undertake for our clients, both we and they wish to make a positive contribution to a sustainable world.

We attach great importance to responsible investment, and have integrated this into our investment activities. In this context, we go further than the market and continually try to improve what we do.

Consequently, in 2013, we continued to develop our framework for responsible investment. In so doing, we specifically took our clients' policies as the point of

departure and, last year, we explored which convictions we share with them in respect of responsible investment. From the perspective of this shared vision, we explicitly explained which points of departure we give substance to regarding responsible investment. Whereby, we naturally take account of our clients' individual policy wishes.

## Accents

Our collective approach is that we wish to minimise the negative aspects of our carbon footprint and make a positive contribution to the sustainable development of the world. We endeavour to ensure:

1. A tenable and resilient ecological system, without loss of natural capital
2. A society in which economic development is not at the expense of vulnerable groups or future generations
3. Good governance and well-functioning (financial) markets

To focus our endeavours, we have - in consultation with our clients - specified the following points of attention:

1. Climate change and the reduction of pollution and emissions
2. Water scarcity
3. Health(care)
4. Food security
5. A stable financial system serving a real economy
6. Good corporate governance
7. The safeguarding of human rights

## Measuring returns

We undertake responsible investment in the conviction that financial and social returns go hand in hand.

To maximise our impact, it is vital to measure the returns. The financial returns are easy to measure; measuring the social part is more difficult.

Consequently, in 2013, we implemented a framework so we could record and actively control the social effects we produce.

Because we find responsible investment so important and play a progressive and active role in this respect globally, we have published a separate responsible investment report in which we account for and demonstrate what we

undertook and accomplished in this area in 2013. Last year, we noted that in this area we were increasingly and explicitly viewed as a global knowledge base. More and more parties were contacting us as they wanted us to share our knowledge with them. Something we are always willing to do.

## 2. Risk management of the investments we manage for clients

As a consequence of the financial crisis, we have developed an innovative system for risk management within Investments Management.

In 2013, the authoritative British Risk Magazine referred to us as the 'global pioneer' in this field and named us the best Fund Risk Manager of the year.

The trigger for the completely new set up of PGGM's risk management was the events surrounding the fall of Lehman Brothers in September 2008. Throughout the world, asset managers appeared to lack rapid enough insight into the exposures to risk which ensued from the downfall of Lehman.

Although neither PGGM nor its clients suffered any direct damage due to the bank's bankruptcy, we learned lessons from the events. These have been worked into a system which will more rapidly and thoroughly identify the risks to which PGGM's clients are potentially exposed should there be a calamity in the financial markets.

## 3. Pension expertise

Our experts do not merely use their knowledge and expertise for the direct benefit of our clients and members, we are also a party which discusses the future of the pension system with all the stakeholders, including politicians.

The pension system is currently under pressure and requires modernising. A process which is now in full swing and for which actual questions and answers have to be found. Our experts actively cooperate with the government committees considering pension issues and provisions for old age. In 2013, we shared our expertise and vision in this respect during discussions about the Pension Agreement.

### Our direction in the market: for members

In 2013, we gave further substance to a number of strategic choices made in the past.

For example, last year we abandoned some PGGM banking products and services. After a meticulous

phasing out trajectory with our account holders, the final 600 outstanding life-course plan accounts (of the in total 10,000 account holders) were transferred to our partner Kasbank in November 2013. This ended PGGM's banking activities, including the offer of its own life-course plan and savings scheme.

We are, moreover, no longer endeavouring to sell individual supplementary financial products to our members. A number of years ago, we wanted to do this as we deemed it important for people in the health and social sector to retain some options; for example, to be able to stop work early due to the stress of their work. However, we had taken no account of the huge financial crisis, which arose shortly after we had prepared our products for sale; and which made a good service provision for our members considerably more difficult. In addition, the government subsequently decided to abolish or curtail the fiscally advantageous life-course plans and salary savings schemes. Moreover, experience taught us that the provision of life-course plans to private individuals requires an approach that differs from that required for the provision of collective pension schemes via employers.

This trajectory also taught us that - as far as PGGM is concerned - having such products involves an unacceptably high volume risk. However, despite this, we still harbour the ambition to help as many of the people of our country as possible realise a valuable future, particularly our members and our clients' participants, so this does not mean the end of our involvement with third pillar products. However, in the future, we will seek cooperation in the provision of relevant supplementary financial products for our members, we will no longer do it ourselves.

### Our direction in the market: for clients

PGGM has opted for controlled growth. Controlled growth means growth not simply for its own sake, but growth which binds clients because they wish to be part of our organisation and collectively make use of our scale and expertise. Growth as a means to serve clients sustainably; providing high quality at low costs.

In this context, we focus on Dutch pension funds; whether they be industry-wide, company or occupational pension funds.

We do not focus on international clients, we are emphatically a national player in the Dutch market.

From the perspective of PGGM, we consider consolidation important as, together with our clients, we are stronger. Consolidation will also contribute to a stable pension system as a whole and prevent part of the market falling into the hands of commercial insurers.



## Controlled growth

Our basis, our domestic market, is the health and social sector. New clients are welcome. However, they must fit in with us and their arrival must be sufficiently supported by existing clients.

In 2013, we acquired the service provider A&O Services. One of their clients, the pension fund for painters and decorators, also transferred to PGGM. In theory, this pension fund formed the start of a second domestic market. A larger fund that can work as a magnet for smaller funds in that sector and offer them a scheme to join. Comparable to the way PFZW acts as a magnet for smaller funds in the health and social sector. It is also possible that the PPI will prove to be the start of a new domestic market and fulfil a magnetic role in the consolidating landscape. Whatever the developments are, we and our existing clients will always have to consider carefully which potential clients fit in with us and how we should control the speed at which we can and want to grow. Growth must never jeopardise the services we provide our clients.

## 2014

In 2014, we intend to strengthen our position even further. We expect to have to help the participants of the UMCs transfer to PFZW.

In addition, PGGM will take on activities from A&O Services, the service provider we acquired.

We anticipate there will be further consolidation. The arrival of a General Pension Fund (GPF) may play a role in this context; particularly for the smaller company pension funds.

At the same time, we have noticed that the larger pension funds (industry-wide pension funds) are outsourcing less than in other years. In part, these funds are waiting for the new Pension Agreement, they want more certainty about this before making decisions. Cost controls also play an important role; transitions cost money and funds have become more cost conscious than ever. Moreover, far more than it was previously, the DNB is intent on strengthening the governance of pension funds. As there is so much going on, a number of funds appear to be biding their time and seeing what develops before taking any subsequent steps.

## Decisive innovation

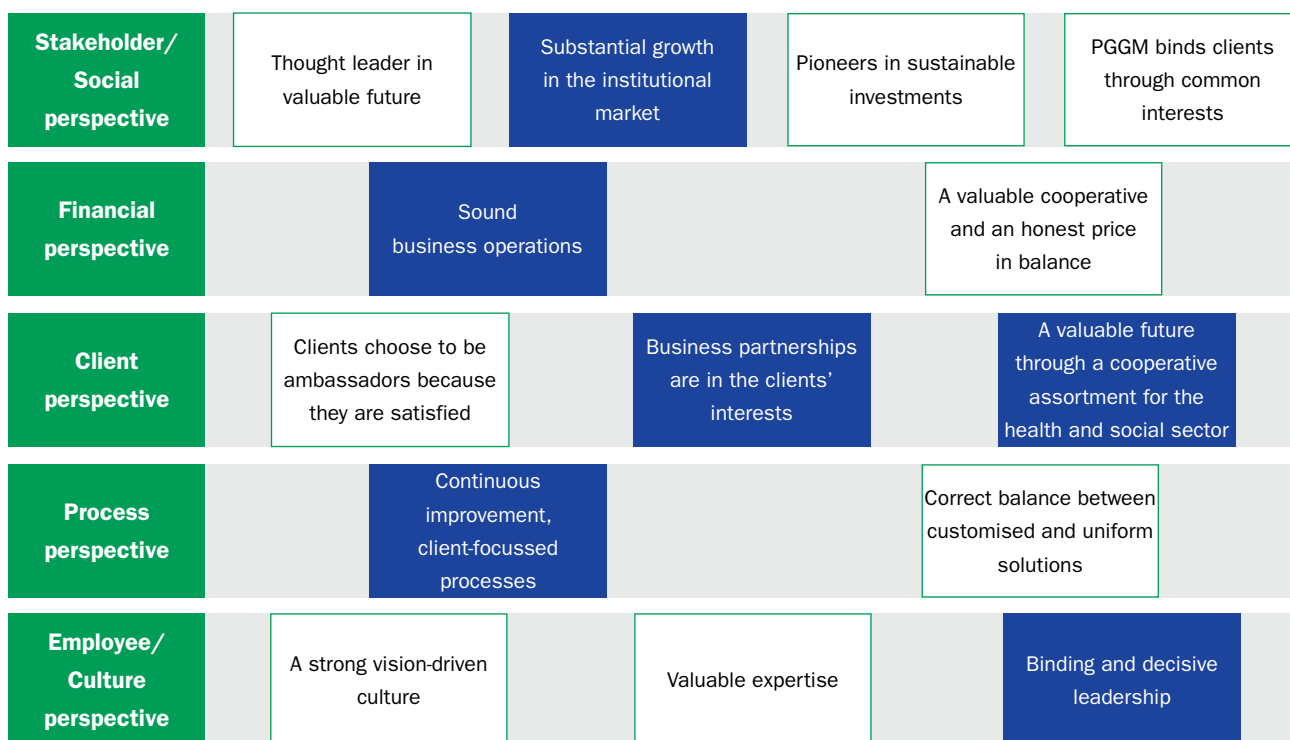
Biding time is not an option for PGGM. We are shifting up a gear, and intend to go from 'decisively continuing' in 2013 to 'decisively innovating' in 2014; to ensure we will be a stable player in the market even in the long term. Our current business model has demonstrated that pressure on service provision costs puts pressure on our revenue. This means extra attention must be paid to cost control and improvements in the field of processes and systems. Furthermore, innovations must be applied to our business operations, so we can offer more client-friendly and efficient products and services.

In today's world, PGGM holds a strong position vis-à-vis both its existing clients and its competitors. At the same time, we can see that the pension market is subject to huge changes, and that these changes could, in the short or longer term, impact on pensions, as well as on the current composition and workings of the market. From the perspective of PGGM, we are looking at all these developments with an open mind and will continue innovating constructively and building on a valuable future.

# Results 2013

At the end of 2012, we decided which so-called value drivers we would focus on in 2013. In the strategy chart below, these are highlighted in dark blue.

## Strategy chart 2013



## PGGM's results in 2013 on the basis of the strategy chart

- **Substantial growth in the institutional market:** in 2013, PGGM welcomed a number of new clients (see the chapter Stakeholders & the value we add).
- **Sound business operations:** by continually controlling the costs of PGGM's service provision, a sound and cooperative financial result was achieved in 2013.
- **Business partnerships in the clients' interests:** more emphatically, we began controlling on the basis of cost reductions and will continue doing so in the coming years.
- **A valuable future through a cooperative assortment for the health & social sector:** in 2013, we developed five information indicators for our members about

important life events, such as redundancy, care and divorce. We launched a new members' website, developed an academy, held successful events for members and designed an Uitgavenwijzer (an expenditure indicator). In addition, we started offering membership discounts on products and services featuring in the top ten highest expenditures according to Nibud.

- **Continuous improvement, client-focussed processes:** in 2013, 14 initiatives in the field of improved business operations were started, the objective being to improve our processes and way of working, so we are more efficient and effective. These initiatives will be further rolled out in the organisation in 2014. The number of departments adopting continuous improvements rose in 2013.

- *Binding and decisive leadership:* a leadership programme has been designed in this context. During 2013, a select number of managers participated in this programme. In the third quarter of 2014, the programme will be offered to a second group of managers.

## Financial result

The after tax result for the 2013 financial year was € 7.9 million (2012: € 6.0 million).

The operating revenue in 2013 rose slightly to € 256.9 million. On the one hand, the € 0.7 million increase in the revenue was due to increased management fees of € 15.1 million and, on the other, to a fall in the gross insurance premium of € 14.4 million.

The increased revenue was mainly attributable to the service provision to a new client.

The gross insurance premium declined as a consequence of insurance products no longer being offered, either actively or passively.

Compared to the previous year, the operating expenses increased by € 4.8 million and amounted to € 258.8 million.

Due to the acquisition of DPFS and the growth of PGGM N.V. and its subsidiaries, the personnel costs rose by € 17.4 million. In 2012, the termination of the banking and intermediary activities and the acquisition of the remaining DPFS shares accounted for a one-off expense.

Partially due to this, the other operating expenses in 2013 were € 11.3 million lower than in 2012.

The € 1.4 million financial expenses in 2013 related to interest expenses for the long-term subordinated loan. In the middle of 2013, this loan was paid off in full leading to lower interest expenses than in 2012. Moreover, the balance of financial income and expenses in 2013 improved in comparison to 2012. In 2012, one-off expenses were, on balance, accounted for by the termination of the future contract.

## Solvency

PGGM N.V.'s solvency as of 31 December 2013 was 31.5% (2012: 37.5%). Solvency is the relationship between the capital base (the equity plus the long-term subordinated loan) and the balance sheet total. The supervisory authorities have imposed a solvency requirement on PGGM Levensverzekeringen N.V. and PGGM Vermogensbeheer B.V. The entities subject to supervision comply more than adequately with the DNB's prudential capital requirement.

## Liquidity

In 2013, the cash flow fell by € 80.6 million (2012: an increase of € 114.1 million). The cash balance was € 95.9 million as at 31 December 2013 (31 December 2012: € 176.5 million).

## Financial Outlook 2014

Halfway through November 2013, PGGM N.V. acquired the service provider A&O Services B.V. As a result, PGGM welcomed A&O Services B.V.'s clients, including Stichting Bedrijfstakpensioenfonds voor het Schilders-, Afwerkings- en Glaszetbedrijf and the Bedrijfs Eigen Regelingen fund. From 2014 onwards, A&O Services B.V. will be integrated into the PGGM organisation.

The management fee is partially dependent on the value of the investments being managed, the changes in the number of standard parties insured and agreements with clients. The value of the investments being managed is expected to increase further during 2014 due to the value of existing clients' assets growing and the arrival of new clients. The only reservation being the prolonged uncertainty in the financial markets and the resultant development of the managed investments. However, just as in 2013, PGGM N.V. anticipates a positive result being achieved in 2014.

## Corporate culture

In 2013 - after her first 100 days as CEO - Else Bos dedicated herself to creating more cohesion within the organisation, and she emphasised that we must be of service to our clients and, in doing so, continuously make improvements to lower costs without detracting from quality. However, these improvements must also make the organisation more efficient and versatile, so that the numerous developments in society and the pension sector can be absorbed and used for innovative purposes.

To make the organisation more efficient and versatile changes are required, including a culture change. One of the best results in 2013 was that we witnessed a real transformation within our organisation. As, during 2013, we agreed we would challenge one another on matters which we think could be done better; and we would do this critically and constructively, throughout the whole organisation. To support people in this area, courses on 'giving feedback' have been introduced which anyone may take part in.

## A broader view

One important aspect which we worked on in 2013 within the context of an open corporate culture was 'thinking beyond departments and units'. Below are some examples:

- In Investments Management we introduced chain managers in 2013. The objective is to provide employees with greater insight into the actual results of a trajectory to which they contribute. By having a better understanding of the whole picture, people work in a more focussed way. This enhances shrewdness and efficiency.
- Sometimes this occurs spontaneously. Throughout the whole organisation, people are - as a consequence of a number of large trajectories - cooperating more and picking up tasks normally outside the scope of their work. They are rising above the natural pigeon holes.
- The establishment of a Client Council has also helped in this respect. We now have a better view of what clients deem important, which enables us to tailor our service provision even better.
- External developments also have an influence in this context. The members of pension fund boards are currently working hard to augment their knowledge of investments. In 2013, approximately thirty people from Investments Management discussed this topic with clients; doing so provided greater insight and understanding of what clients want and stand for; this enabled our employees to work more shrewdly with an eye on the bigger picture.

- In 2013, we devoted considerable energy to the development of an 'investment academy' for Investments Management. During the year, a group of trainees was taken on to work in both Investments Management and Institutional Business. This means that, right from the start, trainees will undertake work of a broader nature, as opposed to the past scenario when specialists were brought in, particularly in Investments Management. This will also contribute to the broader view which we deem so desirable.

It is very important, that people in the organisation have more insight into the contribution they make.

Knowing why you are doing something keeps you on course better, and it also makes it easier to change course if necessary.

## Short-cyclic management

In 2013, we embraced the methodology of short-cyclic management. A way of working whereby teams split up their annual objectives into 'bite-sized pieces', which they can realise in two to three months; and progress is discussed, once every two weeks.

The advantage of this way of working is that all our employees are regularly stimulated to examine their work critically. Good and less good moments are discussed openly, which helps us to learn from one another and improve as an organisation.

In the Pension Management unit short-cyclic management has already been implemented. It is proving very successful there and is helping pension administration deal with the uncertainties currently facing the department.

We must, for example, be prepared for all sorts of transitions around the Pension Agreement, without knowing precisely what awaits us. On 1 January 2015, when the new Pension Agreement becomes effective, a complete transition will have to be accomplished. The Executive Committee started using short-cyclic management in 2013; and it will be rolled out throughout the organisation in 2014.

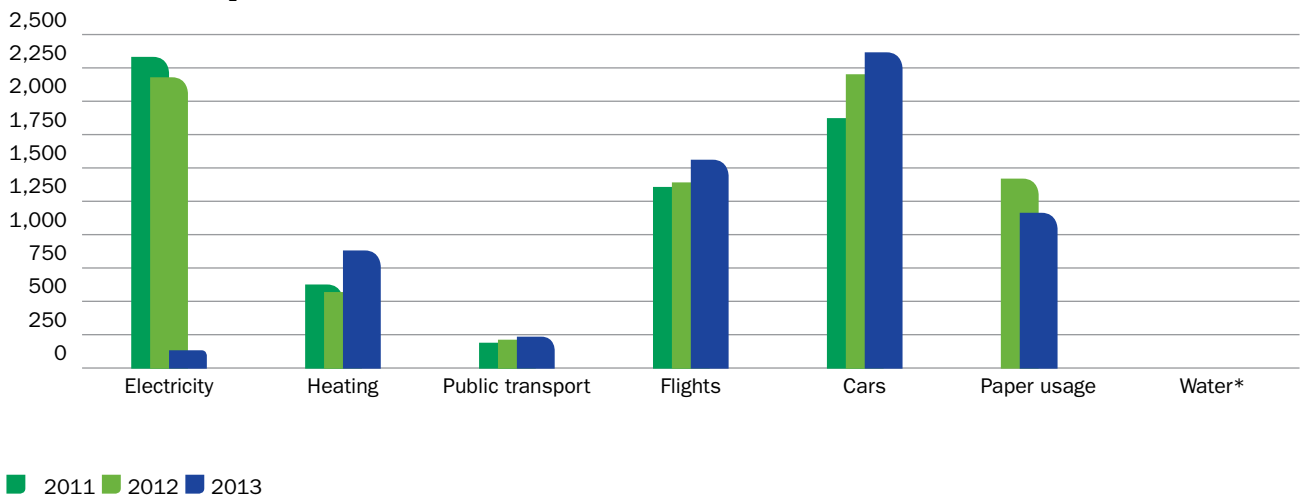
## Our CO<sub>2</sub> footprint

In 2013, PGGM's total CO<sub>2</sub> emissions were 6,242 tonnes. This was a reduction of 1,721 tonnes, or 21 percent, compared to 2012.

In the middle of 2013, we started using a CO<sub>2</sub> management system. This system provides insight into each quarter's emissions and, if necessary, analyses them. Our carbon footprint is determined on the basis of internationally compiled standards.



### Trend of PGGM's CO<sub>2</sub> emissions 2011-2013

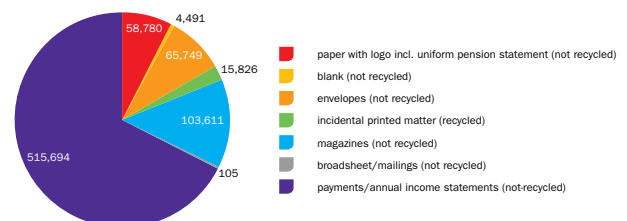


\* The water usage is not shown in the figure, as the volume is too small to depict.

### Reduction of paper usage

In 2013, the amount of paper we used fell by 242,817 kg (19%). Last year, a great deal of attention was paid to reducing our paper usage, both by our employees and in the service provision to our clients. For example, we introduced digital Uniform Pension Statements (UPS).

### Distribution in kilogrammes of paper in 2013



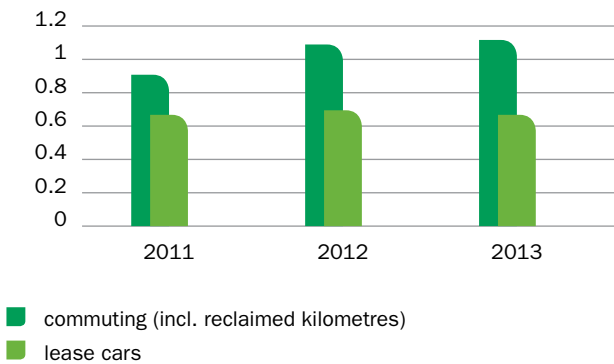
## Increase in CO<sub>2</sub> emission due to car usage

The largest emission in PGGM's carbon footprint is caused by our use of cars (38% of the total).

Car usage includes lease cars, commuting traffic and reclaimed business kilometres.

Compared to 2012, car emissions have risen by 6%. This rise was entirely due to the increased number of kilometres commuted, as a result of the increase in the number of employees. The average number of kilometres per employee actually fell. There was virtually no change in emissions from lease cars.

### Car usage per employee



The percentage distribution of PGGM's total commuting (by car, bicycle, train and bus) has been adjusted to present a fairer distribution, after extensive consultation with the departments HR, FSSC, VCM and C&D. As a result (and due to the reduction in paper usage and electricity), the percentage of car usage in the total footprint was (at 38%) far higher than last year (20%).

## Increase in flight emissions

The number of kilometres we flew in 2013 was 10 percent higher than in 2012. The new travel policy - effective since 2013 - stipulates that journeys within Europe, i.e. within the circle Paris, Frankfurt and Hamburg, should be travelled by train.

As a result the number of short flights (<1,000 km) has fallen. This is a positive development as short flights are relatively more harmful. In contrast, the number of medium-haul flights rose. Consequently, PGGM's total number of flights fell, but the number of kilometres flown rose.

## Electricity usage practically unchanged, but emissions fell

PGGM's electricity usage was practically unchanged. However, the CO<sub>2</sub> emissions fell as we now use Green power. PGGM has transferred to Hollandse Wind (Dutch wind power). Furthermore, we had solar panels installed on our roof in 2013.

## Internal support for sustainability

Figures from the annual employee satisfaction survey (1,079 participants) showed that internal support for making the organisation more sustainable is still increasing:

- PGGM gives substance to its social responsibility in a good way: 80.4% totally agreed or agreed with this statement
- PGGM has respect for people and the environment and this is expressed in sustainability: 81.9% totally agreed or agreed with this statement
- I know that PGGM has a sustainability programme: 95.9% totally agreed or agreed with this statement
- I am familiar with the content of the sustainability programme: 57.1% totally agreed or agreed with this statement
- I would like to make a larger contribution to sustainability in my job: 60.4% totally agreed or agreed with this statement

These percentages show a very relevant improvement when compared to 2012.

# Financial Statements 2013



*Voor een waardevolle toekomst*

# Consolidated balance sheet as at 31 December 2013

(before appropriation of result)

(all amounts are in thousands of euros)

	Ref.	31 December 2013	31 December 2012*
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible fixed assets	3	56,005	31,725
Tangible fixed assets	4	116,868	121,734
Financial fixed assets	5	21,385	18,128
<b>Total fixed assets</b>		<b>194,258</b>	<b>171,587</b>
<b>Investments</b>			
Investments for the account of insurers	6	312,484	262,380
Investments for the account of policy holders	7	77,771	80,521
<b>Total investments</b>		<b>390,255</b>	<b>342,901</b>
<b>Current assets</b>			
Receivables	8	60,835	63,996
Liquid assets	9	95,878	176,462
<b>Total current assets</b>		<b>156,713</b>	<b>240,458</b>
<b>Total assets</b>		<b>741,226</b>	<b>754,946</b>
<b>Liabilities</b>			
<b>Equity</b>			
	10,32		
Paid and called-up capital		200	200
Statutory reserve		3,033	3,587
Share premium reserve		158,712	158,712
Other reserves		63,403	57,401
Undistributed profit		7,924	6,039
<b>Total equity</b>		<b>233,272</b>	<b>225,939</b>
<b>Provisions</b>			
Insurers' risks	11	284,683	296,479
Policy holders' risks	12	77,771	80,521
Taxes	13	8,111	4,672
Other provisions	14	19,433	13,367
<b>Total provisions</b>		<b>389,998</b>	<b>395,039</b>
Long-term subordinated debt	15	-	57,000
Current liabilities	16	117,956	76,968
<b>Total liabilities</b>		<b>741,226</b>	<b>754,946</b>

\* For purposes of comparison, the figures for 2012 have been adjusted due to the changes to the presentation of the VOBA.



# Consolidated income statement for 2013

(all amounts are in thousands of euros)

	Ref.	2013	2012*
<b>Revenue</b>	<b>18</b>		
Institutional management fees		244,553	229,433
Gross premium retail insurances		11,906	26,285
Other retail revenue		445	519
<b>Total operating income</b>		<b>256,904</b>	<b>256,237</b>
Insurers' expenses	<b>19</b>	23,531	24,546
Costs of out-sourced work and other external expenses	<b>20</b>	29,301	28,799
Employee expenses	<b>21</b>	142,808	125,432
Depreciation/amortisation of tangible and intangible fixed assets	<b>22</b>	19,450	20,315
Other operating expenses	<b>23</b>	43,669	54,937
<b>Total operating expenses</b>		<b>258,759</b>	<b>254,029</b>
		<b>-1,855</b>	<b>2,208</b>
Investment results	<b>24</b>	13,871	15,105
Financial income	<b>25</b>	186	4,330
Financial expenses	<b>26</b>	-1,420	-13,476
<b>Result before tax</b>		<b>10,782</b>	<b>8,167</b>
Taxes	<b>27</b>	3,321	2,128
Result of participating interests		463	-
<b>Result after tax</b>		<b>7,924</b>	<b>6,039</b>

\* For purposes of comparison, the figures for 2012 have been adjusted due to the changes to the presentation of the VOBA.

# Consolidated Cash flow statement for 2013

(all amounts are in thousands of euros)

	Ref.	2013	2012
<b>Cash flow from operating activities</b>			
Result from ordinary activities after taxes		7,924	6,039
Amortisation of intangible fixed assets	3	17,638	14,528
Depreciation of tangible fixed assets	4	7,793	5,786
Movement in value of accommodation	4	-	6,810
Movement in value of investments	6,7	-10,739	-17,296
Movement in receivables	8	3,161	5,635
Movement in provisions	11,12,13,14	-5,041	-3,744
Movement in current liabilities	16	40,988	-18,841
Movement in financial fixed assets	5	-2,115	1,184
<b>Total cash flow from operating activities</b>		<b>59,609</b>	<b>101</b>
<b>Cash flow from investment activities</b>			
Investments in tangible and intangible fixed assets	3,4	-45,523	-14,106
Disposals of tangible and intangible fixed assets	3,4	678	-
Investments in financial fixed assets	5	-1,142	-1,461
Disposals of financial fixed assets	5	-	18,552
<b>Total cash flow from investment activities</b>		<b>-45,987</b>	<b>2,985</b>
<b>Cash flow from investment activities</b>			
Purchases of and advances for investments for account of insurers	6	-97,641	-191,718
Sales and redemptions of investments for account of insurers	6	51,549	279,894
Movement in investments for the account of policy holders	7	9,477	23,057
<b>Total cash flow from investment activities</b>		<b>-36,615</b>	<b>111,233</b>
<b>Cash flow from financing activities</b>			
Movement in the statutory reserves	32	-591	-261
Movement in the long-term subordinated debt	15	-57,000	-
<b>Total cash flow from financing activities</b>		<b>-57,591</b>	<b>-261</b>
<b>Movement in cash and cash equivalents</b>		<b>-80,584</b>	<b>114,058</b>
<b>Cash and cash equivalents at the start of the period</b>		<b>176,462</b>	<b>62,404</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>95,878</b>	<b>176,462</b>
<b>Movement in cash and cash equivalents</b>		<b>-80,584</b>	<b>114,058</b>

# Notes to the consolidated financial statements 2013



*Voor een waardevolle toekomst*

# 1 General notes

## 1.1 Information about PGGM N.V.

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

In accordance with article 2.1. of its articles of association, PGGM N.V.'s objects are:

- a. To carry out or have carried out (i) the administrative management of the prescribed pension arrangements and current pension payments, and (ii) the execution of the prescribed pension arrangements and current pension payments, both in the broadest sense of the word;
- b. To carry out the investment management or to have it carried out in the broadest sense of the word;
- c. To conduct insurance business indirectly, including but not limited to reinsurance, in the broadest sense of the word;
- d. For the benefit of the sector in which work is carried out in the field of health, psychological and social interests, including services in the form of physical, psychological or social care or assistance, to undertake work focussed on developing the sale and execution of supplementary income provisions, to the extent these are not already incorporated in collective pension schemes, including - in this context - the provision of information, advice and services, all in the broadest sense of the word;
- e. To offer services or have them offered to social funds affiliated to the company's clients, including but not limited to services related to collecting contributions/premiums and providing financial administration, governance support and substantive advice.
- f. To participate in or in any other way take an interest in and conduct the management of other businesses of whatsoever nature, to finance others and provide security, give guarantees and otherwise bind itself for the debts of others, and finally, to do everything associated with or beneficial to the above in the broadest sense of word.

## 1.2 Group relationships

### Group structure

PGGM N.V. is a holding company which, through participations, has undertaken activities including the provision of governance advice, pension management and investment management since 1 January 2008.

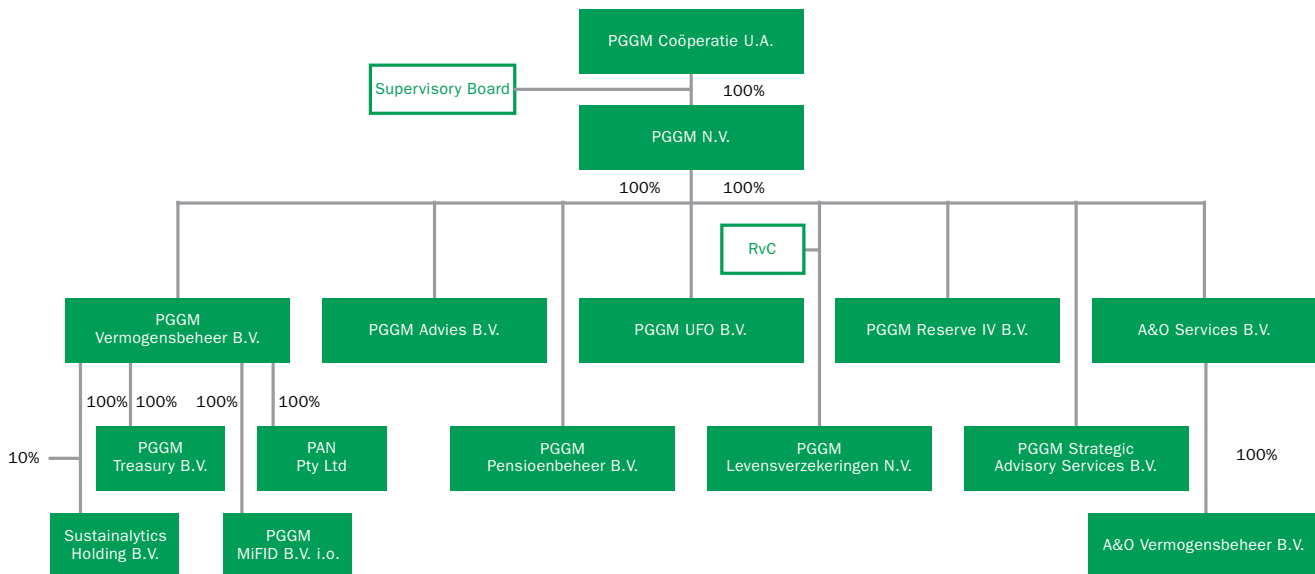
PGGM N.V. has a two-tier board and is the holding company of twelve direct and indirect subsidiaries which together with its shareholder, PGGM Coöperatie U.A., form the PGGM group. A number of subsidiaries have received licences from respectively the Authority for the Financial Markets (AFM) and the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

The following figure shows the legal structure of PGGM Coöperatie U.A., PGGM N.V. and its subsidiaries ('PGGM group') as at 31 December 2013.

### PGGM Vermogensbeheer B.V.

PGGM Vermogensbeheer B.V. (hereinafter: PGGM Vermogensbeheer) is the only shareholder in PGGM Treasury B.V. (hereinafter: Treasury) and PGGM Australia Nominees Pty Ltd. (hereinafter: PAN). On the basis of section 2:96 of the AFM's Wet op het financieel toezicht (Financial Supervision Act, hereinafter: Wft), PGGM Vermogensbeheer has a licence to provide investment services in the Netherlands; these services include providing investment management and investment advice to its clients.

PGGM Fondsenbeheer B.V. (hereinafter: Fondsenbeheer) and PGGM Vermogensbeheer were merged on 28 June 2013. After the merger, Fondsenbeheer ceased to exist and, as of that date, PGGM Vermogensbeheer took over its activities. Due to the merger with Fondsenbeheer, PGGM Vermogensbeheer acquired the licence referred to in section 2:65, subsection 1a, of the Wft; enabling it to act as a manager of investment institutions in the sense of section 1:1 of the Wft. On the grounds of section 1:102, subsection 2, of the Wft, the scope of this licence is limited to offering the right to participate in investment institutions which invest in financial instruments. PGGM Vermogensbeheer acts as the manager of PGGM Beleggingsfondsen, PGGM



Institutional Mix Fund, PGGM Pooled Asset Funds, PGGM Alternative Funds, PGGM Vintage Funds and PGGM MC Funds. The funds which are offered to PGGM Vermogensbeheer's institutional clients are not subject to AFM supervision. In 2013, PGGM Vermogensbeheer applied for an AIFMD licence in this respect. This AIFMD licence was issued on 4 April 2014.

With retrospective effect, the financial details of Fondsenbeheer were included in PGGM Vermogensbeheer's annual financial statements as at 1 January 2013.

#### AIFM guideline

The 'Alternative Investment Fund Managers Directive', published by the European Union and also referred to as the AIFM guideline, will bring about huge changes within the system of supervision of investment institutions in the Netherlands. The directive makes several of the still unregulated (institutional) investment funds, including several funds managed by PGGM Vermogensbeheer, subject to supervision. The consequences of this and the impact on the organisation have been analysed. In the reporting period, a project team was set up in order to ensure timely compliance with the new guideline and to submit PGGM Vermogensbeheer's licence application to the AFM.

PGGM Vermogensbeheer received the licence on 4 April 2014.

#### PGGM MiFID B.V. in formation

MiFID stands for 'Markets in Financial Instruments Directive'. As an investment organisation, Vermogensbeheer has an MiFID licence. Prompted by changing legislation as a result of the AIFM guideline, whereby a single entity is legally prevented from holding both an AIFM and an MiFID licence, another PGGM entity was required to undertake orders which are for the account and risk of clients.

Consequently, during the reporting period, PGGM Vermogensbeheer started the procedure of legally separating the MiFID licence from PGGM Vermogensbeheer and establishing a new subsidiary to be known as PGGM MiFID B.V.

On 4 April 2014, PGGM MiFID B.V. was incorporated and on 5 April 2014 it merged with another subsidiary of PGGM Vermogensbeheer; PGGM Treasury B.V. in this merger, PGGM MiFID B.V. disappeared and was absorbed into PGGM Treasury B.V.

#### PGGM Advies B.V.

PGGM Advies B.V. has a Wft licence from the AFM to:

- Act as an intermediary (section 2:80) in current accounts, electronic money, savings accounts, mortgage credit, consumer credit, life insurance and general insurance;
- Provide investment services (section 2:96):
  - Receive and pass on orders in financial instruments;
  - Provide investment advice in respect of financial instruments.

PGGM Advies B.V. does not make any use of the licence to provide investment advice. The life-course plan investment product is offered to the health and social sector without prior advice (on the basis of execution only).

### **PGGM Pensioenbeheer B.V.**

The pension management activities are incorporated within PGGM Pensioenbeheer B.V. This work consists of policy advice and governance support, client management and pension administration. On the basis of section 2:83 of the AFM's Wft, PGGM Pensioenbeheer B.V. has a licence to act as an intermediary in:

- Life insurance;
- Pension insurances; and
- Premium pension receivables.

### **PGGM UFO B.V.**

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

### **PGGM Levensverzekeringen N.V.**

The insurance activities are incorporated in PGGM Levensverzekeringen N.V. The company has a DNB licence. Due to statutory requirements, the activities are carried out by a separate legal entity.

### **PGGM Strategic Advisory Services B.V.**

On 1 April 2013, PGGM N.V. acquired the residual 51% of the shares in Doctors Pension Funds Services B.V. (hereinafter: DPFS) from Stichting Pensioenfonds voor Huisartsen (hereinafter: SPH).

Consequently, as of 1 April 2013, DPFS became a 100% subsidiary of PGGM N.V.

On the same date, the company name was changed to PGGM Strategic Advisory Services B.V.

(hereinafter: PSAS). All the parts of PSAS have been integrated into the PGGM organisation and the activities of PSAS have been transferred to PGGM Pensioenbeheer B.V. and PGGM Vermogensbeheer.

On the basis of section 2:96 of the AFM's Wft, PSAS has a licence to provide investment services and is, moreover, subject to AFM market conduct supervision and DNB prudential supervision.

On 1 January 2014, the PGGM group transferred parts of its activities in PSAS. Starting in 2014, PSAS will provide strategic investment advice to its clients.

### **A&O Services B.V. and A&O Investments Management B.V.**

On 15 November 2013, PGGM N.V. acquired all the shares in A&O Services B.V. (hereinafter: A&O Services) from Stichting Sociaal Fonds Schildersbedrijf.

Consequently, A&O Services became a subsidiary of PGGM N.V.

A&O Vermogensbeheer B.V. (hereinafter: A&O Vermogensbeheer) is a 100% subsidiary of A&O Services. Due to the acquisition of A&O Services, A&O Vermogensbeheer B.V. became a sub-subsubsidiary of PGGM N.V.

Since 1 April 2008, A&O Vermogensbeheer has possessed an AFM licence as an investment institution. Since that date, all of A&O Services' investment management activities have been transferred to A&O Vermogensbeheer.

In 2014, the activities of A&O Vermogensbeheer will be integrated into PGGM Vermogensbeheer.

### **PGGM Schadeverzekeringen N.V.**

PGGM Schadeverzekeringen N.V. (hereinafter: Schadeverzekeringen) merged with PGGM N.V. on 23 August 2013. As a result of the merger, Schadeverzekeringen ceased to exist. On 1 April 2013, Schadeverzekeringen's general insurance portfolio was sold and its activities discontinued.

On 6 August 2013, the licence referred to in section 2:27, subsection one, of the Wft was withdrawn by the DNB.

With retrospective effect, the financial details of Schadeverzekeringen were shown in PGGM N.V.'s annual financial statements as at 1 January 2013.

The corresponding figures for PGGM N.V. (as a separate company) have been adjusted for comparative purposes.

Below PGGM N.V.'s separate balance sheet is shown both before and after the merger:

	<b>PGGM N.V.</b> <i>(Prior to merger)</i>	<b>PGGM</b> <i>Schadeverzekeringen</i> <i>N.V. (prior to merger)</i>	<b>PGGM N.V.</b> <i>(Post merger)</i>
	<b>31-Dec-12</b>	<b>31-Dec-12</b>	<b>31-Dec-12</b>
<i>(all amounts are in thousands of euros)</i>			
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible fixed assets	31,237	-	31,237
Tangible fixed assets	121,009	-	121,009
Financial fixed assets	155,483	-11,705	143,778
<b>Total fixed assets</b>	<b>307,729</b>	<b>-11,705</b>	<b>296,024</b>
<b>Investments</b>			
Investments for the risk of insurers	-	6,771	6,771
<b>Total investments</b>	<b>-</b>	<b>6,771</b>	<b>6,771</b>
<b>Current assets</b>			
Receivables	38,102	96	38,198
<b>Total current assets</b>	<b>38,102</b>	<b>96</b>	<b>38,198</b>
<b>Total assets</b>	<b>345,831</b>	<b>-4,838</b>	<b>340,993</b>
<b>Liabilities</b>			
Paid and called-up capital	200	-	200
Statutory reserves	3,587	-	3,587
Share premium reserves	158,712	-	158,712
Other reserves	57,401	-	57,401
Undistributed profit	6,039	-	6,039
<b>Total equity</b>	<b>225,939</b>	<b>-</b>	<b>225,939</b>
<b>Provisions</b>			
Insurers' risks	-	3,727	3,727
Taxes	3,641	16	3,657
Other provisions	7,935	-	7,935
<b>Total provisions</b>	<b>11,576</b>	<b>3,743</b>	<b>15,319</b>
Long-term subordinated debt	57,000	-	57,000
Other long-term liabilities	14,995	-4,837	10,158
Current liabilities	36,321	-3,744	32,577
<b>Total liabilities</b>	<b>345,831</b>	<b>-4,838</b>	<b>340,993</b>

### **Kunst en Cultuur Pensioenbeheer B.V. and Sociale Regelingen Kunst en Cultuur B.V.**

Kunst en Cultuur Pensioenbeheer B.V. and Sociale Regelingen Kunst en Cultuur B.V. were liquidated as at 29 November 2013. No activities took place within these entities during 2013.

### **PGGM Reserve III B.V.**

As at 10 December 2013, PGGM N.V. sold the shares in PGGM Reserve III B.V. to Stichting PGGM Depository.

### **PGGM Reserve IV B.V.**

No activities were undertaken in this company.

### **Other participating interests**

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

PGGM Vermogensbeheer B.V. has an interest of 10% (2012: 6.41%) in Sustainalytics Holding B.V. This participating interest was not consolidated, given no significant influence could be exercised.

The following companies are included in the consolidation:

## 1.3 Consolidation

The consolidated annual financial statements include the financial details of PGGM N.V. and its group companies. Group companies are legal entities in which PGGM N.V. has a controlling interest, or in which policy making influence can be exercised in some other way.

The assessment of whether policy making influence can be exercised, involves financial instruments which potentially contain voting rights and can be exercised directly.

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

In the consolidated annual financial statements mutual liabilities, receivables and transactions are eliminated, just as are any profits made within the group.

Companies		
Name	Place of business	Shares in subscribed capital
PGGM Advies B.V.	Zeist	100%
PGGM Strategic Advisory Services B.V. (as at 1 April 2013)	Zeist	100%
PGGM Levensverzekeringen N.V.	Zeist	100%
PGGM Reserve IV B.V.	Zeist	100%
PGGM Pensioenbeheer B.V.	Zeist	100%
PGGM UFO B.V.	Zeist	100%
PGGM Vermogensbeheer B.V.	Zeist	100%
PGGM Treasury B.V.	Zeist	100%
PGGM MiFID B.V. in formation	Zeist	100%
PGGM AUSTRALIA NOMINEES PTY LIMITED	Sydney, Australia	100%
A&O Services B.V. (as at 15 November 2013)	Rijswijk	100%
A&O Vermogensbeheer B.V. (as at 15 November 2013)	Rijswijk	100%



## 1.4 Affiliated parties

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

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

## 1.5 The acquisition and disposal of group companies

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

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

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

## 1.6 Notes to the cash flow statement

The cash flow statement is prepared according to the indirect method. Cash and cash equivalents in the cash flow statement consist of liquid assets. Cash flows in foreign currencies are converted at estimated average exchange rates. Exchange rate differences relating to cash are shown separately in the cash flow statement. Income and expenses arising from interest, dividends received and tax on profits are included in the cash flow from operating activities. Dividend payments are recognised under the cash flow from financing activities. The acquisition price of the newly acquired group companies is recognised under the cash flow from investment activities, to the extent payment was in a monetary form. The cash present in the newly acquired group companies is deducted from the purchase price. Transactions that involve no inflow or outflow of cash are not included in the cash flow statement.

## 1.7 Estimates

The preparation of the annual financial statements requires the Executive Board 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.

## 2 Accounting principles for the valuation of assets and liabilities and determination the results

### 2.1 General

The consolidated annual financial statements have been prepared in accordance with the financial reporting requirements of Part 9, Book 2 of the Netherlands Civil Code.

The principles used to value assets and liabilities and determine the results are based on historical cost or current cost. If no specific principle is reported for the valuation, valuation is on the basis of historical cost.

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

### 2.2 Comparison to previous year

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

### 2.3 Continuity

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

### 2.4 Foreign currency

The consolidated annual financial statements have been drawn up in euros. Assets and liabilities denominated in foreign currencies are converted at the exchange rate prevailing on the balance sheet date. Income and expenses relating to transactions in foreign currencies are converted at the exchange rate prevailing on the transaction date.

#### Financial instruments

Financial instruments are initially recognised at fair value, whereby share premiums and discounts and directly attributable transaction costs are accounted for on initial recognition. However, if, in the subsequent valuation, financial instruments are recognised at fair value with value changes being accounted for in the income statement, directly attributable transaction costs will be accounted for in the income statement.

Financial instruments embedded in contracts which are not separated from the basic contract are accounted for in accordance with the basic contract.

PGGM N.V. and its subsidiaries do not make use of derivatives.

After their initial recognition, financial instruments are valued as described hereafter.

### 2.5 Intangible fixed assets

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

Please refer to section 2.8 with regard to the determination of whether an intangible fixed asset is subject to an impairment.

#### Goodwill

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

#### VOBA

Value of business acquired (VOBA) represents the difference between the fair value on acquisition and the carrying amount of a portfolio of life insurance contracts acquired in the context of the acquisition of a business or portfolio. The VOBA is written down over 15 years on the basis of the duration of the life insurance contracts valid on the acquisition date, parallel to the estimated contribution to the results.

Until the 2012 financial year, the intangible fixed asset VOBA was only visible in PGGM N.V.'s consolidated financial statements. In PGGM N.V.'s separate financial statements, the VOBA was accounted for in the participation value of PGGM Levensverzekeringen N.V. As of the 2013 financial year, the VOBA was presented independently in PGGM N.V.'s separate financial statements under intangible fixed assets. The associated deferred taxes were accounted for in the same way. As a result of this change, the comparative figures for 2012

have been adjusted in both the consolidated and the separate financial statements.

### Computer software

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

## 2.6 Tangible fixed assets

### Land and buildings

Land and buildings are stated at current cost. At the time the asset is acquired or produced, it is stated at the acquisition price or at the cost of production.

Subsequently, it is recognised at the replacement cost or the lower value in use net of cumulative depreciation. If a decision is taken to sell tangible fixed assets, the value is recognised as the net realisable value.

Buildings are written down over their estimated economic life with a residual value of 20% of the replacement cost. The buildings are subdivided into the categories shells, completions and installations; and are depreciated to the aforementioned residual value in respectively forty, twenty-five and fifteen years. Land is not subject to depreciation.

The current cost is reviewed once every three years by means of a valuation carried out by a recognised external valuation expert.

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

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

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

### Buildings under development

Buildings under development are stated at current cost. Buildings under development are not subject to depreciation until they are in use.

### Plant and equipment

Plant and equipment are stated at the acquisition price net of cumulative depreciation.

Plant and equipment are subject to straight-line depreciation over their estimated economic life of five to ten years. The residual value is carried at zero.

### Other operating assets

Other operating assets include fixtures and fittings, 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 economic life of five to ten years. The residual value is carried at zero. Artworks are not subject to depreciation.

## 2.7 Financial fixed assets

### Participations where there could be a question of significant influence

Participating interests in group companies where significant influence can be exercised are stated in accordance with the net asset value method. Significant influence is assumed if 20% or more of the voting rights can be exercised.

The net asset value is calculated according to the principles that apply for these financial statements. If the valuation of a participating interest is negative according to the net asset value, it is valued at zero. A provision is created if and insofar as, in this situation, PGGM N.V. wholly or partially guarantees the participating interest's debts, or has the firm intention of enabling the participating interest to pay its debts.

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

Joint ventures are accounted for at their net asset value.

### Participations in which there is no question of significant influence

Participating interests in which no significant influence can be exercised are stated at acquisition price. If there is a question of impairment, the participating interest is stated at the realisable value (see section 2.8); the downward revaluation is recorded as an expense in the income statement.

## Receivables from participating interests

The receivables included under financial fixed assets are stated at the fair value of the amount provided, normally the face value, less any provisions deemed necessary.

## 2.8 Impairments of fixed assets

On every balance sheet date, PGGM N.V. determines whether a fixed asset may be subject to impairment. If this appears to be the case, the realisable value of the asset is determined. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs (the asset's cash-generating unit) is determined. An impairment applies if the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the net realisable value and value in use.

### Deferred taxes

Deferred tax assets are included for temporary differences between the value of the assets and liabilities according to tax regulations on the one hand and the accounting principles employed in these financial statements on the other. Deferred tax assets, on account of losses carried forward, are taken account of for the applicable periods. Deferred taxes are stated at face value. Deferred tax assets are calculated at the tax rates in effect at the end of the reporting year, or at the rates that are to apply in coming years, to the extent these have already been legally established.

### Derivatives

Derivatives are financial instruments embodied in contracts with a value dependent on one or more underlying primary financial instruments. Derivatives are carried at their fair value, whereby the value movements are accounted for in the income statement. The fair value of a derivative is based on a present value model. All derivatives are included as assets when their fair value is positive and as liabilities when their fair value is negative.

## 2.9 Investments for the account of insurers

### Loans, and bonds and debentures

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

### Deposits

Deposits are included at face value.

## Shares

Shares are stated at their fair value. Realised and unrealised gains and losses are accounted for in the result directly.

## 2.10 Investments for the account of policy holders

Investments for the account of policy holders are stated at their fair value. Realised and unrealised gains and losses are accounted for in the result directly.

## 2.11 Receivables, prepayments and accrued income

Receivables, prepayments and accrued income are accounted for at their face value. Where necessary, the receivables are reduced by a value adjustment for the risk of bad debts.

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

## 2.12 Provisions

### General

A provision is included in the balance sheet when there is any question:

- there could be a legal or constructive liability as a result of a past event; and,
- a reliable estimate can be made in respect of this liability; and
- it is probable that the settlement of that liability will require an outflow of funds.

If it is likely that (part of) the expenditure necessary to settle a provision will be reimbursed by a third party, either wholly or partially, when the provision is settled, the reimbursement is presented as a separate asset. The provisions are stated at the face value of the expenses that are expected to be necessary to settle the liability and losses.

### Provisions for insurers' risks

#### Life insurance

The provision for life insurance consists of the actuarial valuation of the future payment obligations increased by a mark-up for disbursement expenses (1% of the payment). The provision is stated in accordance with the net method on the basis of recent mortality tables (GBM/V 2005 - 2010 with - ages reduced by: -5/-5 (for new products

since 2003, steeper age adjustments apply for the risk of longevity (-7/-9)). The provision is net of the amount of interest rate discounts still to be written off. The interest rate discount granted is capitalised per annual instalment and written off on a straight-line basis over 11 years.

For the nominal pension due immediately, a discount is given on the purchase considerations to be paid equal to the difference between the expected interest income and the interest expense, increased by compensation for risk. The notional interest rate used is 4% for policies concluded before 1 August 1999 and 3% for policies concluded after 1 August 1999.

#### **Technical provision for profit-sharing**

On the basis of the policy terms, the provision for profit-sharing includes the amounts available for profit-sharing which have not, as yet, been added to individual policies.

### Other technical provisions

#### **Provision for result-sharing investment policies**

This provision is to compensate potential future differences between the expected actual return and the contractual return. The valuation relates to the present value of these return differences for investment policies which were concluded before 1 January 2008.

The provision has been determined in such a way that there is a 99.5% degree of assurance that the (potential) return differences for the remaining term of the investment policy can be absorbed. The (potential) return differences are converted to a present value at a discount rate of 3%.

#### **Provision for changes to the mortality assumptions**

This provision is formed for the purpose of:

- the conversion to future, new mortality tables (GBM/V);
- a potential transfer to a steeper reduction in age to cover the risk of longevity.

#### **Provision for gender neutrality**

This provision relates to specific products (and to a select group). Annually, the adequacy of the provision is assessed.

#### **Provision for profit-sharing supplementary pensions**

Annually 4% interest is added. This provision is written off on a straight-line basis over 20 years, the start date being 1 October 1994.

#### **Provision for administration costs of supplementary pensions**

This provision amounts to 2% of the non-contributory insured pensions during the term of the insurances which PFZW has transferred to PGGM Levensverzekeringen N.V.

Annually 4% interest is added. This provision is written off on a straight-line basis over 20 years, the start date being 1 October 1994.

#### **Provisions for occupational disability pensions**

A provision has been made for the possible return of premiums associated with occupational disability pensions.

#### **Provision for the coverage of costs**

The costs provision has been made to compensate for failure to cover any future costs.

The provision is calculated as the present value, given a 3% notional interest rate, of the expected shortfall due to failure to cover any future costs in the coming 30 years (until 2043).

#### **Provision for policy holders' risks**

This provision is stated at the fair value of the investments allocated to the policy holders.

#### **Deferred taxes**

Deferred tax liabilities are included for temporary differences between the value of the assets and liabilities according to tax regulations on the one hand and the accounting principles employed in these financial statements on the other. Deferred taxes are stated at face value. Deferred tax arrears are calculated at the tax rates in effect at the end of the reporting year, or at the rates that are to apply in coming years, to the extent these have already been legally established. Within the tax entity for corporation tax, deferred taxes are accounted for in the entity to which they relate. Within the PGGM group, corporation tax over the tax result is calculated per company. Ultimately, PGGM Coöperatie U.A. settles with the Tax and Customs Administration.

#### **Reorganisation provisions**

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

#### **Provision for anniversaries**

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

### Provision for onerous contracts

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

### Other provisions

The other provisions are stated at face value.

## 2.13 Determination of results

### Institutional management fees

These are payments from third parties which are received by virtue of service provision in the form of governance advice, pension management and investment management.

### Gross premium retail insurances

The premium charged is classified directly as revenue. In addition, for premiums which do not relate to the period, a provision is formed for unearned premiums.

### Insurers' expenses

These consist of the payments, provision movements, profit-sharing and discounts, outgoing reinsurance premiums and investment results for the account of policy holders. Payments, provision movements, profit-sharing and discounts are credited or, as the case may be, debited to the result in the period to which they relate. The valuation of the amount owed to reinsurers is made in accordance with the terms and conditions of the reinsurance contracts.

Liabilities by virtue of reinsurance are primarily the outstanding premiums for reinsurance contracts. These premiums are included as expenses in the period to which they relate.

### Costs of out-sourced work and other external expenses

The costs of outsourced work and other external costs consist of all the other external costs which are directly related to the primary administrative work for third parties.

### Investment results

Investment results consist of the direct investment income (interest) and the indirect investment income (the realised and unrealised revaluations) of investments for

the account of the insurers and policy holders. Both the interest and the realised and unrealised revaluations are attributed to the period to which they relate.

### Pension scheme

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

### Financial income and expenses

#### Interest income and expenses

PGGM N.V. and its subsidiaries account for interest income and expenses related to liquid assets as a consequence of PGGM N.V.'s interest set-off scheme. In the financial statements, the interest income and expenses are assessed per individual credit institution and, ultimately, the net position is presented as interest income or expense.

#### Share in the result of participating interests

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

#### 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.

## 3 Intangible fixed assets

	<b>Goodwill</b>	<b>VOBA</b>	<b>Software</b>	<b>Total</b>
<b>Balance as at 1 January 2012</b>				
Acquisition prices or production costs	67,872	18,453	37,846	124,171
Cumulative downward value adjustments and amortisation	-38,783	-6,505	-33,180	-78,468
<b>Carrying amount as at 1 January 2012</b>	<b>29,089</b>	<b>11,948</b>	<b>4,666</b>	<b>45,703</b>
<b>Movements in 2012</b>				
Investments	-	-	550	550
Amortisation	-9,696	-1,548	-3,284	-14,528
<b>Balance</b>	<b>-9,696</b>	<b>-1,548</b>	<b>-2,734</b>	<b>-13,978</b>
<b>Balance as at 31 December 2012</b>				
Acquisition prices or production costs	67,872	18,453	38,396	124,721
Cumulative downward value adjustments and amortisation	-48,479	-8,053	-36,464	-92,996
<b>Carrying amount as at 31 Dec. 2012</b>	<b>19,393</b>	<b>10,400</b>	<b>1,932</b>	<b>31,725</b>
<b>Movements in 2013</b>				
Investments	34,000	-	7,918	41,918
Amortisation	-9,696	-1,510	-6,432	-17,638
<b>Balance</b>	<b>24,304</b>	<b>-1,510</b>	<b>1,486</b>	<b>24,280</b>
<b>Balance as at 31 December 2013</b>				
Acquisition prices or production costs	101,872	18,453	46,314	166,639
Cumulative downward value adjustments and amortisation	-58,175	-9,563	-42,896	-110,634
<b>Carrying amount as at 31 Dec. 2013</b>	<b>43,697</b>	<b>8,890</b>	<b>3,418</b>	<b>56,005</b>
<b>Amortisation period</b>	<b>6-7 years</b>	<b>15 years</b>	<b>5 years</b>	

### Goodwill

The goodwill arose after the acquisition of the service provider by PGGM in 2008 and relates to the positive difference between the acquisition price and the assets and liabilities acquired. At the end of 2013, it appeared likely that the acquisition price would be subject to change. At the start of 2014, an additional amount was paid in relation to this acquisition.

Consequently, this amount was accounted for as a change in the acquisition price and capitalised. Goodwill is subject to straight-line amortisation on the basis of the useful economic life. The economic life of this goodwill has been determined as six years.

### Software

The investments relate to A&O's software which was transferred at the time of the acquisition of A&O. A statutory reserve has been formed in the equity for the capitalised costs of the internally developed software for, primarily, the back office systems for pension and investments administration. This reserve amounted to € 0.5 million as at 31 December 2013 (31 December 2012: € 0.5 million). The amortisation on internally developed software amounted to € 0.5 million in 2013 (2012: € 2.7 million).

## 4 Tangible fixed assets

	<b>Land and Buildings under buildings</b>	<b>development</b>	<b>Plant and equipment</b>	<b>Other operating- assets</b>	<b>Total</b>
<b>Balance as at 1 January 2012</b>					
Acquisition prices or production costs	122,092	458	3,211	12,895	138,656
Cumulative downward value adjustments and depreciation	-13,367	-	-928	-3,587	-17,882
<b>Carrying amount as at 1 January 2012</b>	<b>108,725</b>	<b>458</b>	<b>2,283</b>	<b>9,308</b>	<b>120,774</b>
<b>Movements in 2012</b>					
Investments	10,262	-	-	3,294	13,556
Completion of buildings under development	-5,873	-458	-	-	-6,331
Depreciation	-3,393	-	-352	-2,041	-5,786
Movement in replacement value	-479	-	-	-	-479
<b>Balance</b>	<b>517</b>	<b>-458</b>	<b>-352</b>	<b>1,253</b>	<b>960</b>
<b>Balance as at 31 December 2012</b>					
Acquisition prices or production costs	128,879	-	3,211	16,189	148,279
Cumulative downward value adjustments and depreciation	-19,637	-	-1,280	-5,628	-26,545
<b>Carrying amount as at 31 December 2012</b>	<b>109,242</b>	<b>-</b>	<b>1,931</b>	<b>10,561</b>	<b>121,734</b>
<b>Movements in 2013</b>					
Investments	-	-	-	3,605	3,605
Disposals	-671	-	-	-7	-678
Depreciation	-3,607	-	-328	-3,858	-7,793
<b>Balance</b>	<b>-4,278</b>	<b>-</b>	<b>-328</b>	<b>-260</b>	<b>-4,866</b>
<b>Balance as at 31 December 2013</b>					
Acquisition prices or production costs	128,208	-	3,211	19,787	151,206
Cumulative downward value adjustments and depreciation	-23,244	-	-1,608	-9,486	-34,338
<b>Carrying amount as at 31 December 2013</b>	<b>104,964</b>	<b>-</b>	<b>1,603</b>	<b>10,301</b>	<b>116,868</b>

### Depreciation period

Land and sites applies	: no depreciation
Buildings – shells	: 40 years
Buildings – completed	: 25 years
Buildings – building-based plant and equipment	: 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, both those completed as those under development. PGGM Coöperatie U.A. is the legal owner of both the land and buildings.

The sites and buildings were valued in 2012. The vacant building (and subsoil) at Laan Copes van Cattenburch 54 in The Hague was sold at the start of 2013.



## 5 Financial fixed assets

	<i>Participating interests</i>	<i>Deferred Taxes</i>	<i>Personnel mortgages</i>	<i>Financial instruments</i>	<i>Total</i>
<b>Balance as at 1 January 2012</b>	<b>103</b>	<b>17,748</b>	-	<b>18,552</b>	<b>36,403</b>
<b>Movements in 2012</b>					
Investments	1,461	-	-	-	1,461
Disposals	-	-	-	-18,552	-18,552
Value changes	-	-1,184	-	-	-1,184
<b>Balance as at 31 December 2012</b>	<b>1,564</b>	<b>16,564</b>	-	-	<b>18,128</b>
<b>Movements in 2013</b>					
Investments	746	-	396	-	1,142
Value changes	-1,461	3,576	-	-	2,115
<b>Balance as at 31 December 2013</b>	<b>849</b>	<b>20,140</b>	<b>396</b>	-	<b>21,385</b>

As at the end of the financial year, the only participating interests was the capital interest in Sustainalytics Holding B.V. Halfway through 2013, the capital interest was increased from 6.41% to 10%. This involved a participating interest in which there is no question of significant influence.

In 2013, PGGM N.V. acquired the remaining shares in DPFS. Consequently, DPFS became a subsidiary of PGGM N.V. and DPFS was also fully consolidated. At the end of 2013, DPFS was no longer a participating interest.

The deferred tax claim is entirely related to temporary fiscal and commercial valuation differences.

Personnel mortgages are mortgage loans issued to members of the personnel of A&O Services B.V. The remaining period of the personnel mortgages varies from 3 to 13 years.

## 6 Investments for the account of the insurers

	<b>Loans</b>	<b>Bonds and debentures</b>	<b>Deposits</b>	<b>Shares</b>	<b>Total</b>
<b>Balance as at 1 January 2012</b>	<b>7,726</b>	<b>207,893</b>	<b>49,700</b>	<b>79,205</b>	<b>344,524</b>
<b>Movements in 2012</b>					
Purchases and advances	-	42,398	149,000	320	191,718
Sales and repayments	-4,535	-20,000	-198,700	-56,659	-279,894
Value changes	-	-	-	6,001	6,001
Amortisation share premium and discount	6	25	-	-	31
<b>Balance</b>	<b>-4,529</b>	<b>22,423</b>	<b>-49,700</b>	<b>-50,338</b>	<b>-82,144</b>
<b>Balance as at 31 December 2012</b>	<b>3,197</b>	<b>230,316</b>	<b>-</b>	<b>28,867</b>	<b>262,380</b>
<b>Movements in 2013</b>					
Purchases and advances	-	29,184	30,000	38,457	97,641
Sales and repayments	-2,698	-13,625	-30,000	-5,226	-51,549
Value changes	-	-	-	4,138	4,138
Amortisation share premium and discount	4	-130	-	-	-126
<b>Balance</b>	<b>-2,694</b>	<b>15,429</b>	<b>-</b>	<b>37,369</b>	<b>50,104</b>
<b>Balance as at 31 December 2013</b>	<b>503</b>	<b>245,745</b>	<b>-</b>	<b>66,236</b>	<b>312,484</b>
<b>Fair value</b>					
31 December 2012	3,486	264,820	-	28,867	297,173
31 December 2013	602	270,227	-	66,236	337,065

The fair value is calculated by increasing the market value of the funds by the interest to be claimed on the balance sheet date. On the basis of the repayment dates, the remaining contractual period of the loans, and bonds and debentures is:

	<b>&lt; 1 year</b>	<b>1-5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Loans	-	503	-	503
Bonds and debentures	16,027	131,121	98,597	245,745
<b>Balance</b>	<b>16,027</b>	<b>131,624</b>	<b>98,597</b>	<b>246,248</b>
<b>Bonds and debentures</b>				
			<b>31 December 2013</b>	<b>31 December 2012</b>
Fixed-interest rate bonds and debentures			227,528	213,123
Bonds and debentures at zero percent interest (zeros)			18,217	17,193
<b>Total</b>			<b>245,745</b>	<b>230,316</b>

The creditworthiness of the bonds and debentures can be depicted as follows:

	<b>31 December 2013</b>	<b>31 December 2012</b>
AAA rating	121,933	121,845
AA rating	69,567	83,833
BBB rating	-	7,003
No rating	54,245	17,635
<b>Total</b>	<b>245,745</b>	<b>230,316</b>

The regional distribution of the bonds and debentures can be depicted as follows:

	<b>31 December 2013</b>	<b>31 December 2012</b>
The Netherlands	91,689	91,265
Germany	66,296	37,442
Austria	28,700	29,141
Finland	22,089	26,897
France	23,743	22,903
Belgium	13,228	15,665
Spain	-	7,003
<b>Total</b>	<b>245,745</b>	<b>230,316</b>

## 7 Investments for the account of policy holders

	<b>2013</b>	<b>2012</b>
<b>Balance as at 1 January</b>	<b>80,521</b>	<b>92,314</b>
<b>Movements</b>		
Sales and repayments	-9,477	-23,057
Value changes	6,727	11,264
<b>Balance as at 31 December</b>	<b>77,771</b>	<b>80,521</b>

The investments for the account of policy holders only relate to participating interests in PGGM Institutional Mix Fund. At the end of the financial year, the distribution was:

	<b>31 December 2013</b>	<b>31 December 2012</b>
Shares	42%	40%
Fixed-income securities	37%	38%
Real estate	12%	14%
Liquid assets	2%	1%
Commodities	7%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## 8 Receivables

	<b>31 December 2013</b>	<b>31 December 2012</b>
Accounts receivable	38,588	30,836
Still to be invoiced	8,954	23,493
Accrued interest	4,348	4,329
Receivables from the shareholder	4,300	1,600
Receivables from direct insurance to policy holders	31	35
Other receivables, prepayments and accrued income	4,614	3,703
<b>Total</b>	<b>60,835</b>	<b>63,996</b>

The remaining duration of the receivables is less than 1 year.

### Accounts receivable

Accounts receivable consists primarily of amounts invoiced to institutional clients for investment management and governance support.

### Still to be invoiced

Amounts still to be invoiced as of 31 December 2013 relate to amounts still to be charged to investment funds and institutional clients.

### Accrued interest

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

### Receivables from the shareholder

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

## 9 Liquid assets

The liquid assets relate to credit balances which are held in Dutch credit institutions.

As of 31 December 2013, all the credit balances are immediately due and can be disposed of freely.

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

Consequently, the balance of these bank accounts is not accounted for in the financial statements of PGGM Treasury B.V.

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 PGGM Treasury B.V.

## 10 Equity

The equity is further explained in the notes to the balance sheet of the separate annual accounts.

## 11 Provisions for insurers' risks

	1 January 2013	Contributions	Withdrawals	31 December 2013
Unearned life premiums	35	-	-8	27
Life insurance	274,037	30,501	-49,203	255,335
Other technical provisions	18,680	11,829	-1,188	29,321
<b>Technical provisions life</b>	<b>292,752</b>	<b>42,330</b>	<b>-50,399</b>	<b>284,683</b>
Gross claims payable	6,009	-	-6,009	-
Share of reinsurer	-2,521	-	2,521	-
<b>Claims for own expense payable</b>	<b>3,488</b>	<b>-</b>	<b>-3,488</b>	<b>-</b>
Profit-sharing	475	-	-475	-
Share of reinsurer	-236	-	236	-
<b>Profit-sharing own account</b>	<b>239</b>	<b>-</b>	<b>-239</b>	<b>-</b>
<b>Technical provision for claims</b>	<b>3,727</b>	<b>-</b>	<b>-3,727</b>	<b>-</b>
<b>Total technical provision</b>	<b>296,479</b>	<b>42,330</b>	<b>-54,126</b>	<b>284,683</b>

### Other technical provisions

Changes to the other technical provisions are as follows:

	1 January 2013	Contributions	Withdrawals	31 December 2013
Provision for result-sharing investment policies	16,359	799	-1,009	16,149
Provision for changes to the mortality assumptions	1,310	690	-	2,000
Provision for gender neutrality	691	-	-2	689
Provision for profit-sharing supplementary pensions	239	-	-132	107
Provision for administration costs of supplementary pensions	81	-	-45	36
Provisions for the coverage of costs	-	10,340	-	10,340
<b>Total other technical provisions</b>	<b>18,680</b>	<b>11,829</b>	<b>-1,188</b>	<b>29,321</b>

### Provision for the coverage of costs

As a result of the choice of run-off scenario by PGGM Levensverzekeringen N.V., there is a provision to compensate for failure to cover any future costs.

The provision is calculated as the present value, given a 3% notional interest rate, of the expected shortfall due to failure to cover any future costs in the coming 30 years (until 2043).

Provision for result-sharing investment policies

	2013	2012
<b>Balance as at 1 January</b>	<b>16,359</b>	<b>17,725</b>
Recalculation of the market value/fund developments	-1,009	-2,718
Update parameters/methodology	799	1,352
<b>Balance as at 31 December</b>	<b>16,149</b>	<b>16,359</b>

In the other technical provisions, the provision for result-sharing is accounted for in the investment policies. The provision is to compensate potential future differences between the expected actual return and the contractual return. The valuation relates to the present value of the return differences for investment policies concluded before 1 January 2008. These provisions are predominantly long-term.

## 12 Provision for policy holders' risks

	2013	2012
<b>Balance as at 1 January</b>	<b>80,521</b>	<b>92,314</b>
Contributions	-	1,032
Withdrawals	-9,477	-20,553
Technical results	-	-14
Value changes	6,727	7,742
<b>Balance as at 31 December</b>	<b>77,771</b>	<b>80,521</b>

These provisions are predominantly long-term.

### Liability adequacy test provision for life insurance

	31 December 2013	31 December 2012
Expected value outcome	343,833	379,304
Risk margin	13,125	12,682
Testing provision	356,958	391,986
Provisions for the risks of insurers and policy holders	362,454	373,273
	<b>5,496</b>	<b>-18,713</b>
Surplus value investments	20,202	29,962
<b>Surplus</b>	<b>25,698</b>	<b>11,249</b>

The liability adequacy test demonstrates that PGGM Levensverzekeringen N.V. does not need to form any other provisions to be able to fulfil its insurance liabilities.

The determination of the testing provision is linked to the Wft (taking account of future Solvency II legislation). This current valuation of the liabilities means the provision is stated as a best estimate using the DNB's prescribed interest rate structure, including the risk margin to be retained.

## 13 Tax provisions

	<b>Total</b>
<b>Balance as at 1 January 2012</b>	<b>4,393</b>
<b>Movements in 2012</b>	
Contributions	1,014
Release	-736
<b>Balance as at 31 December 2012</b>	<b>4,672</b>
<b>Movements in 2013</b>	
Contributions	4,029
Release	-590
<b>Balance as at 31 December 2013</b>	<b>8,111</b>

The deferred tax liability relates to the temporary fiscal and commercial value differences of VOBA, the land and buildings, investments for the account of the insurers and claims on third parties.

These provisions are predominantly long-term.

## 14 Other provisions

	<i>Reorganisations</i>	<i>Anniversaries</i>	<i>Other</i>	<i>Total</i>
<b>Balance as at 1 January 2012</b>	<b>1,819</b>	<b>835</b>	<b>9,822</b>	<b>12,476</b>
<b>Movements in 2012</b>				
Contributions	528	318	10,514	11,360
Withdrawals	-1,836	-137	-7,085	-9,058
Release	-19	-31	-1,361	-1,411
<b>Balance as at 31 December 2012</b>	<b>492</b>	<b>985</b>	<b>11,890</b>	<b>13,367</b>
<b>Movements in 2013</b>				
Contributions	6,208	587	10,096	16,891
Withdrawals	-536	-98	-8,838	-9,472
Release	-15	-39	-1,299	-1,353
<b>Balance as at 31 December 2013</b>	<b>6,149</b>	<b>1,435</b>	<b>11,849</b>	<b>19,433</b>

These provisions are predominantly long-term.

### Provision for reorganisations

The provision for reorganisations includes items which relate to individual trajectories. The increase in the provision relates to the reorganisation at A&O.

### Other provisions

The other provisions primarily relate to the provision for the buyout of a rental contract with no associated economic benefits, project costs associated with the transition of A&O to PGGM N.V. and incentives.

## 15 Long-term subordinated debt

The long-term subordinated loan was provided by PGGM Coöperatie U.A. on 31 December 2008. The interest was set at 5.011% per year for the entire period of the loan.

Halfway through 2013, the long-term subordinated loan was repaid in full.



## 16 Current liabilities

	<b>31 December 2013</b>	<b>31 December 2012</b>
Fees from institutional clients received in advance	28,781	30,015
Taxes and social security contributions	8,851	7,518
Accounts payable	7,875	7,318
Advance/arrears insurance company premiums	2,738	2,738
Liabilities from direct insurance to policy holders	499	559
Negative goodwill	368	-
Personnel savings scheme	-	251
Other liabilities, accruals and deferred income	68,844	28,569
<b>Total</b>	<b>117,956</b>	<b>76,968</b>

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

### Fees from institutional clients received in advance

The fees received in advance largely relate to invoices for work undertaken for institutional clients in the first quarter of 2014; this work involved governance advice, pension management and investment management.

### Taxes and social security contributions

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

### Negative goodwill

Negative goodwill arose when the shares in A&O were acquired. This negative goodwill relates to the expected future losses and expenses which were taken account of in the acquisition plan. The negative goodwill will be credited to the income statement as and when these losses and expenses occur.

### Other liabilities, accruals and deferred income

The item other liabilities, accruals and deferred income primarily consists of amounts payable, reserves for holiday days, bonuses for personnel and interest payments. The increase compared to 2012 is primarily due to the outstanding goodwill payment.

## 17 Off-balance-sheet assets and liabilities

### Credit facility PFZW

PGGM N.V. has a credit facility with PFZW. For the credit facility drawn on, PGGM N.V. pays interest equal to EURIBOR plus 50 base points. The maximum of the total credit facility is € 150 million.

The credit facility was entered into on 1 January 2008 for an indefinite period. No repayment arrangement was agreed. During 2013, PGGM made no use of this credit facility.

### Liability of a tax entity

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

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

### Operational lease liability

The operational lease liability relates to lease cars provided to the personnel. The liability runs until 2016. As at 31 December 2013, the total liability amounted to € 6.1 million (2012: € 5.4 million). An amount of € 2.6 million is payable within one year.

### Maintenance liability - buildings

This total liability amounted to € 2.5 million as at 31 December 2013 (31 December 2012: € 3.2 million). The liability runs until 2016. An amount of € 2.4 million is payable within one year.

### Maintenance liability - hard and software

This total liability amounted to € 10.7 million as at 31 December 2013 (31 December 2012: € 15.6 million). The liability runs until 2016. An amount of € 5.0 million is payable within one year.

### Commitments

PGGM Vermogensbeheer B.V. has given commitments to AlInvest Partners N.V. for the period 2011-2015; one reason being to make private equity investments possible for institutional clients in PGGM's fund structure.

This commitment is supported by one institutional client guaranteeing the entire commitment to PGGM Vermogensbeheer B.V.

Off-balance sheet assets and liabilities contain no liabilities with a duration in excess of five years.

# 18 Revenue

## Institutional management fees

	2013	2012
Management fees for service provision	128,154	125,266
Management fees investment funds	115,728	103,381
Other revenue	671	786
<b>Total</b>	<b>244,553</b>	<b>229,433</b>

### Management fees for service provision

Institutional clients are charged a management fee for the provision of governance advice, as well as pension and investment management.

In general, the fees for governance advice and pension management are based on a fixed amount for each standard, insured person. The fees for investment management involve a fee for integral investment management. The fees for integral investment management are primarily based on a fixed fee each year.

The increase in management fees for service provision is attributable to a new client.

### Management fees investment funds

The management fees for investment funds relate to the fees for investment and fund management charged on the basis of an agreed contract with the various investment funds under the collective name PGGM Alternative Funds, PGGM Pooled Asset Funds, PGGM Vintage Funds, PGGM Beleggingsfonds and PGGM MC Funds.

As a result of the merger between Fondsenbeheer and Vermogensbeheer, Fondsenbeheer's management activities in respect of the funds described above are now carried out by Vermogensbeheer.

The management fee relates to a fee for each fund in base points calculated over the invested assets of the relevant funds. At PGGM Vintage Funds, the management fee for the first three years consists of a fee for each fund in base points over the commitment to the relevant fund. After the first three years, the fee will be based on the lower of the invested capital or the market value of the actual investments.

The increase in the management fee is mainly due to the inflow of new assets. The assets invested in managed funds amounted to € 84.2 million as at 31 December 2013 (31 December 2012: € 76.7 million).

## Gross premium retail insurances

	2013	2012
<b>Life insurance:</b>		
- insurers' risks	10,823	24,070
policy holders' risks	1,007	1,305
- share of reinsurers	-318	-298
- movement in technical provisions unearned premiums	8	6
	<b>11,520</b>	<b>25,083</b>
<b>General insurance:</b>		
- share of reinsurers	379	2,127
	7	-925
	<b>386</b>	<b>1,202</b>
<b>Total</b>	<b>11,906</b>	<b>26,285</b>

The gross premiums relate to insurance agreements agreed in the Netherlands exclusively.

The fall in the premium income from the life insurance portfolio is due to discontinuing sales, actively and passively.

As a result of the sale of the general portfolio in 2013, the premium income fell.

## Other retail revenue

	2013	2012
Retail investment funds management fees	357	519
Other retail revenue	88	-
<b>Total</b>	<b>445</b>	<b>519</b>

### Retail investment funds management fees

The investment funds management fees relate to the management fee Vermogensbeheer charges to the retail funds, primarily PGGM Beleggingsfondsen and PGGM Institutional Mix Fund.

PGGM Beleggingsfondsen offers investment variants of the life-course plan to employees in the health and care sector and their partners.

The PGGM Institutional Mix Fund is an institutional fund established for the benefit of PGGM Levensverzekeringen N.V. and its policy holders. This fund is expected to be discontinued in 2014, and PGGM Levensverzekeringen N.V. will participate in the underlying funds directly.

## 19 Insurers' expenses

	2013	2012
<b>Insurance payments:</b>		
- insurers' risks	31,956	33,222
- policy holders' risks	8,668	7,402
	<b>40,624</b>	<b>40,624</b>
Movement in provisions for life insurance	-8,069	6,013
Movement in provisions for general insurance	-6,484	866
<b>Movement in provisions for insurers</b>	<b>-14,553</b>	<b>6,879</b>
Movement in unearned premiums	8	6
Other technical income and expenses	6,929	94
Policy holders' risks:		
- Investment results	-6,727	-11,264
- Movement in provisions	-2,750	-11,793
<b>Total</b>	<b>23,531</b>	<b>24,546</b>

The insurance portfolio of PGGM Schadeverzekeringen was sold on 1 April 2013 with retrospective effect to 1 January 2013. In line with this, the reinsurance contract was sold on the same date.

The financial consequences of the transfer of the insurance portfolio and the termination of the reinsurance contract are accounted for under other technical income and expenses. Corresponding to this is the release from the provision.

## 20 Costs of out-sourced work and other external costs

	2013	2012
External personnel	20,810	17,971
Consultancy fees	8,622	7,734
Outsourcing of life-course plan administration	-131	3,094
<b>Total</b>	<b>29,301</b>	<b>28,799</b>

## 21 Employee expenses

	2013	2012
Salaries	106,535	89,025
Pension costs	15,557	12,672
Social security costs	10,829	10,086
Other employee expenses	9,887	13,649
<b>Total</b>	<b>142,808</b>	<b>125,432</b>

On the basis of fulltime equivalents, the average number of employees during the year was as follows:

	2013	2012
Investments management	364	297
Pension Management	313	278
ICT, Facilities, Finance & Control	233	222
Relations & Communication	168	178
Institutional Business	114	102
Corporate staff	85	77
Continuous Improvement and Rabo PGGM PPI	12	11
A&O	178	-
<b>Total</b>	<b>1,467</b>	<b>1,165</b>

The average number of employees increased due to A&O and DPFS employees joining PGGM and to the PGGM organisation growing.

The DPFS employees joined PGGM N.V. as of 1 April 2013.

At the end of 2013, the A&O employees were still employed by A&O.

### PGGM N.V.'s employees pension scheme

PGGM N.V.'s employees pension scheme is incorporated in 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 to be paid to the pension fund is accounted for as an expense in the income statement, and to the extent the premium has not been fully paid to the pension fund, it is accounted for as a liability in the balance sheet.

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

### Pension scheme for the DPFS employees

Until 1 April 2013, the pension scheme for the DPFS employees was an average salary scheme, whereby the claims of the active participants were adjusted in line with the general wage developments while the effective pensions and the rights of deferred members were conditionally index-linked pensions (with a maximum). The employer's contribution to the costs of the pension scheme is subject to a maximum. The DPFS scheme qualifies as a defined benefit pension scheme.

As of 1 April 2013, the DPFS employees become employees of PGGM N.V. Since that date, these employees have participated in PGGM N.V.'s pension scheme.

### Pension scheme for the A&O Services employees

Until 31 December 2013, the pension scheme of A&O's employees was administered by Stichting Pensioenfonds A&O Services (hereinafter: OPF A&O). Since 1 January 2014, the pensions accrued by the A&O employees have been transferred to the PFZW industry-wide pension fund. In 2014, via a collective value transfer, the accrued pension claims and retirement benefits as at 31 December 2013 are to be transferred to the PFZW industry-wide pension fund with retrospective effect to 31 December 2013. Subsequently, the OPF A&O will be liquidated.

Due to the intended collective value transfer, all OPF A&O's investments were sold at the end of 2013. The available assets including the extra contribution from the former shareholder are expected to be sufficient to pay the purchase consideration of the industry-wide pension fund PFZW.

### Remuneration of executive and supervisory directors

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

	2013			2012			Total
	Fixed remuneration.	Pension and social security costs	Total	Fixed remuneration.	Pension and social security costs	Variable remuneration.	
E.F. Bos	406	65	472	315	75	67	457
P.A.M. Loven	362	67	429	322	70	58	450
M.J. van Rijn (until 5 November 2012)	-	-	-	342	73	-	415
<b>Total</b>	<b>768</b>	<b>133</b>	<b>901</b>	<b>979</b>	<b>218</b>	<b>125</b>	<b>1,322</b>

The Executive Board's variable remuneration was discontinued at the start of 2013. The total remuneration of the EB members and former members does not include a crisis levy of € 87,589.

Each member of the Supervisory Board receives an annual fee of €27,694 (2012: € 27,501). The chair receives a fee of € 32,034 (2012: € 31,811). These fees include travel expenses and work undertaken for the Audit Committee and the Remuneration Committee, and are exclusive of VAT. As of 1 January 2013, fees paid to supervisory directors are to be subject to VAT, consequently, VAT is due on these fees.

In 2013, the total remuneration of the Supervisory Board was € 170,504, exclusive of VAT (2012: € 176,396).

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

## 22 Depreciation/amortisation of tangible and intangible fixed assets

	2013	2012
Intangible fixed assets	14,516	14,528
Tangible fixed assets	4,934	5,787
<b>Total</b>	<b>19,450</b>	<b>20,315</b>

## 23 Other operating expenses

	<b>2013</b>	<b>2012</b>
Accommodation costs	9,890	5,469
IT costs	9,234	7,962
Marketing expenses	10,141	9,630
Other expenses	14,404	31,876
<b>Total</b>	<b>43,669</b>	<b>54,937</b>

### Accommodation costs

The increase in accommodation costs are mainly due to the costs associated with buying out the rental contract of the premises in Rijswijk and Rijnsweerd. In addition, maintenance work was carried out on the premises in Zeist in 2013.

### Other expenses

In 2012, the other expenses were higher due to a number of incidental expenses.

## 24 Investment results

Direct revenue	92	318
<b>Total borrowings</b>	<b>92</b>	<b>318</b>
Direct revenue	9,276	8,235
<b>Loans and debentures total</b>	<b>9,276</b>	<b>8,235</b>
Direct revenue	-8	90
<b>Deposits total</b>	<b>-8</b>	<b>90</b>
Direct revenue	374	461
Indirect revenue	4,137	6,001
<b>Shares total</b>	<b>4,511</b>	<b>6,462</b>
Direct revenue	9,734	9,104
Indirect revenue	4,137	6,001
<b>Total</b>	<b>13,871</b>	<b>15,105</b>



## 25 Financial income

	2013	2012
Value movement financial instruments	-	4,210
Other financial income	186	120
<b>Total</b>	<b>186</b>	<b>4,330</b>

## 26 Financial expenses

	2013	2012
Futures	-	-9,574
Other financial expenses	-1,420	-3,902
<b>Total</b>	<b>-1,420</b>	<b>-13,476</b>

### Futures

As a consequence of terminating the intermediary activities at the end of November 2012, PGGM's interest rate and investment risks ceased to exist. Consequently, the futures contract was terminated at the start of December 2012.

### Other financial expenses

The other financial expenses relate primarily to the interest on the long-term subordinated loan with PFZW. Due to the repayment of this loan, the interest expense fell in 2013.

## 27 Taxes

	2013	2012
Acute tax expense	3,261	580
Change in deferred tax assets	-3,576	1,183
Change in deferred tax liabilities	3,636	365
<b>Total</b>	<b>3,321</b>	<b>2,128</b>
Nominal tax liability	25.00%	25.00%
Non-taxable revenue and costs	5.80%	1.10%
<b>Effective tax liability</b>	<b>30.80%</b>	<b>26.10%</b>

The effective tax burden deviates from the nominal tax burden due to non-deductible costs associated with the acquisition of DPFS and A&O.

## 28 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.

### Stichting Rabo PGGM Premiepensioeninstelling (Rabo PGGM Premium Pension Institution Foundation)

In 2012, PGGM N.V. and Coöperatieve Centrale Raiffeissen-Boerenleenbank B.A. (hereinafter: Rabobank) jointly incorporated the Stichting Rabo PGGM Premiepensioeninstelling (hereinafter: Rabo PGGM PPI).

Rabo PGGM PPI is independent and de facto separate from the incorporators. Both PGGM N.V. and Rabobank provided start up capital to Rabo PGGM PPI. PGGM N.V. is entitled to appoint half of the executive board members of Rabo PGGM PPI on the basis of a binding list of nominations. Two of the four board members of Rabo PGGM PPI are appointed by PGGM and are, moreover, from PGGM N.V. On these grounds, Rabo PGGM PPI is a party related to PGGM N.V.

In addition to the capital contribution, PGGM N.V. guaranteed to finance the costs of Rabo PGGM PPI. Apart from the above, PGGM N.V. has no other (financial) obligations vis-à-vis Rabo PGGM PPI.

The purpose of the PGGM N.V.'s capital contribution to Rabo PGGM PPI was to provide start-up capital; it was not intended to finance Rabo PGGM PPI for its own account and risk. Nor is the capital contribution intended for the benefit PGGM N.V.'s own operations. Given, the purpose of the capital contribution, Rabo PGGM PPI does not qualify as a participating interest on the basis of RJ 214.202 (RJ = the Dutch Accounting Standards Board). Moreover, Rabo PGGM PPI is not consolidated in PGGM N.V.'s financial statements.

In 2013, PGGM N.V. made € 0.5 million supplementary capital available to Rabo PGGM PPI. This capital contribution is accounted for as other operating expenses, as there are no associated financial payments.

On the grounds of the service provision agreement between PGGM Pensioenbeheer B.V. and Rabo PGGM PPI, PGGM Pensioenbeheer accounted for revenue of € 0.4 million.

# Technical account



*Voor een waardevolle toekomst*

# PGGM Levensverzekeringen N.V.

(all amounts are in thousands of euros)

	<b>2013</b>	<b>2012</b>
Gross premiums	11,838	25,375
Outgoing reinsurance premiums	-318	-298
Investment income		
• Insurers' risks	12,525	14,359
• Policy holders' risks	6,727	11,264
Benefit payments, own account	-40,738	-40,506
Share reinsurer	188	75
Changes to technical provisions		
• For account of insurers	10,918	5,927
• For profit-sharing	-	5
Profit-profit sharing and discounts	-109	-153
Operating expenses	-2,213	-2,385
Other technical income for own account	56	-
<b>Total</b>	<b>-1,126</b>	<b>13,663</b>
Investment income allocated to the non-technical account	-1,913	-2,775
<b>Technical account result PGGM Levensverzekeringen N.V.</b>	<b>-3,039</b>	<b>10,888</b>

(all amounts are in thousands of euros)

	<b>2013</b>	<b>2012</b>
Gross premiums	379	2,127
Outgoing reinsurance premiums	7	-925
Investment income	-	61
Gross claims	-74	-224
Movement in the provision gross claims payable	6,484	-1,780
Share reinsurer	-	946
Operating expenses	-371	-457
Other technical income for own account	72	89
Other technical expenses for own account	-6,999	-179
<b>Technical account result PGGM N.V.</b>	<b>-502</b>	<b>-342</b>

The insurance portfolio of PGGM Schadeverzekeringen (general insurance) was sold on 1 April 2013 with retrospective effect to 1 January 2013. In line with this, the reinsurance contract was sold on the same date.

The financial consequences of the transfer of the insurance portfolio and the termination of the reinsurance contract are accounted for under other technical income and expenses. Corresponding to this is the release from the provision.

# Risk management

Within the PGGM group, a risk management policy has been established in response to the new legislation and regulations and the more stringent requirements imposed by the supervisory authorities in this respect. In this context, DNB and AFM require the institutions subject to supervision to have adequate procedures enabling them to recognise, assess, control and, when necessary, direct the risks.

For these activities, PGGM N.V. adheres to the PGGM risk framework (parameters, guidelines, methods and techniques) drawn up by PGGM N.V.'s central department Corporate Risk & Compliance; this framework is applicable to the whole PGGM group. The PGGM risk framework is a model which, in a structured way, enables transparency, monitoring and reporting of the operational risks. Examples of these risks are implementation risks, information risks, IT, information security and the risk of fraud. On this basis, the Operational Risk Management department compiles a report to be discussed in and adopted by PGGM's Risk Committee. This report is discussed in the PGGM Corporate Risk & Compliance Committee each quarter.

The method is a dynamic process: the approach is to ensure all relevant risks are (still) clearly visible and adequate control measures have been taken. PGGM N.V. runs an operational risk when carrying out its activities. There is always a risk that PGGM N.V. will suffer losses due to a lack of insight, control and/or quality of the activities outsourced to PGGM N.V. by clients. To this end, an adequately functioning AO/IC has been implemented. Moreover, a corporate liability insurance has been concluded.

PGGM N.V.'s principal risks in 2013 were: collaborative ventures, governance, projects, image/reputation, information security & fraud as well as tax, legal & compliance. These are risks which have no direct financial impact on PGGM and are explained in greater detail in the sections 'Risk Management' and 'In Control Statement' in the Annual Report. In addition, PGGM N.V. recognised the following specific risks:

## Solvency risk

PGGM N.V. is subject to the provisions of the Wft. PGGM N.V. is deemed a financial conglomerate. PGGM N.V. is a mixed financial holding company. Under this act, requirements are placed on capital adequacy. PGGM has opted to use the method of consolidated financial statements, whereby the capital adequacy is calculated on the basis of the difference between the equity of the financial conglomerate and the sum of the solvency requirements of the groups divisions. On this basis, PGGM N.V. complies with the statutory requirements.

The supervisory authorities have imposed a solvency requirement on PGGM Levensverzekeringen N.V. and PGGM Vermogensbeheer B.V.

The existing solvency position and the required solvency of PGGM Levensverzekeringen N.V. is shown below.

<b>Solvency</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
Existing	67,752	68,596
Statutory requirement	17,695	18,763
<b>Surplus</b>	<b>50,057</b>	<b>49,833</b>

The existing solvency position and the required solvency of PGGM Vermogensbeheer is shown below.

<b>Solvency</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
Existing	45,404	39,472
Statutory requirement	22,500	23,422
<b>Surplus</b>	<b>22,904</b>	<b>16,050</b>

## Market risk

The market risk is the price risk of a fall in the value of the investments due to a change in market factors. Market factors are, for example, market price, exchange rates and interest rates. PGGM N.V. has no direct investments in marketable securities which run price risks. However, indirectly, via participations in PGGM Institutional Mix Fund, PGGM N.V. is exposed to price risks.

The effect on the existing solvency margin of the share risk and the real estate risk, as calculated in accordance with the Wft's theoretical solvency criterion, is shown in the following table:

	<i>Value before the shock</i>	<i>Total effect on the existing solvency margin</i>
Share risk	30,998	-16,422
Real estate risk	8,743	-2,186
<b>Total</b>	<b>39,741</b>	<b>-18,608</b>

## Currency risk

The currency risk is the risk that the value of an investment will fall as a result of changes in exchange rates. In accordance with PGGM N.V.'s investment policy, the currency risks in respect of PGGM Institutional Mix Fund are fully hedged. In addition, both the insurer's liabilities to policy holders and the fixed-interest portfolio are quoted in euros. Consequently, there is no currency risk.

## Interest rate risk

The interest rate risk is the risk that the balance of the value of bonds, debentures, loans and insurance liabilities changes as a result of changes in market rates. As yet, the interest rate risk only has limited visibility in the balance sheet, as bonds, debentures and loans are stated at their amortised value and the provisions are determined on the basis of a fixed notional interest rate. Only substantial changes in the market rate will cause the adequacy test to be negative making it necessary for an extra provision to be formed. The effect on the existing solvency margin of the interest rate risk, as calculated in accordance with the Wft's theoretical solvency criterion, is shown in the following table:

	<i>Value before the shock</i>		<i>Total effect on the existing solvency margin</i>
	<i>Assets</i>	<i>Liabilities</i>	
Decline in the interest rate risk	297,317	279,846	-17,574
Increase in the interest rate risk	297,317	279,846	11,536

## Credit risk

The credit risk is defined as the risk that counterparties are unable to fulfil their contractual obligations. This relates to accounts receivable, loans, bond, debentures and deposits.

In respect of the bad debts risk, this primarily relates to the management fees due which are laid down in the Service Level Agreements between the parties. Given PGGM N.V. provides services to pension funds, the risk as a consequence of bankruptcy is low. In addition, the credit risk is controlled with the help a strict accounts receivable policy.

PGGM N.V. limits the credit risk of the loans, bonds, debentures and deposits by imposing requirements on the credit worthiness of its counterparties; at least an AA-rating.

## Liquidity risk

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

Within this amount of € 150 million, PGGM Levensverzekeringen N.V. included half of the not paid up part of the subscribed share capital (liability) in the determination of PGGM Levensverzekeringen N.V.'s solvency capital. To this end, PGGM N.V. is - for an indefinite period - obliged to separate the entire liability of € 13.6 million in the existing credit facility between PGGM N.V. and PFZW and deposit the liability at the request of PGGM Levensverzekeringen N.V.

## Insurance risk

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An actuarial risk arises in connection to the adequacy of the insurance premiums and provisions for insurance liabilities. The maximum insurance risk is limited by exclusions, rate mark-ups and medical declarations. The portfolio comprises both long-term and short-term products. In the principles governing the provision, account is taken of the risk of longevity. The short-term risk is partially reinsured.



# Separate financial statements

## 2013



*Voor een waardevolle toekomst*

# Separate balance sheet As at 31 December 2013

(before appropriation of result)

(all amounts are in thousands of euros)

	<i>Ref.</i>	<b>31 December 2013</b>	<b>31 December 2012*</b>
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible fixed assets	<b>29</b>	54,336	31,237
Tangible fixed assets		116,296	121,009
Financial fixed assets	<b>30</b>	138,457	143,778
<b>Total fixed assets</b>		<b>309,089</b>	<b>296,024</b>
<b>Investments</b>			
Investments for the risk of insurers		-	6,771
<b>Total investments</b>		<b>-</b>	<b>6,771</b>
<b>Current assets</b>			
Receivables	<b>31</b>	24,952	38,198
<b>Total current assets</b>		<b>24,952</b>	<b>38,198</b>
<b>Total assets</b>		<b>334,041</b>	<b>340,993</b>
<b>Liabilities</b>			
<b>Equity</b>			
Paid and called-up capital	<b>32</b>	200	200
Statutory reserves		3,033	3,587
Share premium reserves		158,712	158,712
Other reserves		63,403	57,401
Undistributed profit		7,924	6,039
<b>Total equity</b>		<b>233,272</b>	<b>225,939</b>
<b>Provisions</b>			
Insurers' risks	<b>33</b>	-	3,727
Taxes		4,762	3,657
Other provisions		3,858	7,935
<b>Total provisions</b>		<b>8,620</b>	<b>15,319</b>
Long-term subordinated debt	<b>34</b>	-	57,000
Other long-term liabilities		7,268	10,158
Current liabilities	<b>35</b>	84,881	32,577
<b>Total liabilities</b>		<b>334,041</b>	<b>340,993</b>

\*For purposes of comparison, the comparable figures for 2012 have been adjusted due to PGGM N.V.'s merger with PGGM Schadeverzekeringen N.V. and the changes to the presentation of the VOBA.

# Separate income statement 2013

(all amounts are in thousands of euros)

	<b>Ref.</b>	<b>2013</b>	<b>2012*</b>
Result of participating interests	<b>30</b>	14,905	23,946
Other results after tax	<b>37</b>	-6,981	-17,907
<b>Result after tax</b>		<b>7,924</b>	<b>6,039</b>

\*For purposes of comparison, the comparable figures for 2012 have been adjusted due to PGGM N.V.'s merger with PGGM Schadeverzekeringen N.V. and the changes to the presentation of the VOBA.

# Notes to the separate financial statements 2013



*Voor een waardevolle toekomst*

The separate financial statements form part of PGGM N.V.'s 2013 consolidated financial statements.

In respect of the company's separate income statement use is made of the exemption by virtue of Book 2, section 402, of the Dutch Civil Code.

Please refer to the notes to the consolidated balance sheet and consolidated income statement for items in the separate balance sheet and the separate income statement not specifically addressed below.

## 29 Intangible fixed assets

The intangible fixed assets are further explained in the notes to the balance sheet in the consolidated financial statements. In this context, the categories goodwill (entirely) and software (partially) relate to PGGM N.V.

## 30 Financial fixed assets

	<b>31 December 2013</b>	<b>31 December 2012</b>
Participating interests	125,073	130,840
Active deferred taxes	13,384	12,938
	<b>138,457</b>	<b>143,778</b>

### Participating interests

The item participating interests has changed in the following way:

	<b>2013</b>	<b>2012</b>
<b>Balance as at 1 January</b>	<b>130,840</b>	<b>222,125</b>
Investments	5,479	1,461
Disposals	-3,151	-
Paid-in share premium	7,000	15,032
Dividend payments	-30,000	-131,724
Result of participating interests	14,905	23,946
<b>Balance as at 31 December</b>	<b>125,073</b>	<b>130,840</b>

### Result of participating interests

The balance relates to the following participating interests:

Companies		
Name	Place of business	Shares in subscribed capital
PGGM Advies B.V.	Zeist	100%
PGGM Strategic Advisory Services B.V.	Zeist	100%
PGGM Levensverzekeringen N.V.	Zeist	100%
PGGM Pensioenbeheer B.V.	Zeist	100%
PGGM UFO B.V.	Zeist	100%
PGGM Vermogensbeheer B.V.	Zeist	100%
PGGM Reserve IV B.V.	Zeist	100%
PGGM A&O Services B.V.	Rijswijk	100%

### Active deferred taxes

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

## 31 Receivables

	<b>31 December 2013</b>	<b>31 December 2012</b>
Receivables from group companies	14,315	36,071
Accounts receivable	114	175
Receivables from the shareholder	537	-
Other receivables, prepayments and accrued income	9,986	1,952
<b>Total</b>	<b>24,952</b>	<b>38,198</b>

The remaining duration of the receivables is less than 1 year.

### Receivables from group companies

Receivables from group companies relate to:

	<b>31 December 2013</b>	<b>31 December 2012</b>
PGGM Vermogensbeheer B.V.	5,637	12,843
PGGM Pensioenbeheer B.V.	6,884	11,527
PGGM Advies B.V.	1,586	11,358
PGGM Levensverzekeringen N.V.	89	343
PGGM Strategic Advisory Services B.V.	119	-
<b>Total</b>	<b>14,315</b>	<b>36,071</b>

No interest is charged on the receivables from the share holder and the group companies.

### Other receivables, prepayments and accrued income

The other receivables, prepayments and accrued income as at 31 December 2013 consists primarily of a claim on one client and costs paid in advance. The claim on the client relates to a long-term receivable which will be settled in 2015 and 2016.

## 32 Equity

	<b>Paid and called-up capital</b>	<b>Statutory reserves</b>	<b>Share premium reserves</b>	<b>Other reserves</b>	<b>Undistributed profit</b>	<b>Total</b>
<b>Balance as at 1 January 2012</b>	<b>200</b>	<b>6,607</b>	<b>158,712</b>	<b>38,438</b>	<b>16,204</b>	<b>220,161</b>
Movement statutory reserves						
Internally developed software	-	-2,759	-	2,759	-	-
Movement deferred tax participating interest	-	-261	-	-	-	-261
Appropriation of result for 2011	-	-	-	16,204	-16,204	-
Result for 2012	-	-	-	-	6,039	6,039
<b>Balance as at 31 December 2012</b>	<b>200</b>	<b>3,587</b>	<b>158,712</b>	<b>57,401</b>	<b>6,039</b>	<b>225,939</b>
Movement statutory reserves						
Internally developed software	-	-554	-	-37	-	-591
Appropriation of result for 2012	-	-	-	6,039	-6,039	-
Result for 2013	-	-	-	-	7,924	7,924
<b>Balance as at 31 December 2013</b>	<b>200</b>	<b>3,033</b>	<b>158,712</b>	<b>63,403</b>	<b>7,924</b>	<b>233,272</b>

The authorised capital is € 1 million (2012: € 1 million), consisting of 1,000 shares, each with a nominal value of € 1,000. As at 31 December 2013, 200 shares were subscribed and paid up.

The statutory reserve relates to € 2.5 million from the revaluation reserve for the land (2012: 3.1 million).



## 33 Provisions

The deferred tax liability relates to temporary fiscal and commercial valuation differences in respect of the land and buildings.

The provisions associated with employees, i.e. the provisions for reorganisations, anniversaries and incentives, are explained in the notes to the balance sheet in the consolidated financial statements.

The other provisions are predominantly long-term.

## 34 Other long-term liabilities

The other long-term liabilities relate to a loan provided by PGGM Levensverzekeringen N.V. This loan was concluded for an indefinite period. The rate of interest on the loan is fixed at 4.2% per year.

## 35 Current liabilities

	<b>31 December 2013</b>	<b>31 December 2012</b>
Amounts owed to credit institutions	23,535	4,557
Taxes and social security contributions	8,648	7,287
Amounts owed to group companies	7,201	1
Accounts payable	1,332	9,277
Amounts owed to shareholder	-	1,658
Accruals and deferred income	44,165	9,797
<b>Total</b>	<b>84,881</b>	<b>32,577</b>

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

### Amounts owed to credit institutions

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

### Taxes and social security contributions

Taxes and social security contributions relate to outstanding taxes, social security costs and pension premiums.

### Amounts owed to group companies

The amounts owed to group companies relate to:

	<b>31 December 2013</b>	<b>31 December 2012</b>
PGGM A&O Services B.V.	7,200	-
PGGM UFO B.V.	1	1
<b>Total</b>	<b>7,201</b>	<b>1</b>

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

### Accruals and deferred income

The increase in accruals and deferred income at the end of 2013 is primarily due to the outstanding goodwill payment. The payment was made at the start of 2014.

## 36 Off-balance-sheet assets and liabilities

### Subsidiaries liability

For its subsidiary PGGM Levensverzekeringen N.V., PGGM N.V. has signed a notice of liability in accordance with Book 2, section 403 subsection 1f, of the Dutch Civil Code whereby it assumes joint and several liability for the legal procedures ensuing from any liabilities of this subsidiary.

### Liability obligation

PGGM Levensverzekeringen N.V. has included half of the not paid up part of the subscribed share capital (liability) in the determination of PGGM Levensverzekeringen N.V.'s solvency capital. To this end, PGGM N.V. is - for an indefinite period - obliged to separate the entire liability of € 13.6 million (2012: € 13.6 million) in the existing credit facility between PGGM N.V. and PFZW and deposit the liability at the request of PGGM Levensverzekeringen N.V.

### Guarantee provided to Rabo PGGM PPI

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

Off-balance sheet assets and liabilities contain no liabilities with a duration in excess of five years.

## 37 Other results after tax

Other results after tax relate to:

	<b>2013</b>	<b>2012</b>
Amortisation of intangible fixed assets	-11,802	-11,762
Other expenses	4,821	-6,145
<b>Total</b>	<b>-6,981</b>	<b>-17,907</b>

The other expenses in 2012 had an incidental character.

Zeist, 20 May 2014

### Executive Board

E.F. Bos

P.A.M. Loven

### Supervisory Board

(Herman) de Boon, chair

M.W. Dijkshoorn

M.R. van Dongen

W.E.L. van Kerkvoorden

L.J. de Waal

W.H. de Weijer

# Other information



*Voor een waardevolle toekomst*

# Independent auditor's report

To: The General Meeting of Shareholders of PGGM N.V.

## Report on the financial statements

### Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of PGGM N.V. as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### Our engagement

We have audited the 2013 financial statements, included in this report, of PGGM N.V., registered in Zeist (PGGM). These financial statements comprise the consolidated and separate balance sheet as at 31 December 2013, the consolidated and separate income statement for 2013 and the consolidated cash flow statement, as well as the notes which comprise a summary of the accounting principles for financial reporting and other explanatory information.

### The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Auditing Standard. Our responsibilities under these standards are further described in the paragraph 'Our responsibility for the audit of the financial statements'. We are independent of PGGM, within the meaning of the relevant Dutch requirements as included in the 'Verordening op de gedrags- en beroepsregels accountants' (the regulation governing the code of conduct for auditors) and the 'Verordening inzake de onafhankelijkheid van accountants' (the regulation governing the independence of auditors) and have fulfilled our other responsibilities as prescribed in these regulations.

We believe that the audit information we have obtained is adequate and appropriate as a basis for our opinion.

### Key matters of our audit

The key matters in our audit are the matters that, in our professional judgement, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters we discussed with the Executive Board and the Supervisory Board, but are not intended to represent all the issues that were discussed with them.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. We do not express a separate opinion on these individual matters; and our opinion of the financial statements is not modified with respect to any of the key audit matters described below.

#### ■ **The acquisition of another service provider had a material impact on the financial statements**

In 2013, two service providers, DPFS B.V. and A&O Services B.V., became 100% subsidiaries of PGGM. Due to their nature, these transactions and associated reorganisations had a material impact on the consolidated and separate financial statements. Consequently, we paid specific attention to these transactions.

This attention focussed on analysing the contractual terms and agreements with the clients and (former) shareholders of these service providers. In addition, we established the opening balance sheets were correctly accounted for by testing the accounting principles employed and by aligning these with the service providers' transfer balance sheets audited by the external auditor.

### ■ Sensitivities with respect to the valuation of VOBA and insurance provisions

In 2013, PGGM Levensverzekeringen N.V. ceased to sell new products, both actively and passively. Consequently, the insurer finds itself in a run-off-scenario, which has had an impact on result expectations and the costs per policy. The estimates of these future result expectations and costs per policy are subjective and complex, particularly due to the run-off scenario and have a material impact on the provisions to be retained and, therefore, on PGGM's financial position.

Consequently, in our audit, we placed the emphasis on the cost projections made internally and the associated insurance provisions. We brought an actuary into our audit team to help us assess the adequacy of the provisions and the reasonableness of the underlying result projections on the basis of contractual agreements, market data and points of departure stipulated by the supervisory authorities.

Finally, we focussed on the suitability of the information included in the notes, see note 10 of the notes to the financial statements.

### ■ Reliability and continuity of the electronic data processing

PGGM's key activities are heavily dependent on its electronic data processing and, due to their nature, also dependent on the reliable and continuous operation of the IT infrastructure.

For this reason, we assessed the reliability and continuity of the electronic data processing, but only as far as was necessary to give an opinion of the financial statements. Hereby, we included specialist IT auditors in our audit team.

Our work consisted, inter alia, of:

- the assessment of developments in the IT infrastructure;
- inspecting the audits conducted by PGGM itself and ascertaining the impact of these on our audit strategy;
- testing the internal control measures imposed on the IT systems and processes which were relevant to our audit, such as those related to the insurance system and the payment process.

### Going concern

PGGM's financial statements have been prepared using the going concern basis of accounting. The use of a going concern basis is appropriate unless the Executive Board intends to liquidate PGGM or cease operations, or has no realistic alternative but to do so. Within the context of our audit of the financial statements, we concur with Executive Board's use of the going concern basis of accounting in the preparation of PGGM's financial statements.

The Executive Board has not identified any uncertainty of material significance that may cast doubt on PGGM's ability to continue as a going concern. Accordingly, no uncertainties of this nature are disclosed in the financial statements. Nor - on the basis on our audit of PGGM's financial statements - have we identified any uncertainty of material significance. However, neither the Executive Board nor the auditor can guarantee PGGM's ability to continue as a going concern.

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

PGGM's Executive Board is responsible for preparing the financial statements, which must accurately reflect the company's capital and results, as well as for preparing the annual report, both in accordance with Title 9, Book 2 of the Dutch Civil Code.

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

The Supervisory Board is responsible for supervising PGGM's financial reporting process.

### Our responsibility for the audit of the financial statements

The objective of our audit is to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, as well as to express an opinion on the basis of our audit. Reasonable reassurance is a high level of assurance, but it offers no guarantee that an audit conducted in accordance with the Dutch Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise through fraud or error and are considered materially significant if, individually or collectively, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Dutch Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. In addition, our audit includes:

- Identifying and assessing the risks of the financial statements containing significant material misstatements, whether due to fraud or error, selecting and executing audit procedures in response to these risks, and obtaining audit information which is sufficient and appropriate as a basis for our opinion.
- The risk of not detecting a misstatement of material significance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions and misrepresentations, or penetrating or overriding internal controls.
- Obtaining an understanding of the internal controls relevant to the audit in order to select audit procedures which are appropriate in the circumstances; but not for the purpose of expressing an opinion of the effectiveness of PGGM's internal control.
- Evaluating the appropriateness of accounting policies used for financial reporting and the reasonableness of the estimates made by the Executive Board and the corresponding notes in the financial statements.
- Evaluating the overall presentation, structure and content of the financial statements and explanatory notes, and whether the financial statements provide a fair representation of the underlying transactions and events.
- Obtaining sufficient and appropriate audit information regarding the company's financial information and the operating activities within PGGM to express an opinion of the financial statements.

We are responsible for managing, supervising and implementing the group audit. We remain ultimately responsible for our opinion.

We are required to communicate with the Supervisory Board regarding, inter alia, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system.

We are also required to confirm to the Supervisory Board that we have complied with all the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to impinge on our independence and, where applicable, any associated measures safeguarding our independence.

### Report on the Annual Report and other information

On the basis of the legal requirement under Part 9 of Book 2 of the Dutch Civil Code regarding our responsibility to report on the annual report and the other information, we state:

- that we have no deficiencies to report as a result of our examination whether the annual report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information required under Part 9 of Book 2 has been annexed;
- that the annual report, insofar as we are able to assess, is consistent with the financial statements.

Zeist, 20 May 2014

KPMG Accountants N.V.  
A.J.H.Reijns RA



# Statutory provisions governing the appropriation of the result

Article 35 of the Articles of Association reads as follows:

- 35.1 In accordance with the provisions of this article, profits will be distributed after adoption of the financial statements showing that this is justified.
- 35.2 The profits are at the disposal of the general meeting.
- 35.3 On the recommendation of the Executive Board, the general meeting may 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 its equity exceeds the subscribed capital plus the reserves which must be maintained by law.
- 35.5 The company may only make an interim distribution provided the requirement of article 35.4 is complied with as evidenced by an interim statement of assets and liabilities as referred to in Book 2 section 105, subsection 4, of the Dutch Civil Code.
- 35.6 When calculating the distribution of a share-based payment, the shares the company holds in its own 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.

## Profit appropriation proposal

It is proposed that the positive result for 2013 of € 7.9 million be credited to the other reserves.  
This result has not been accounted for in the other reserves.

# Events after the balance sheet date

On 4 April 2014, PGGM Vermogensbeheer incorporated the entity PGGM MiFID B.V. and simultaneously split-off the MiFID licence to PGGM MiFID B.V. On 5 April 2014, PGGM MiFID B.V. and PGGM Treasury B.V. were legally merged. After the merger PGGM MiFID B.V. ceased to exist. As a consequence of the merger, PGGM Treasury B.V. acquired the MiFID licence. As of this date, PGGM Treasury B.V. was instructed by PGGM Vermogensbeheer to conduct transactions for clients of PGGM Vermogensbeheer. The merger with PGGM MiFID B.V. did not entail any (economic) changes as far as PGGM Treasury B.V. was concerned:

- PGGM Treasury B.V. remains a 100% subsidiary of PGGM Vermogensbeheer.
- The transactions continue to be undertaken in the name of PGGM Treasury B.V., which means PGGM Treasury B.V. retains legal ownership. However, all the transactions are for the account and risk of the clients of PGGM Vermogensbeheer. Consequently, the economic ownership of these transactions is unchanged. Holding a joint bank account and other money market instruments and entering into derivative transaction for the benefit of the clients of PGGM Vermogensbeheer does not imply any credit or bankruptcy risks for PGGM Treasury B.V. or PGGM Vermogensbeheer.
- PGGM Vermogensbeheer gives PGGM Treasury B.V. instructions to carry out its clients' orders. To conduct these activities, PGGM Treasury B.V. employs PGGM Vermogensbeheer's employees and systems. PGGM Treasury B.V. does not pass on the costs, respectively the fees, from the clients for conducting these activities to PGGM Vermogensbeheer and visa versa. The net effect of the costs and the revenue related to these activities are still accounted for in the financial statements of PGGM Vermogensbeheer. Consequently, the revenue and costs are recoded as zero in the financial statements of PGGM Treasury B.V.

## Other positions held by members of the Supervisory Board

### Other positions held by Mr. H. (Herman) de Boon

Date of birth 23 September 1946

Nationality Dutch

Current position HDB2002 B.V. a portfolio of executive and supervisory positions

#### *Executive and supervisory positions*

- Chair of the Supervisory Board of Gelderse Vallei Hospital
- Chair of the Supervisory Board of Holding Trobas N.V.
- Chair of the Supervisory Board of Best Fresh holding B.V.
- Chair of the Supervisory Board of CC Containercentrale (Denmark)
- Chair of the Executive Board of Ned. Verbond Groothandel [Dutch Association of Wholesalers] (retired as of 31-12-2013)
- Chair of the Executive Board of the Vereniging Bloemengroothandel [the Association of Wholesale Trade in Horticultural Products]
- Member of the executive committee of the VNO/NCW [the Confederation of Netherlands Industry and Employers] (retired as of 31-12-2013)
- Chair of the PKN church council in the municipality of Scherpenzeel/Renswoude
- Member of the Supervisory Board of Zorggroep Charim [Charim healthcare group]
- Chair of the Executive Board of Stichting Metropolitane landbouw [Metropolitan Agriculture Foundation]
- Member of the Advisory Council of Stichting Metropolitan food security
- Member of the Executive Board of Amsterdam's Chamber of Commerce (retired as of 31-12-2013)
- Member of the Executive of Greenport Holland
- Member of the Executive of Stichting Historie der Techniek [The Foundation for the History of Technology]

### Other positions held by Mr. H. (Maarten) Dijkshoorn

Date of birth 13 July 1950

Nationality Dutch

Current position Director of Bente Vooruit B.V., a portfolio of executive and administrative positions

#### *Executive and supervisory positions*

- Member of the internal supervisory committee of the Pension fund for Ministers in the Protestant Church in the Netherlands (currently being liquidated) (until 16 December 2013)
- Chair of the Supervisory Board of De Goudse Verzekeringen
- Member of the Supervisory Board of MediRisk
- Member of the Supervisory Board of Monuta
- Chair of the Advisory Council of the Amsterdam Executive Programme Actuarial Science (AEMAS) of the University of Amsterdam
- Member of the board of liquidators of the Pension Fund Stork (in liquidation)
- Chair of the Executive Board of Stichting Notarieel Pensioenfonds [the Notarial Pension Fund Foundation] (retired as of 31-03-2014)

#### *Other positions*

- Chair of STAK Anno 12 in formation
- Director of MartAnSa B.V.

## Retirement schedule

Name	Date of appointment	Date of initial reappointment
Mr H. (Herman) de Boon ( <i>chair</i> )	28 September 2007	28 September 2011
Mr W.H. (Wim) de Weijer MHA ( <i>vice chair</i> )	20 July 2007	20 July 2011
Ms M.R. (Miriam) van Dongen	1 June 2013	
Mr L.J. (Lodewijk) de Waal	20 July 2007	20 July 2011
Mr M.W. (Maarten) Dijkshoorn AAG	27 November 2009	28 September 2011
Ms W.E.L. (Wanda) van Kerkvoorden	30 August 2010	20 July 2011

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

If an interim vacancy arises in the Supervisory Board, the person appointed to fill the interim vacancy will sit on the board for the term of office remaining for his or her predecessor.

### Other positions Ms M.R. (Miriam) van Dongen

Date of birth 16 April 1969  
Nationality Dutch

#### Executive and supervisory positions

- Member of the Supervisory Board of Nuffic and chair of the Audit Committee
- Member of the Supervisory Board of CB, member of the Audit Committee and the HR Committee
- Member of the Supervisory Board of Nierstichting Nederland [Dutch Renal Foundation] and chair of the Audit Committee
- Member of the Supervisory Board of Maasstad Hospital Rotterdam (until 1 July 2013)
- Member of STAK Anno 12 in formation

### Other positions Ms W.E.L. (Wanda) van Kerkvoorden

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

#### Other positions

- Member of the General Nederlandse Orde van Advocaten (the Netherlands Bar Association)
- Advisor to the Steering Group for diversity in the Orde van Advocaten
- Lecturer and examiner ICT law Grotius Academy
- Guest lecturer at the Universities of Amsterdam, Leiden and Tilburg

### Other positions Mr L.J. (Lodewijk) de Waal

Date of birth 4 November 1950  
Nationality Dutch

#### Executive and supervisory positions

- Chair of the Advisory Council Stichting Nationaal Fonds Kunstbezit [National Art Collections Fund Foundation]
- Member of the Advisory Council of Zorgverzekeraars Nederland [Dutch healthcare insurers]
- Member of the advisory council RNTC (Global broadcasting development projects (until 31 May 2013))
- Member of the Executive Board of the Stichting Internationaal Instituut voor Sociale Geschiedenis (International Institution for Social History Foundation)
- Chair of the Supervisory Board of Stichting IRC in Delft (an international knowledge centre on water and sanitation) (until 31 October 2013)
- Member of the Netherlands National Contact Point of the OESO

- Chair of the Supervisory Board of the Museum for Ethnography in Leiden
- Chair of the Executive Board of the Foundation Zuid Afrika [South Africa] Magazine
- Chair of the Alliander Foundation
- Chair of the Executive Board of HIER Klimaatcampagne [climate campaign]
- Member of the Supervisory Board of Stichting Lezen en Schrijven [Reading and Writing foundation]
- Member of the Executive Board of Veteraneninstituut [Dutch Veterans Institute]
- Member of the Executive Board of Waardering en erkenning Politie [Recognition and appreciation of the police force]
- Chair of the Stichting Administratiekantoor IMK [IMK administration office foundation]
- Member of the Supervisory Board of Combiwerk N.V. [the work placement company in Delft]
- Member of the Advisory Forum of Duurzaam Werken [Forum on sustainable work] (took office on 01-06-2013)
- Chair of the Executive Board of Stichting VHV [Foundation of Friends of the History of the Unions] (took office on 01-01-2013)

**Other positions Mr W.H. (Wim) de Weijer MHA**

Date of birth 13 November 1953

Nationality Dutch

Current position Director Advies B.V. 'W. de Weijer, bestuursadviseur', a portfolio of executive and supervisory functions

*Executive and supervisory positions*

- Chair of the Supervisory Board of Tinteltuin B.V. Childcare
- Chair of the Supervisory Board of (supervisory director of participations) on behalf of NPM Capital at Wielco B.V.
- Chair of the Supervisory Board of TCHS/PRB
- Member of the Supervisory Board of FBTO zorgverzekeringen NV and the Friesland Zorgverzekeringen [healthcare insurers]
- Member of the Advisory Council of Mediq
- Member of the Advisory Council of Nederlandse Zorgautoriteit [Dutch Healthcare Authority]
- Executive Board member of the Wereld Foundation (micro credit) (retired as of 31-12-2013)
- Member of the Supervisory Board of Holding ADG (Asito Services group)
- Member of the Supervisory Board of Dagelijks Leven (took office as of 01-10-2013)
- Member of the Supervisory Board of Zorggroep Laren (a healthcare group) in Laren (took office as of 01-11-2013)