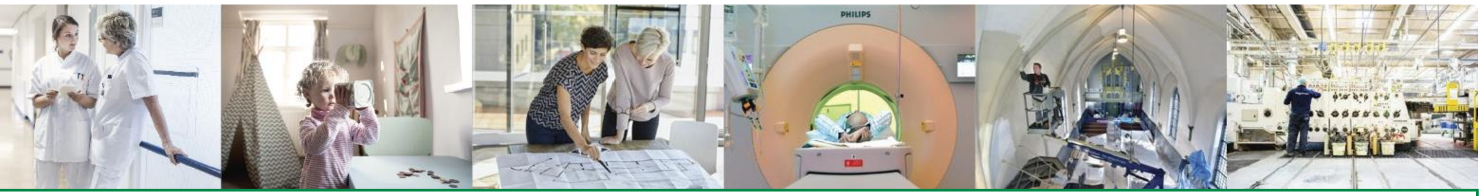


Integrated report PGGM Vermogensbeheer B.V.

2021

Contents

About this report

The integrated report of PGGM Vermogensbeheer B.V. (hereineafter ‘PGGM Investments’’) is published annually. This integrated report gives our stakeholders a concise and transparent overview of our activities and how we create value over time. It provides information on our strategy and business model, the context in which we operate, the material risks, performance and impact over the fiscal year 2021. Material events after this date but before the date of approval by the Board of Directors have also been included.

Materiality

We apply the materiality principle in assessing what information must be included in our integrated report. We determined the most relevant and important topics, opportunities and challenges that have an impact on PGGM Investments. These material topics influence our strategy and its ability to consistently deliver value to our key stakeholders. Therefore they constitute the basis for the content of this report.

The report also discusses the primary activities and results of PGGM Investments and encompasses the non-financial and financial performance, opportunities, risks and results.

Reporting criteria

For developing this integrated report, we use the main points of the international reporting principles by the Global Reporting Initiative (GRI). The GRI principles relate to both substantive choices (materiality, stakeholder involvement, sustainability context, completeness) and the quality of the reporting (balance, comparability, accuracy, timeliness, clarity, reliability).

Strategy

The report also provides insight into PGGM Investments’ strategy and progress on the financial and non-financial objectives for the short, medium and long term.

Target group

Our target group for this report are our clients, our peers and our external managers. The report also provides information that is relevant for other stakeholders, including our employees, the labour market, supervisory authorities and society as a whole.

Introduction: We are PGGM Investments

We are PGGM Investments. A solid value in health care and welfare. PGGM Investments aims to create good, affordable, and sustainable pensions for pension funds - our clients - and their participants.

At the end of 2021, PGGM Investments managed a total of over €293.5 billion in assets for its clients. We invest the collective pension assets under our management in pursuit of a high and stable return with an acceptable level of risk and, more and more, with a sharp eye on the impact we can make with our investments. We aim for long-term value creation for people and the environment, in addition to good financial results.

Message from the Chief Investment Management

At the time of writing this message, the war in Ukraine is ongoing. The horrific humanitarian disaster we are witnessing can barely be comprehended and prevents us from immediately understanding all of its short- and long-term consequences. And yet, in addition to the humanity that is required of us, that is precisely our task as managers of large pension assets. Because if the world is vulnerable to war and violence, so are our pension assets. Pensions pay off best in a stable world that resolves its major issues. Instead, we are in danger of ending up in a long period of instability and conflict, with more challenges to come.

The rapid decision to not take on any new investments in Russia, followed by the decision of our clients to part with their Russian investments, were just the first steps. Shocking events, such as the invasion of Ukraine, change every conversation, including those with our clients. They create an urgency to adjust policies faster in fundamentally changed circumstances. Fortunately, we do have some guidance. 2021, the year we reflect on in this report, had two major themes that concerned us as investors in particular: COVID-19 and climate change. The COVID-19 crisis demonstrated the extent of interdependence in the world and underlined the key social role of the hundreds of thousands of employees in the healthcare and welfare sector on which PGGM works. The climate issue was already very high on our agenda, and that will not change.

Both are long-term challenges, just like the matter of peace and security in Europe. They require a reorientation of how we deploy capital. The framework we now use for this is PFZW's Investment Policy 2025, which combines financial ambition with reducing negative effects on the world and increasing the social impact of investments. Last year, with all new climate reports and the outcome of COP-26, it became clear that this policy needed further refinement where fossil investments are concerned. Together with PFZW, we looked at what additional action is needed in this regard. This resulted in a new approach. We indicate in advance what we expect from fossil energy companies in terms of their commitment to 'Paris' and their willingness to make a concrete transition. They must make a credible contribution to limiting global warming to a maximum of 1.5 degrees Celsius in 2050. In 2022, the first divestments will follow of companies that do not have CO2 reduction targets.

In addition, we carried out a major analysis at PGGM to anticipate and respond to changes in the social and political environment and developments in the market in a timely fashion. Our Vision 2030 project resulted in outlines for the type of asset management which will be needed from us in the future. This provides us with insights that we will also use to respond to events in Ukraine and to shifting dynamics in the world. We are now translating this vision into a strategy, the cornerstones of which are realising good returns through long-term value creation and generating a positive impact on the world. We already see a new relationship between issues such as climate and energy security, which will offer us, as investors, both risks and opportunities. We will use all the resources we have to address these issues. But I cannot write this down without expressing the heartfelt wish that the suffering in Ukraine will end as soon as possible.

Dashboard

AUM:
€ 293.5 bln
(2020 € 268.3 bln)

Return:
8.4% € 22.7 bln
(2020 5.5%, € 14.1 bln)

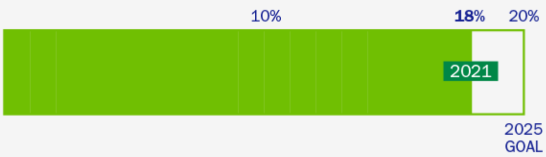
Additional return above benchmark:
64 basis points
(Approximately € 1.9 billion)

Clients:

Pensioenfonds Architectenbureaus
BPF Schilders
Pensioenfonds Particuliere Beveiliging
Pensioenfonds Zorg & Welzijn
Smurfit Kappa Pensioenfonds
sph Pensioenfonds voor Huisartsen

Positive impact of the investment portfolio:

- SDI: € 52.7 bln (2020 € 44 bln)
- SDI Percentage: 18% (2020: 16%)
  GOAL 2025 = 20%



Negative impact of the investment portfolio reduced:

- OECD-Screen implemented within Public and Private Markets: negative impact determined in 134 companies.
- 68 divestments due to negative impact
- 66 engagement regarding negative impact
- CO_2-reduction in listed equities: 5.3% reduction in 2021, over 50% reduction between 2015 and 2021.
- CO_2-reduction strategies defined for Private Real Estate, Infrastructure, Listed Real Estate and Corporate Bonds
- CO_2 footprint determined for 54% of the portfolio

Voting:
Number of meetings at which we voted:
5,900
Number of agenda items voted on:
60,921

Engagement:
154 Engagement casus
15 engagement results

Return 2021:
Private Equity
50.8% return
Listed Real Estate
36.1% return

5-year return including interest rate hedging:
7.3%

Exclusions:
207 Companies /
14 government bonds excluded in 2021 of which **99** Coal companies and **10** tar sands companies.

PGGM Investments as a company

As an asset manager for pension funds, PGGM Investments supports its clients in fulfilling their task of providing a stable and good pension for their beneficiaries, now and in the future. Our clients and their participants are our first priority.

We support our clients in their role as principal. Amongst others, we provide advice on the implementation of their investment policy and management matters; e.g. selection and monitoring of external managers and internally managed portfolio's. As asset manager we invest the pension contributions of several pension fund clients, of which Stichting Pensioenfonds Zorg en Welzijn (PFZW) – the pension fund for Dutch healthcare workers – is the largest client. We invest in, among other asset classes, shares, bonds, private equity, infrastructure and property. Our investment teams are primarily responsible for managing these asset classes. In addition to these teams, the Investment Management organization contains Risk Management, Tax, Legal & Regulatory, Operational functions and a Responsible Investments team. For more details regarding our group structure, AIFM license and statutory objectives, please see Appendix 1.

We strive for a high level of quality in our work in order to achieve our and our clients' ambitions. We are constantly searching for new talents to strengthen our company. Our goal is to excel in the markets in which we operate. That is why the various asset classes are managed by specialised investment teams at PGGM Investments. 463 professionals work at our office in Zeist or from home. They manage over 46% of the assets of our clients. The rest of the assets are managed by leading managers worldwide, selected by and under the direction of our own specialists.

Responsible investment is an integral part of our execution. PGGM Investments is convinced that contributing to a sustainable world is an essential part of building a valuable future – not only to fulfil our wider social responsibility or comply with laws and regulations or other standards, but also to ensure financial results. Although there has been enormous growth in prosperity over the past century, stability and economic development are increasingly threatened by global issues. These include climate change, the scarcity of natural resources such as water and energy, rising food prices and income inequality. This will impact future investment results. Sustainability is therefore key in our activities as a long-term investor.

We consciously take Environmental, Social and Governance (ESG) factors into account in our investment activities and we refrain from investing in controversial weapons, tobacco, coal and tar sands. Companies that systematically and seriously violate international standards for responsible behaviour have now been sold, and more are expected to follow in the upcoming years. Furthermore, we contribute to developing international standards for responsible and impactful investments, in co-operation with other investors in the Netherlands and abroad.

By using investments as driving force for change, PGGM Investments believes that a positive contribution to sustainable developments can be made. We consider the impact the companies we invest in for our clients have on people and the environment. In doing so, we join in with the 17 interlinked global goals, that the United Nations formulated in 2015, known as the Sustainable Development Goals ('SDG') or Global Goals, designed to achieve a better and more sustainable future wordlwide.

In the investment portfolio we focus specifically on SDG 2 (food security), SDG 3 (health), SDG 6 (water security), SDG 7 (affordable and sustainable energy), SDG 11 (sustainable cities and communities), SDG 12 (responsible production and consumption) and SDG 13 (climate action). These SDGs are the focus of our largest client, PFZW.

Our mission

We add value for our clients by helping them - now and in the future - realise their pension ambitions. Our objective is to provide a good, affordable and sustainable pension through best-in-class implementation within an agile and controllable organisation. With our strategy, 'PGGM Investments, a solid value in health care and welfare', we have made a clear choice. We primarily exist to serve the health and welfare sector. It is our ambition to be and remain the pre-eminent asset manager for the health care and welfare sector through excellent execution. Together with PFZW, we support the financial future of people who work in this sector and also contribute towards a healthy and vital sector itself.

In the following chapters we will show the work we have done to achieve this goals, our results and future outlook. In Part 1 of this report the focus is on our investment portfolio. In Part 2 we reflect on our company and business operations. Part 3 of this report contains PGGM Investments' financial statement.

Vision 2030

In the first months of 2021, PGGM Investments formulated a new vision for its investments chain, 'Vision 2030'. As the No. 1 investment manager for healthcare and welfare sector pensions, where are we going to be in 2030? The investment vision for 2030 is based on "sustainable value creation": asset management aimed at generating good financial returns through long-term value creation, with a positive contribution to society and the environment. The need for this vision is driven by a number of substantial changes that we will face in the coming years:

- The new Dutch pension contract will put the participants in the pension funds closer to the investment chain.
- We foresee a period of low returns in financial markets.
- There is an increasing need for further steps in integrating sustainability in our investments and processes.
- Effectively realizing our clients' goals for the overall portfolio requires a more integrated portfolio management approach, a less siloed process.
- Digital transformation is evolving rapidly.

In Vision 2030, the investments deliver good financial returns, contribute to the major (sustainability) transitions in the world and have a visible impact on the themes that are important to our stakeholders. We are accountable by our pension fund clients for every euro invested, in terms of both its contribution to the pension objective and its impact on the world. In the coming period PGGM Investments will translate this vision into a strategy that maximises our added value to our clients and their members.

Our clients

The investment policy is determined by our clients. During 2021, PGGM Investments had six pension funds as clients: PFZW, Stichting Pensioenfonds voor Huisartsen (SPH), Stichting Bedrijfstakpensioenfonds voor het Schilders-, Afwerkings- en Glaszetbedrijf (BPF Schilders), Stichting Pensioenfonds Smurfit Kappa Nederland, Stichting Bedrijfstakpensioenfonds voor de Particuliere Beveiliging, and Stichting Pensioenfonds voor de Architectenbureaus (PF Architectenbureaus).

PGGM Investments	
Client	AUM per 31-12-2021 (in billion)
PFZW	€ 277.5
BPF Schilders	€ 9.5
PF Architecten	€ 3.7
SPH	€ 1.5
Smurfit Kappa pf	€ 0.9
BPF Beveiliging	€ 0.5

Clients trust in PGGM Investments to carry out their policy and give us long-term mandates. First, the board of the pension fund dictates and sets their pension policy, deciding what risk attitude they want to hold, sets the goals for responsible investing and the frameworks within which those goals are to be achieved (the 'WHAT'). After that, they assign PGGM Investments to achieve the goals set within the relevant frameworks to be constructed by PGGM (the 'HOW'). In this set-up, PGGM Investments holds an independent role that supports the pension fund board.

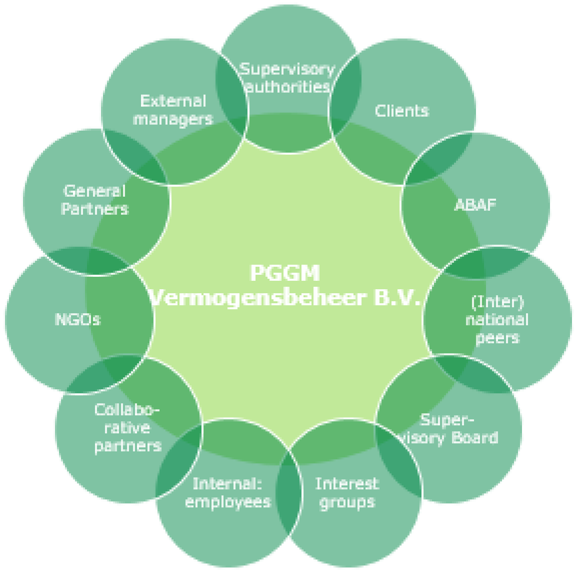
PFZW and PGGM Investments' funds

After a research phase in which consequences were analysed, PFZW decided in September 2021 to stop participating in the joint PGGM Investment funds to be more agile in the implementation of its investment policy.

This decision by PFZW has consequences for our other clients. Now that PFZW is moving towards individual portfolios we are no longer able to offer asset management to other clients on attractive terms. We are in talks with our clients to transfer these services properly. This is an impactful development for our clients, employees and our organisation.

In dialogue with our stakeholders

We work for our clients: the pension funds and their participants. We also have a number of other important stakeholders, such as our peers and our external managers. When exploring our stakeholders, we focus on people or groups who are influenced by our actions and who have an influence on our organisation and service provision. We have asked our most important stakeholders about their interests and needs and remain in dialogue with them about our material topics.



How we create value

In our value creation model we express how we create value for our stakeholders over time. It shows what economic, social and environment-related capitals we use, how PGGM Investments adds value with these capitals and what effect it generates for our clients, our clients' participants, our employees and society as a whole.

Input

To ensure that our business model functions optimally, we need to have important resources available, such as a solid financial basis. Also, we would not be able to work without our highly educated people and their specialist knowledge. With these resources we are able to achieve valuable output.

Output

The activities in our business model have different internal and external outputs. For example, we can be an active shareholder, a valuable partner, but also a reliable market player that achieves good financial returns and makes impactful investments.

Outcomes

With these outputs, we create value. Value for our clients and their participants by investing for them. Value for the companies and markets in which we invest by enabling them to grow and inspiring them to move in the right direction. Value for our employees by offering them an inspiring and an inclusive place to work. And last but not least, for our society and environment at large because the companies in which we invest can contribute to sustainable solutions for societal problems.

Our impact

As one of the biggest pension asset managers in the Netherlands, with assets under management of over €293.5 billion, we have a major impact on our environment and society. Read more about our contribution to the SDGs in chapter 2.1 How our clients investments contribute to the SDG’s.[1]

[1] With its strategy, PGGM N.V. contributes to SDGs 1, 2, 3 and 13. Because PGGM Investments’ strategy is mainly aimed at creating value through investments, our focus and, by extension, our impact is broader.

Inputs

Financial Capital Operations
- € 102.8 million equity
- € 70.2 million capital reserve /ICLAAP

Financial Capital Investments
- 2.5 billion net pension premium inflow (to be invested)

Intellectual & human capital
- 463 employees*
- External parties & managers
- Systems & processes
- Data & IT-systems
- Knowledge & experience
- Artificial intelligence

Social capital
- Stakeholders' expectations
- Reputation
- Client relations & policy

Natural and manufactured capital**
- Energy usage
- Data center
- Office

Our mission is to help people realise a valuable future

We are PGGM Investments. A solid value in healthcare and welfare. We are committed to an affordable, good and sustainable pension for our clients and their participants.

Trends, Risks & Opportunities

COVID-19, New pension scheme, (Cyber)- security, Laws and regulation, Sustainability, Financial risks, Operational risks, Reputational risk, HR risks, Market risk, Credit risk, Required capital, Climate change

Output

Stable financial performance investments:
- AUM €293.5 billion
- 8.4 % overall return 22.7 billion (output)
- 64 basis point outperformance

Financial results PVBV
- € 19.9 million profit

Active shareholder
- 5,900 meetings voted
- 60,921 votes
- 154 engagement activities
- 15 engagement results

Limiting negative impact
- 207 product exclusions
- 68 OECD-divestments
- 5.3% CO_2 reduction in equity

Trusted and reliable asset manager
- Stable and strategic partnerships
- Excellent client services
- Best in class execution

Inclusive workplace
- 21 % women in management functions
- 33% women in board
- Transparent remuneration

Impactful investments
- 18% portfolio is SDG aligned (52.7 billion Euro)

Outcomes

A good, affordable and sustainable pension for our clients and their participants

More sustainable and future-proof companies and markets

Attractive, stimulating and inclusive working environment

Accelerating the transition to a more sustainable and livable world

Contributing to a strong health & welfare sector

Impacts

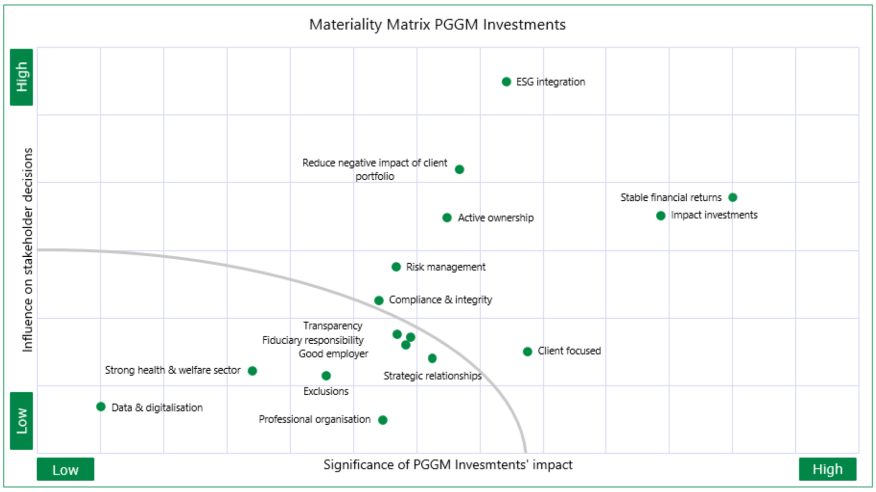
*Please note that all employees working for PGGM Investments are contracted by PGGM NV
** This information is reported in the 2021 PGGM NV annual report

PGGM

Our material topics

In order to safeguard that our policy is fully aligned to the requirements and wishes of our most important stakeholders, we created a materiality matrix in 2020. This matrix shows the topics that are of material importance to us and to our key stakeholders (our clients, peers, employees, NGOs, etc.).

The right side of the matrix shows our 16 most material themes. In Appendix 2 we provide insight on how we determined these material topics. The horizontal axis of the matrix describes what impact PGGM Investments has on a particular topic. The vertical axis refers to the influence of the topics for our key stakeholders. This means that the themes that are shown in the upper right corner of the matrix are the most crucial.



De materiële thema's	
#	Thema
1	Stable financial returns
2	ESG Integration
3	Impact investments
4	Reduce negative impact of client portfolio
5	Active ownership
6	Risk management
7	Client focused
8	Compliance & Integrity
9	Fiduciary responsibility
10	Transparency
11	Strategic relationships
12	Good employer
13	Exclusions
14	Professional organisation
15	Strong health & welfare sector
16	Data & Digitalisation

To rule out any significant deviations from the materiality matrix from last year, we performed a media and sector analysis in 2021. Although no significant deviations from the original materiality matrix were found, our analysis shows an increasing importance of the topic 'execution costs'. We therefore included this topic in our 2021 report.

Part 1 Our investments – 3D investing

At PGGM Investments, we work to fulfil the ambition of our clients by achieving good financial return through long-term value creation, offering a positive contribution to society and the environment. We call this 3D investing, with a focus on return, impact and risk.

The fiduciary role is changing, with increasing demands being made of it by the legislator, participants and society as a whole. Participants are increasingly stressing pension funds to reflect upon the impact their investments are having on the world. Since financial risk and opportunity is intricately intertwined with the contribution to solving a problem like climate change, we put emphasis on this topic as well. Also, there is a growing trend among academics, moving away from the more narrow-minded risk/return approach, to one where long-term financial returns are only persistent if they're also offering a clear contribution to society, or at the very least, not negatively impacting society.

In the following chapters we show how we enrol a portfolio that offers a good financial return, but is also sustainable and has a lasting impact on the issues that matter most to our clients and their participants. In the areas of CO2 reduction, impact investing and the implementation of minimum sustainability standards, we made significant progress. For example, we developed a plan that will enable PFZW and PGGM Investments to make targeted reductions in CO2 emissions in the equity portfolio, while increasing the percentage of SDG investments. In addition, to ensure that the entire portfolio meets minimum sustainability requirements, the 'OECD screen' was implemented in both the public and private portfolios. Furthermore, despite uncertainties about the actual effective date, preparations are being made for the implementation of SFDR level 2, and the EU Taxonomy regulations.

As we fulfil the financial ambitions of our clients, we continuously try to answer questions arising from balancing return, risk and impact. We do this by combining the right people, expertise and technology to manage the assets of our clients. In 2021, we set further steps in developing our capabilities to measure and steer the impact of our investments.

Chapter 1: Return: the direct value we create

We invest the contributions paid by employers and employees with a long-term time frame in mind and at acceptable risks and costs. In this way we ensure a solid pension that contributes to sustainable financial value creation for society. In this part of the report we present our financial results and reflect on our performance in the context of market developments.

1.1. Stable financial results

A stable financial result is a material topic for us. The pension assets of our clients' participants are invested in various asset classes, such as property, shares and bonds. The pension assets are managed on the basis of mandates issued to us by our clients.

1.1.a Key figures

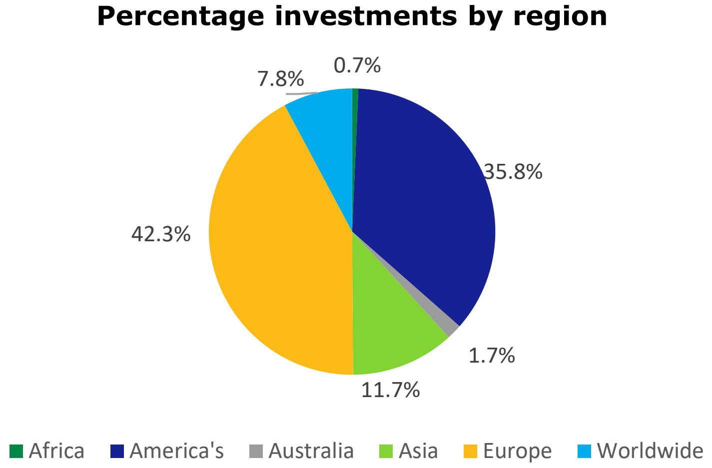
The assets we managed in 2021 rose by € 25.5 billion compared to 2020, bringing this to € 293.5 billion. The return on the investments was positive and came to 8.4% (€ 22.7 billion) in 2021 (2020: 5.6%). Over the past five years, we achieved an annual return of 7.3% (2020: 8.0%).

In table 1.1 the annualized returns of PGGM Investments funds after deduction of external management fees and performance fees are presented. The spread of investments by region is shown in the diagram below.

Table 1.2 shows the assets under management and performance per investment category. Also, the contribution to the SDG's is presented per asset class. Read more about this in chapter 2.1 How our clients' investments contribute to the SDG's.

	2021	2020		2017 - 2021	2016 - 2020
Weighted net return for all of PGGM Investments' clients	8.4%	5.6%	5-year return including interest rate hedging	7.3%	8%

Table 1.1: Weighted net returns PGGM Investments



Investment category	Assets under management (in mln €)	Return (in mln €)	Return (in %)	Benchmark return	Out-performance	% SDI per investment category
Public Markets						
Listed shares	€ 91,220	€ 21,997	28.3%	28.1%	0.1%	20.2%
Government bonds	€ 70,228	€ -3,980	-5.5%	-5.5%	0.0%	4.1%
Corporate bonds	€ 20,724	€ 893	5.1%	4.3%	0.7%	13.6%
Listed real estate	€ 18,059	€ 5,153	36.1%	35.2%	0.6%	35.1%
Private Markets						
Private Equity	€ 21,891	€ 7,511	50.8%	49.0%	1.2%	8.2%
Private real estate	€ 19,247	€ 3,110	20.2%	19.5%	0.6%	47.9%
Infrastructure	€ 12,849	€ 1,365	11.9%	9.9%	1.8%	26.0%
Credit risk sharing transactions	€ 5,254	€ 718	15.8%	10.7%	4.6%	2.8%
Insurance linked investments	€ 7,209	€ 446	7.3%	11.9%	-4.1%	99.5%
Mortgages	€ 4,357	€ 88	2.4%	-0.5%	2.9%	0.0%
Cash & Other						
Other	€ 824	€ 665	n/a	n/a	n/a	57.6%
Treasury (and overlays)	€ 21,662	€ -15,243	n/a	n/a	n/a	0.7%
Total	**€ 293,522**	**22,729**	**8.4%**	**7.7%**	**0.6%**	**18.0%**

Table 1.2: Assets under management and performance per investment category

PGGM Investments invests in both public and private markets. Investments in public markets, that are performed by in-house teams or by delegating portfolio management activity to other asset managers, account for the majority of our client portfolios. On the public markets platform, we invest our clients' assets in several asset classes such as listed shares, government bonds and corporate bonds.

A benchmark is selected for every mandate that we received from our clients. This is an objective measure against which the investment portfolio's performance is evaluated. We seek to achieve even better results for our clients over the longer term, i.e. returns exceeding the benchmark.

In 2021, we achieved an additional return of 64 basis points. Measured in euros, this is approximately 1.9 billion euro's. Most of our investments in private markets achieved returns above their benchmarks. Within public markets we also had some outstanding portfolios. A few highlights:

- In 2021, listed real estate achieved a return of 36.8%, thanks to stimulating monetary and fiscal policies, vaccine rollout, rapid resumption of economic growth and better than expected results of real estate companies.
- Our private equity portfolio outperformed the benchmark with 1.2%, meaning that we selected managers that on average did better than their peers in the market.
- Our credit risk sharing portfolio outperformed its benchmark by 4.6%, mainly due to stable coupon income.
- Our investments in infrastructure returned 11.9%; 1.8% above the target return of 5% over inflation. Investments in the communications sector drove this strong performance with an internal rate of return of 28% over the year.
- Within corporate bonds, our emerging market credit portfolio returned over 2% above the benchmark. Being underweight to China, and especially the real estate sector, contributed heavily to this outperformance.

Our Treasury & Trading (T&T) team provides liquidity and collateral management for our clients. In addition, T&T is responsible for determining and implementing the currency hedge. Both activities were carried out in accordance with the mandate in 2021, ensuring that the currency risk remained within the agreed frameworks. T&T ensured that there was always sufficient liquidity available to make the rebalancing possible and that at all times there was sufficient cash to meet the collateral obligations (arising from the currency hedge). As in previous years, our trading strategy produced a positive result in 2021. This result (approximately € 10 million in 2021) is for the benefit of our clients.

Client Portfolio Management is responsible for the rebalancing of our fiduciary clients' investment portfolios, and initiates rebalancing flows on a regular basis to keep the portfolios in line with the desired risk/return profile. Early 2021 PGGM implemented a new rebalancing strategy, aimed at reducing transaction flows and costs while staying within target risk levels. The new strategy and implementation performed very well in the trending market, as a result of the strategy portfolios were generally overweight equities which performed exceptionally well. By concentrating transactions in the most liquid asset categories, realized transaction costs were much lower than projected. The larger part of the added value of the implementation was due to exposure to the trend captured by the strategy and would lead to underperformance in a market exhibiting more mean-reversion. Read more details about our investments in chapter 1.2.

1.1b Market developments

The year 2021 was the second year in a row that was entirely dominated by COVID-19. New virus waves led to alternating periods of tightening and relaxation of mobility-restricting measures. However, aided by the rollout of vaccines, restrictions were clearly relaxed over the year as a whole. This brought the services sector back to life and marked 2021 as a year of ongoing global economic recovery. The eurozone initially still struggled with a COVID-19 wave and fell further behind compared to the US and China in its recovery. From the second quarter, the eurozone picked up steam and caught up some of the lost terrain vis-à-vis the US and China. The third quarter saw a slowdown in growth in the US and China. The former faced a revival of the coronavirus as a result of the delta-variant and the rapidly rising inflation hurt consumer confidence. The latter, meanwhile, suffered from problems in its property sector, power outages and local virus outbreaks. The fourth quarter has seen a slowdown of growth in the eurozone, due to a (limited) retightening of mobility-restricting measures, whereas growth picked up again in the US and China. The virus wave in the US had weakened considerably by the start of the fourth quarter. In China, power outages had largely been dealt with and authorities had taken a first step towards a more accommodative monetary and fiscal policy.

During 2021, inflation received increasing attention. Supply in the economy was unable to keep up with the sharp recovery in demand, which led to disruptions in global supply chains and energy markets. This created upward pressure on prices. Combined with base effects (i.e. the comparison with relatively low price levels of a year earlier), this resulted in high inflation. Inflation continued to rise in the fourth quarter, with eurozone price growth amounting to 4.9% year-on-year in November; the highest level since the start of the currency union. In the US, inflation rose to 6.8% year-on-year in November, the strongest price growth since the 1980s.

COVID-19: emerging and developed economies

COVID-19 developments also dominated the news in 2021. The year turned for economies into a race between national vaccination campaigns and the local spread of extra contagious variants; initially delta, but later in the year also omicron emerged. Developed economies led the way in vaccinating their own population this year thanks to better access to corona vaccines. This provided them room to phase out mobility-restricting measures. Emerging economies followed a little later, but there too except in the least developed countries vaccination campaigns gained momentum. While emerging economies were still in the process of providing first and second shots in the second half of the year, the 'boosting' of already vaccinated people was taking off in developed economies, shortly before the omicron-variant would spread across the world. Again, the US moved ahead of the eurozone in this regard. China, meanwhile, stuck to its zero-COVID policy, which ensured that local outbreaks remained limited. For India, the national vaccination campaign initially came too late. The local spread of the delta-variant, combined with a low vaccination rate, led to a dramatic second wave in the second quarter.

Tapering central banks

In 2020, when the COVID-19 crisis broke out, central banks lowered interest rates when possible. As the economic recovery has become increasingly sustainable, central banks have slowly phased out their packages of crisis measures. The US central bank (the Fed) has announced that the pace of monthly bond purchases will be reduced by $ 30 billion each month. It is, therefore, expected that no new purchases will be made from the second quarter of 2022 onwards. There is now a real chance that the first-rate hikes will take place in the first half of this year. While the Fed took steps towards phasing out the measures in place, the European Central Bank (the ECB) was more cautious. In mid-2021, it initially decided to buy bonds even more aggressively. In the fourth quarter of 2021, however, the ECB also slightly reduced its bond purchases. In December, a number of adjustments were made to the purchase programs. No new purchases will take place after March 2022 under the Pandemic Emergency Purchase Program (PEPP), but the current amount of € 20 billion in monthly (net) purchases will be temporarily increased under the regular Asset Purchase Program (APP).

1.2 Our investments

In this part of the report we zoom in on the developments within PGGM Investments. How did we deal with the effect of these market developments on our investments? And how did our private and public market investments perform?

Broadly speaking, our investment categories can be divided into public market and private market asset classes which make up about 75% and 25% of the asset mix respectively. Below we reflect on the developments in 2021 both markets in 2021, first in the private markets (1.3.a) and then in the public markets (1.3.b.).

1.2.a. Private markets

PGGM Investments has built a strong and elaborate private markets platform since 2008. This platform is distinctive with respect to peers both in size and quality. Within the private markets platform, we actively invest in non-listed asset classes for our clients: private equity, private property, infrastructure, credit risk sharing (CRS), which is about sharing in credit risk that banks have on their balance sheet from core lending activities, insurance linked investments and residential mortgages. We do this either through direct investments or by mandating external managers.

Private investments contribute to diversification and contribute to achieving our clients long term return targets while also achieving a tangible impact on the real economy. Since interest rates are currently relatively low, private investments help gaining sufficient yield on clients' investments. Due to their long-term character, private investments are also a good fit with the longer investment horizon of pension funds. In 2021 we completed 81 transactions in Private Markets. Private Real Estate has shown a very strong year with an absolute return of almost 21%. The main contributor was the Logistics sector, with returns between 25% and 45%. Retail was the least performing sector and suffered severely from the COVID crisis.

Infrastructure has also shown a good absolute and relative performance cq. 11.9% and 1.8%. The strong performance is mainly driven by the Communications sector (€ 1.7bln) with a FY 2021

IRR of 28.0%. The restructuring of the investment in ATC Europe resulted in a dividend of € 178 mln which is a significant contribution to the performance of the Communications sector and the fund as a whole. Another notable event in 2021 was the sale of the investment in SER windfarms. SER was valued at € 55mln by the end of 2020 while being sold for € 187mln by the end of July 2021. The Transport (€ 3.2 bln) sector achieved a similar result to the E&U sector with a FY 2021 IRR of 5.0% impacted by additional COVID-19 measures and a value adjustment on the OneRail exit. One of the notable events in the Transport sector was the recent announcement of Alpha Trains which will be replacing part of their diesel powered trains with more sustainable electric trains.

Private Equity has seen a significant increase in deals in 2021 compared to 2020 and a very impressive absolute return of more than 50%. For 2022, we expect a relatively high number of Private Equity funds to be fundraising, driven by the recent elevated investment pace.

CRS has shown an absolute return of 15.7% for 2021. Strong coupon income has driven this return. CRS has also done transactions with a new counterparty, by entering into a risk sharing transaction with the Spanish bank BBVA based on their project finance loan portfolio, which for a large part relates to in renewable energy projects.

There were also setbacks in some areas. For the private market asset class Insurance Linked Investments, we have seen a couple of natural catastrophes happening throughout the year. This led to a minor negative return of 15 basis points in local currency, or 7.3% in euro’s due to the US dollar appreciation. Main contributors to this negative return are winter storm Uri, flooding in Europe and hurricane Ida. In December, a special and major milestone was achieved, namely the first bespoke investment of $ 100 million in a California earthquake risk-based product. To enable bespoke investments, a dedicated platform named Nightingale Re was set up.

Below we highlight a few private market investments that contribute to the long term goals of PGGM Investments and our clients.

Investment in sustainable logistics facility in Japan by Private Real Estate

For the Private Real Estate Fund we invest in institutional property worldwide, where we look for investment opportunities for the long term. One of these investments is an interest in the Japanese Amagasaki. With a floor area of 390,000 m2 - 54 times the Wembley stadium and a property value of € 860 million, Amagasaki is one of the biggest distribution centres in the world. This state-of-the-art project is a seismic resistance building with six stories, is human-centric, has a large seawall for flood defence and a unique sustainable design. Among other things it has solar panels on the roofs and electric charging stations for trucks. With the investment in Amagasaki, PGGM Investments is responding sustainably to structural trends such as the increase in (online) consumption and the shortage of large modern logistics buildings. The annual return on this investment is 17% since the land purchase in Februari 2017 until December 31st 2021.

Alpha Trains: Investing in sustainable ways of transport

Another striking investment in 2021 is our investment in Alpha Trains. Alpha Trains is one of the leading rolling stock companies in Europe, providing flexible leasing solutions to train and locomotive operators across 17 European countries. The majority of its fleet is electric; positioning Alpha Trains as a leader of the clean energy transition in European rail. We expect the company to continue its strong sustainable performance and generate long-term stable revenues for the participants of our clients. This investment enables long-term pension capital to support the growing demand for sustainable ways of transport in Europe.

At the start of 2022 Alpha Trains concluded a contract for the delivery of 31 battery electric trains. The project will directly improve the sustainability of train traffic on ten lines for the East Brandenburg concession between Berlin and the Polish border. The project includes a lease contract with Niederbarnimer Eisenbahn (NEB), which means that NEB can replace diesel trains for passenger transport on this route as of 2024. Utilisation of the battery electric trains is expected to save 4.4 million litres of diesel annually. This results in a CO2 reduction of 11,000 tonnes per year, equivalent to the annual consumption of more than 16,000 Dutch households.

"This is a great example to enable long-term pension capital to support the growing demand for sustainable ways of transport in Europe. It also fits very well in PGGM Investments' ambition to invest in climate solutions that contribute to a fossil free world in the long run." Erik van de Brake, Head of the PGGM Investments Infrastructure Fund

1.2.b Public markets

PGGM Investments has a long and successful track record with benchmark-aware implementation. Our core contribution is building portfolios that have a return (at least) comparable to the benchmark yet with reduced risks. We build better portfolios that might remain close to the index, but which mitigates the risk of undesirable exposure and which integrate ESG factors.

Overall, it has been another positive year for equity investors. This is mainly due to an increasing number of people that have been vaccinated, economies that have slowly reopened, and better-than-expected corporate earnings figures. The FTSE world index returned over 20% (in local currencies). However, emerging markets clearly lagged. China, a heavyweight in the index, suffered from new corona cases, disappointing investment in infrastructure, stricter regulation of property developers, internet companies and private education industry, and electricity shortages due to climate policy and high coal prices. Examples of companies that are suffering substantially from these developments are Alibaba and Tencent. These companies weigh heavily in the benchmark for emerging market equities.

Due to the expected rise in inflation, long-term interest rates rose, but once investors started to believe that the inflation increase would only be transitory, interest rates receded again. However, the prospect of the phasing out of support measures by central banks eventually gave new impetus to long-term interest rates. The US, where the recovery has progressed further than elsewhere and the central bank acted immediately, saw the greatest increase in interest rates over the whole year.

The two internally managed credit teams active in Euro Investment Grade and Emerging Markets Credit have been merged into the new Credit cluster in 2021. Both teams outperformed their respective benchmarks over the year. The size of the Emerging Markets Credit mandate has increased by over € 1 billion during the year as part of the increase in exposure to credit. The team also needed to divest some 10% of the portfolio during the year as required by the Coal & Tarsand initiative and the requirements due to the OECD guidelines. New investments include the likes of EGE Haina, a Dominican Republic utility which issued an SLB requiring the doubling of renewable energy capacity in 4 years and Hero, an Indian utility which is dedicated to renewable generation assets. It currently has 1.5GW in solar and wind assets. The proceeds of the bond will be used for further expansion to 1.8GW in the near future.

The Euro Investment Grade team has invested, among other companies, in multiple SLBs from Enel. The Italian integrated utility company regularly finds the market to finance their ambitious growth in renewable generating assets, adding 75GW in solar and wind assets by 2030 (3x higher than 2020 levels). Moreover, additions include green bonds (e.g. Aeroporti Di Roma), social bonds (e.g. CaixaBank) and sustainable bonds (e.g. Telefonica).

Improving risk-return profiles through research

The PGGM Investments Systematic Equity Strategies (SES) team operates at the intersection of academic research and investment practice. The team manages the internal Developed Markets Alternative Equities (DMAE) fund, which aims to harvest alternative equity risk premia, such as value, quality, momentum, size and low volatility. Alternative risk premia emerged from financial academic research and have been shown to deliver long-term returns in addition to the equity risk premium.

In the November 2021 issue of the Journal of Portfolio Management (JPM), an article was published that was co-authored by Michael van Baren from the PGGM Investments SES team. In their article, the authors examine to what extent alternative equity strategies may benefit or suffer from (un-)intended sector exposures. For example, a simplistic value strategy which invests in stocks with high price-to-book ratios, tends to have little exposure to the more richly priced information technology sector. The authors show that, as a result of their sector biases, value and size strategies incur additional, unrewarded volatility. On the other hand, momentum and low volatility strategies earn additional returns from their sector allocations. Based on the research findings, the SES team has neutralized the value and size strategies' sector exposures in the Developed Market Alternative Equity fund, resulting in lower exposure to unrewarded risks and hence a better overall risk-return profile of the portfolio.

Chapter 2: Our impact – Generating value for stakeholders and society

As a pension fund asset manager our core belief is that sustainable developments are essential in order to generate good and stable investment returns. This is especially true in the long term during which the money of our clients is entrusted to us.

Investing for the long term means taking into account the impact on people and the environment, with special attention for health care, climate, food security and clean water. PGGM Investments seeks to contribute to a society in which economic development is not at the expense of vulnerable groups, future generations and the environment. We invest in different assets, such as government bonds, public and private companies, and projects. Directly or through market indices we are exposed to a large number of entities. As such, we have influence on many businesses worldwide. We use that influence to push sectors where there is still great potential for improvement onto the right track improving sustainability. We report transparently on both sustainability factors affecting our investments (financial materiality) and on how our investments impact society and the environment (outward materiality/impact).

2.1. How our clients' investments contribute to the SDGs

PGGM Investments has a fiduciary duty to achieve clients' financial pension ambition, but also to take into account the potential long-term impact of investment decisions on environmental, social, and governance factors. Additionally, as a large asset manager, we feel responsible and want to contribute to a more sustainable world.

'We cannot trade financial return for social and environmental impact. We want both, and we think we can have both.'

Piet Klop *Head of Responsible Investment*

We firmly believe that embedding the UN SDGs into our investment process is important. The long-term orientation and the size of the assets invested by PGGM Investments create an opportunity to use the driving power of money in the interests of a more liveable and sustainable world. PGGM Investments implements this by investing, in various asset classes, in scalable solutions for (future) social and environmental issues that matter to our clients and their participants or which may have a material impact on the investment portfolio. These targeted investments - which we call Sustainable Development Investments (SDI) - not only contribute financially to the returns achieved for our clients, but also create added social and environmental value. Through these investments, our clients contribute to the realisation of several SDGs in addition to a solid financial return.

With SDI, we look at portfolio alignment with contribution to the SDGs. We call this inside-out impact. On the other side, there is outside-in risk: ESG factors can form material risks to the portfolio. Read more about the impact of ESG factors on the portfolio in chapter 2.4 and chapter 3.2.

2.1.a SDI method and developments in 2021

Our objective is to accelerate market adoption of investments aligned with the SDGs by standardizing the way companies' positive contributions to the SDGs are assessed. To this end, PGGM Investments, together with other pension funds and administrators, developed the SDI Taxonomy in 2017. We classify investments that contribute to one or more SDGs according to this taxonomy as SDI. This taxonomy describes which SDGs are investable, and for each SDG describes which products and services contribute to that specific SDG. This SDI Taxonomy is "open source" and available to anyone. To create efficiencies in classifying SDIs PGGM was one of the initiators of a pension collaboration initiative that uses the SDI Taxonomy to classify thousands of listed equity companies. This is the SDI Asset Owner Platform (SDI AOP). See also 2.1.b.

Ultimately, we want to be able to understand and explain the real-world utility of all our sustainable investments, first through the SDI volume (in euros) but then also through companies' actual outputs, outcomes and impact.

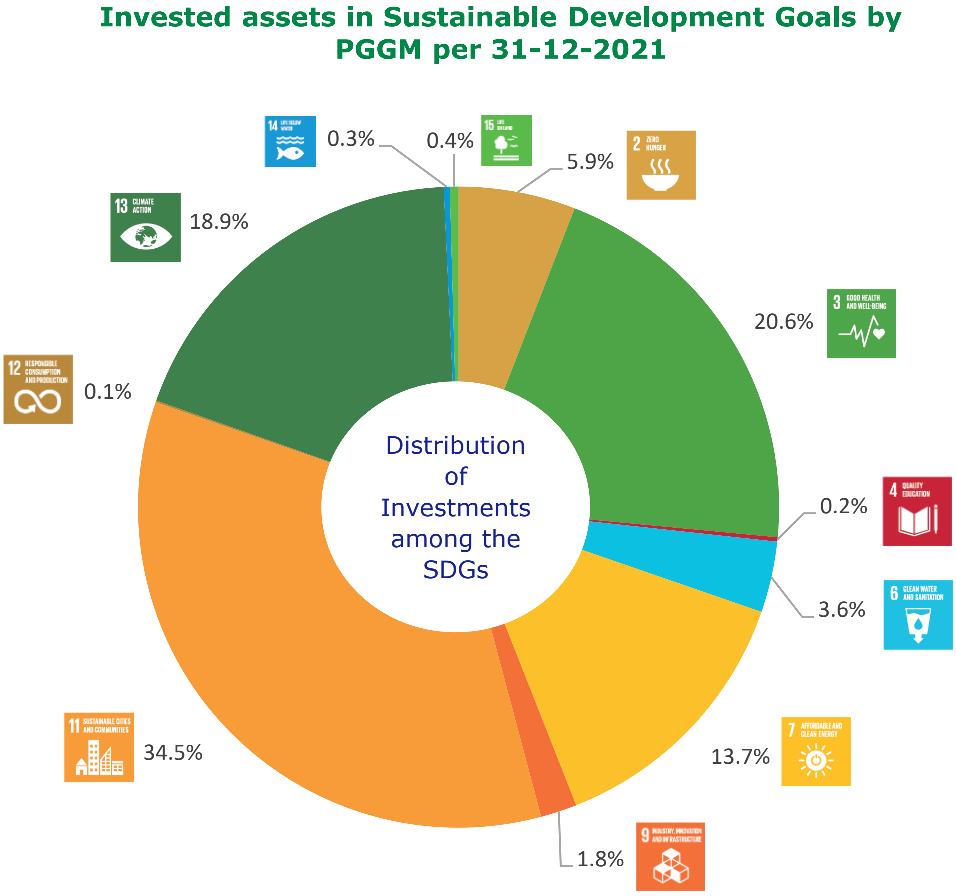
By the end of 2021, **18% (€ 52.7 bln) of the total investment portfolio was classified as SDI** (2020: 16.4 %, € 44 bln Euro).

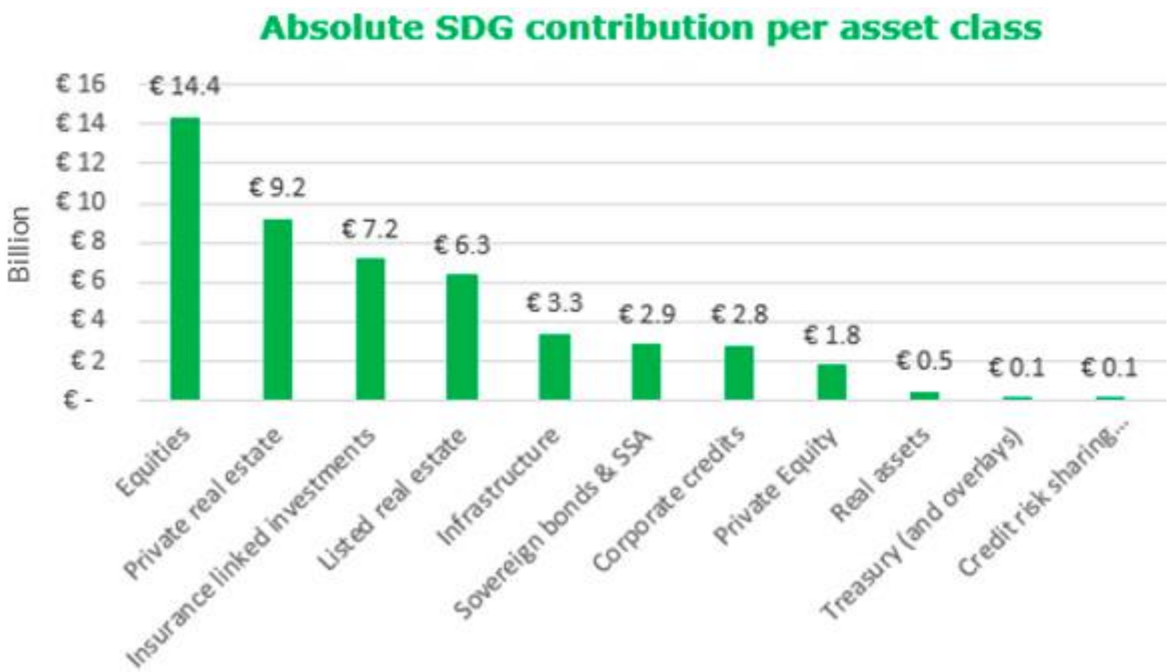
As the total investment portfolio showed a strong growth in 2021, the percentage of SDI within the total investment portfolio has increased even more. The increase of the euro amount of SDIs is a combination of new SDI-investments, new SDI classificatons and revaluation of existing SDIs.

In 2021 the investor demand for sustainable assets was again strong, resulting in higher prices for assets that are classifies as sustainable. In some markets this leads to risk-return characteristics that are not in line anymore with the goals of the investment mandates. Renewable energy infrastructure projects and some specific Green bond issues are examples where the expected yield of new transactions is, according to our analysis, not in line anymore with the underlying risks. This could even be a reason to sell existing SDI investments in the portfolio to improve the risk-return profile of the overall portfolio.

New commitments in the Private Equity mandate to specific SDI-focused funds and co-investments have increased, but most of these investments will be drawn and materialise in the next few years. In the fixed income markets the new issuance of Green, Social and Sustainabiltiy Bonds was strong, and supported the growth of SDI investments for this asset class. As the demand for these sustainable bonds increased, this also resulted in divestments of existing portfolio positions based on relative value analysis. One of the new SDI transactions in the Infrastructure portfolio was the investment in Alpha Trains, an operator of electric trains.

Together with our clients, we intend to allocate more assets to companies that contribute positively to the SDGs through their products and services. The goal we target at for our largest client, PFZW, is to have a total of 20% of the investment portfolio classified as SDI by 2025.





SDI in practice – Investing in Healthcare

For the pensions of PFZW, PGGM Investments invests assets of participants working in the health & welfare sector. We therefore certainly have strong interests for investments in this sector. One example is a project in the United States in which urgent care clinics have been set up to relieve the burden of care provided by GPs and hospitals. Through this project, more simple operations take place in clinics, which results in more money and beds available at the hospital. There are now 15 clinics in various states in the United States and we expect they will open eight to ten new clinics each year. We also invest in new medicines and medical equipment when they are in the final research phase. The medicines and equipment have then already gone through two rounds of research, but the third round is often the most expensive because, for example, the medicine has to be tested on many people. A group of experts then takes over the last phase of the research, conditionally that, after approval, part of the returns flow back to the investors when the drugs are distributed.

Also, for our clients we invest in new medical technology. New medical technology is seen as one of the primary solutions for the healthcare sectors worldwide, which have come under extreme pressure during the COVID-19 pandemic. Since 2016, PFZW's impact mandate has allowed us to invest in new medical technology. In building a listed impact portfolio, medical technology plays an important role because it offers solutions for more efficient and effective care. We now have several investments in this *medtech sector* that are driven by a number of trends, such as digitization, automation, personalized care, better diagnostics. Our investment in Japanese medical technology company Terumo fits into this. Terumo makes dotter treatments cheaper and more efficient, and the current overload of care shows well how necessary that is. New medical technology will be able to make an important contribution to a future-proof healthcare infrastructure. In addition to the short-term cost benefits that such technology brings, it is also about achieving long-term gains: with an ever-increasing demand for care due to an aging population, healthcare personnel will become scarce by definition and will need to be deployed as efficiently as possible.

Combining good financial performance with COVID-19 impact

It is important for a pension investor to focus on the long-term prospects of companies and their impact on society. This is reflected in the mandate of PFZW to invest part of its equity investments impactfully for the longer term. Under this mandate, investments are made in companies that have a positive impact on society, are of high quality and are expected to offer good financial returns in the long term. These are precisely the companies that, in times of crisis such as the current COVID-19 crisis, see their stock market value decline less rapidly than the broader index while simultaneously creating positive real-world impact. An example of such a company is Thermo Fisher. Thermo Fisher has stepped up as a major player in battling COVID-19: the company was one of the first to ramp up manufacturing of PCR tests at the start of the pandemic in 2020. Thermo Fisher announced they provided over 650 million COVID-19 tests globally. COVID-19 related sales over 2020 were $ 6.6 billion (20% of total sales) and over 2021 this amount grew to $ 9.2bln (23% of total sales).

All in all, Thermo Fisher performed exceptionally well in terms of both financial performance and impact. Full year 2020 sales compared to 2019 grew by 26%, and 2021 sales compared to 2020 grew by 22%. The share price since the start of 2020 up until the end of 2021 grew by 105%.

Making climate impacts through mitigation or adaptation?

Investors are facing the question: do we fund mitigation to prevent future CO2 emissions, or adaptation with which the world adapts to the consequences of global warming?

In an ideal world, of course, as much capital as possible should be deployed for climate mitigation. However, the reality is more complex and in some ways more troubling. Recent reports from both the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency show that current commitments by governments to reduce emissions fall significantly short of keeping us on the path of 1.5 degrees Celsius warming. Even if we were to reverse the trend in temperature increase there is a time lag in the effect of these measures.

This means that we will most likely experience more extreme weather events in the coming decades. Both the frequency and intensity of these outliers will increase and the time for investing in mitigation alone is long past. To further arm ourselves against this, large investments in climate adaptation will be necessary. In the Netherlands this literally means raising the dikes to keep our feet dry. Read our blog on the PGGM website to learn more about our climate adaptation investments.

2.1.b Standardisation: the Sustainable Development Investments Asset Owner Platform

Our ambition is to contribute to improved standardization of the impact investment sector. Together with APG, Australian Super, British Columbia Investment Management, PGGM Investments established the SDI Asset Owner Platform (SDI AOP, see www.sdi-aop.org) in 2020 to enable the development of such standardization. Technology Partner Entis analysed 8,000 listed companies on their contribution to the SDGs using the SDI taxonomy. This classification is made available to other financial institutions through distribution partner Qontigo. Through this platform, other investors are given the opportunity to integrate the SDI classifications into their investment process and reports. By 2021, various pension funds, asset managers and index providers worldwide became members of the SDI AOP.

The SDI Taxonomy (see section 2.1.a) is continuously updated based on new insights and availability of better data. These topics are examined in the Research Committee of the SDI AOP. In addition to updating the SDI Taxonomy, new modules are added to the existing SDI classifications. For example, in addition to listed stocks, in the new SDI classification of December 2021 bonds from listed and unlisted companies are also classified. Furthermore, the SDI AOP is exploring adding more "forward looking" information into the classification system as well, including analyzing owners of patents. The possibility of adding negative SDG contributions to the product range is also being investigated. Furthermore, there is a desire to also add non-financial outcomes or impact data to the SDI data in the future.

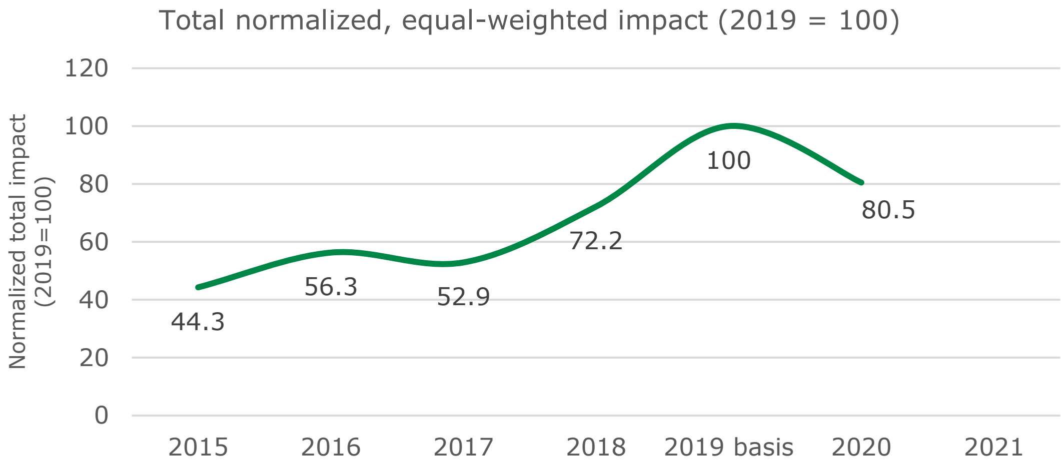
2.2.c Moving from Euro's invested to Real World impact

In the world of responsible investment, the focus is increasingly shifting from financial performance to results that provide an insight into the societal impact of investments. It is no longer enough to state that a certain asset is invested in 'something' from which a positive social contribution is expected. This would measure only good intentions, whereas the actual objective is to determine whether there is a true positive impact in terms of measurable improvement. Ultimately, this element of measurability is what makes an investment an impact investment. So, calculating the impact is essential, both for understandable communication of the positive impact of pension investments and for the credibility of investing with impact.

In 2021, PGGM Investments measured the impact of the companies it actively purchased as SDI. We report this impact in this integrated report, taking into account our share in these investments. In addition to the financial returns, we therefore calculate the impact of these investments and state how investments have contributed towards the selected SDG's. Also, our biggest client, PFZW, used the SDGs as a guide in its new Investment Policy, which runs from 2020 to 2025. One of the objectives is to double the measured impact on seven focus SDGs: SDG 2 (food), SDG3 (health), SDG6 (water), SDG7 and 12 (climate and pollution), SDG11 (sustainable real estate) and SDG 13 (climate action).

TOTAL INVESTED		RESULTS	IMPACT
CLIMATE	**€ 33.6 billion**	17.7 million MWH of renewable energy generated	Average electricity consumption of 5 million households per year
		4.2 million tonnes of CO_2 emissions avoided	The avoided CO2 emissions are equivalent to the average CO2 emissions of more than 182 thousand households per year
WATER	**€ 1.8 billion**	5.3 million m^3 water saved	Average water consumption of 55 thousand households saved
		170 million m^3 water treated	1.7 million households supplied with treated water
FOOD	**€ 2.9 billion**	49,000 ton yield improvement	2,000 Trucks filled with food
HEALTH	**€ 12.3 billion**		6 Million patients treated
			8 Million fewer sick days

This objective relates to impact measurement: tons of CO2 avoided, number of sick people treated, etc. The reported impact data is a combination of published data from companies, as well as impact data based on impact models which are estimates based on these models. For the calculation of the impact of investments, we are dependent on the impact data reported by companies. As a result, our impact calculation lags one year behind the portfolio measurement date. Because it is impossible to add up different impacts (tons of CO2 and liters of water, for example), we express the annual impact per KPI as a percentage of the last determined impact (for 2019) which we set to 100. After this normalization, the different impacts can also be added together and the measurement can simply double from 100 (in 2019) to at least 200 (in 2025). Progress against the objective is determined once a year. The impact indicators used are in line with the impact indicators as defined by the DNB Sustainable Finance working group on Impact Measurement. In addition an additional real estate impact indicator has been added that focuses on a specific sector related to SDG 4 Education.



The decrease in the normalized impact over 2020 is a combination of difference in values of existing impact indicators and changes of the number of SDI investments in the total investment portfolio. As the impact measured is based on the SDIs in the portfolio at the end of the previous year, new investments or divestments of SDIs with high impact values will have an effect on the normalised impact on portfolio level.

In 2022 we will focus again on stimulating companies to increase their reporting efforts to publish non-financial outcome and impact data for their products and services sold. We also work together with other financial institutions and platforms to collect outcome and impact data. This will over time expand the universe of companies that publish this data and will allow us to get a better insight in the social and environmental impact of the Sustainable Development Investments in the investment portfolio. For PGGM Investments, this means better insight into the real world impact of our portfolio.

Below we present developments regarding impact and challenges we faced during 2021.

Data-quality non-financial information

Asset managers, of course, know the exact financial performance of their investments. But due to the lack of solid, consistent, and reliable data that provides insight into the societal impact of these investments, investors looking for investments that contribute to the SDGs are facing challenges of identifying these contributions.

Although the quality of reporting on non-financial information by companies is still limited, improvements are visible. This is partly stimulated by the EU Sustainable Finance program, including regulations for Sustainable Finance Disclosure Regulation and EU Taxonomy. These regulations ask for reporting on which activities of companies can be classified as 'sustainable"'. But in addition, companies also need to report the extent to which their activities have a negative impact on the environment. Next, an analysis is made whether there are any controversies surrounding international conventions such as the OECD Guidelines for Good Corporate Governance or the UN Global Compact. Reporting on ESG and social impact evolves from voluntary to legally required. This will be an additional incentive for companies to report more and better on non-financial sustainability information. Investors will start using this data more often to incorporate sustainability focus into their investment portfolios.

Adoption of goals in relation to three real impact indicators

Besides the strong performance on the Global Real Estate Sustainability Benchmark (GRESB), with an outperformance track record that started back in 2012, our Private Real Estate team has a broader range of ESG goals. These goals include doubling of the number of life science buildings in the portfolio and doubling the on-site renewable energy generation most likely through solar panels. These two factors are part of our impact initiative used to create real positive impact with the global real estate portfolio.

The outbreak of COVID-19 has magnified the importance of life sciences by highlighting the increasing need for innovation. Life sciences firms apply themselves to solve the current health crisis and to assist with solving the challenges caused by, for example, ageing societies. The firms are seeking solutions to these challenges through the development of new drugs, therapies and devices that can cost-effectively cure diseases or improve the quality of life for patients across the healthcare spectrum. Companies that are focused on providing health care solutions account for approximately 80% of the tenant base of these properties, but face a lack of available space that meets their increasingly complex demands. Playing a role in creating new supply does not only project attractive financial returns, but also allows companies in the healthcare industry to grow. For these reasons the Private Real Estate team has committed to invest more in this asset class. In addition, the private real estate portfolio includes thousands of rooftops across the globe which could be used to place solar panels to generate renewable energy. Our engagement is expected to push external managers to install panels where technically possible and make sure that new constructions are built in such a way that renewable energy can be generated on-site.

The ESG and impact dilemma when investing in gene therapy innovations.

Investing in gene therapy provides great impact potential. A disease that is caused by an alteration in a person’s DNA sequence is called a genetic disorder; a single dysfunctional gene leads to a monogenic disorder. Gene therapy is the collective name for the increasing number of treatments for these types of diseases. Such therapy is a disruptive technology that has the potential to transform the treatment of patients.

Gene therapy is a highly innovative but also a highly risky space. Many of the companies operating in this area are start-ups and scale ups that often do not have strong ESG policies and practices in place to manage these risks. Common risks include for example production delays, which can seriously affect the financials of the companies given the nature of novel gene therapy products and complex manufacturing processes. Toxicity risks often pop up in gene therapy companies using viral vector production. Despite the great impact potential of gene therapy, we deem the ESG and risk profile of these companies too high and therefore do not view this as an attractive investment opportunity for our clients.

How to assess the negative SDG impact of the solar value chain?

Solar panels, specifically the green electricity they generate, are viewed as vital to the global transition to a sustainable future (SDG 7 and 13). Much of the polysilicon, a key component of solar panels, is supplied by producers based in two Chinese provinces: Xinjiang and Inner Mongolia. Why? The producers here can produce it at a very low cost.

The positive impact of a certain sector or product cannot be taken at face value. Thus, the climate change analyst of the Long-Term Equity Strategy team evaluates the entire value chain of the solar industry. This assessment uncovered that two main drivers of the competitive low-cost production of polysilicon are labour and electricity. However, there are known human rights abuses and forced labour practices in Xinjiang (as concluded in the 2021 Amnesty International report "Like we were enemies in a war") and the electricity is coal-powered. Do the contributions to SDG 7 (Clean Energy) and SDG 13 (Climate Action) outweigh the potential damage done to SDG 5 (Gender Equality), SDG 8 (Decent Work) and SDG 13 (Climate Action)? We concluded that making a positive and sustainable impact in one SDG cannot be done at too big a detriment to other SDGs.

2.2 How we mitigate our negative impact

Through our asset management activities, we invest all over the world, both directly and indirectly in nearly all business sectors, through a range of different asset classes and using different investment strategies. This means that through our investments we are exposed to many different aspects of the global economy. Adverse impacts can be a result of, or be linked to, the economic activities of the assets we invest in. As described in the previous chapter, PGGM Investments encourages a positive contribution to a sustainable world through its focused investments that contribute to the SDG's. As an investor we also have the responsibility to minimize negative impact. Negative impact can be described as negative effects for individuals, workers, communities, and/or the environment. PGGM Investments tries to prevent negative impact and considers this as a highly material topic. Where negative impact cannot be prevented, we aim to limit this to the absolute minimum.

2.2.a. OECD-Screening

Like many Dutch pension funds our clients have signed the International Responsible Business Conduct Agreement (or in Dutch: IMVB-Covenant), together with the Dutch Pension Federation (Pensioenfederatie), non-governmental organisations (NGOs), trade unions and the Dutch government. This agreement aims to help pension funds gain a better picture of the international investment chain. The main goal of the agreement is to identify, mitigate and prevent negative impact within the investment portfolio, such as human rights violations and environmental damage. In this agreement, parties seek to cooperate to create a more sustainable society. Cooperation relates to both practical and legal possibilities as well as taking into account the responsibility of the Dutch government under the OECD guidelines, the UN Global Compact's Human Rights Principles (UN Global Compact) and the UN Guiding Principles on Business and Human Rights ("UNGPs").

The signing parties to this agreement have agreed upon a number of requirements that should be implemented by the end of 2022. During 2021 we continued implementing these requirements by incorporating the OECD Guidelines into our policies and setting up a system that helps us continuously screen our entire portfolio for (potential) negative impact. On behalf of PFZW and BPF Schilders we also participated within the 'Deep Track' where we collaborated on specific engagement cases. Read more about this engagement in chapter 2.3.a.

To identify and assess the companies in the investment portfolio on their negative impact on people and the environment, we have developed a screening methodology, the so called 'OECD-Screening'. For this screening we use data from recognized external data providers. We avoid investments that are in very severe violation of the mentioned guidelines. Accordingly, the implementation of this screen is focused on performing an OECD and UN Global Compact screening to identify specific controversies that companies can be involved in. We have been using this screening methodology in our equity portfolios since the beginning of 2021. For the equity portfolios there is a lot of data available which helps us to better create a picture of a company's involvement in a controversy. Based on a score that is awarded to a specific controversy that the company is involved in, we decide to divest from the company or engage in talks with the company to stimulate movements towards better behaviour. In 2021 we divested from 68 companies based on OECD violations. We started engagement with 66 companies to stimulate better behavior.

	Total number of companies with negative impact PGGM portfolio
OECD Screening	134

Table 2.1: Negative impact identified

	Number of companies	Amount divested (in bln EUR)	% divested (as % of March holdings)	Index weight divested
OECD Divestments	- 68	1.2	1.2%	1.6%

Table 2.2: Divestments based on OECD violations

	Total number of companies engaged in 2021
OECD Engagement	66

Table 2.3: OECD engagement in numbers

For private markets data is less readily available. Nonetheless we have been able to complete the challenging task of implementing our OECD-Screening in private asset classes as well. As of the end of 2021, we also screen our existing private equity investments, infrastructure, private real estate, and non-listed credit portfolios for negative impact. Additionally, new investments in these asset classes are subject to strict criteria to minimize the chance of investing in a security that will generate negative impact. In the spirit of the OECD guidelines, PGGM Investments first engages the company or fund manager in talks. If this engagement fails, divestment could be a next step.

Dilemma: Implementation of OECD Screening in Emerging Market Credit

Our Emerging Market Credit (EMC) team implemented the OECD-screening in the first half of the year in the Emerging Markets Credit mandate. Implementation of the screening meant that several portfolio holdings (approx. 2.7%) needed to be divested.

The main challenge with the implementation of the OECD-screening was to find replacements in the Emerging Markets portfolio with similar strength and similarly attractive risk and return profile. The bonds of Southern Copper, a copper miner with assets in Peru were the only Peruvian bonds with a positive total return, during the turbulence caused by the presidential elections in April. Southern Copper did not survive the OECD-Screening and the EMC team needed to find alternatives. Eventually our EMC team was able to get comfortable with several new issuers, such as CMI in Central America and Clean Renewable Power in India. These are both utilities with renewable power generation capacity and benefit from hard currency power purchase agreements with long tenors. They contribute positively to reducing the carbon footprint of the portfolio.

2.2.b. What we do not invest in

We want to avoid making investments that do not fit with our clients. This is also a topic that is considered material by our stakeholders. In accordance with the PGGM Investments' Implementation Framework, we exclude companies that are involved in controversial weapons and tobacco activities from the PGGM Investments' funds and internally managed mandates. Early 2021 we added coal and tar sand to these *product based exclusions.* Companies that derive a large part of their revenues from coal extraction, coal powered energy generation and tar sand oil extraction have proven to be unable or unwilling to embrace the energy transition. The existing listed investments in such companies were sold during the first quarter of 2021. At the end of 2021, we also implemented these coal and tar sands exclusions for (new) private market investments. A total of 109 Coal companies and 10 tar sands companies were excluded.

In addition, we do not invest in government bonds from countries that are the subject of sanctions by the UN Security Council and/or the European Union (EU). We can also exclude companies in the event of heightened ESG risks. In such instances, we first try to realize improvements by engaging in a dialogue with the company. An example of such an exclusion in 2021 is the exclusion of a company due to their involvement with the military regime in Myanmar. This company failed to respond to our engagement requests. For more details see chapter 2.3.

In 2021 we excluded 207 companies based on their involvement with certain products and additionally we excluded government bonds from 14 countries.

Our vision on fossil investments

Interest in the climate policy of large investors is growing rapidly. PGGM Investments and PFZW are also being approached more and more directly - as has been the case several times now by amongst others activists of Christians for Climate Action and Extinction Rebellion. Should we follow suit and divest? If not, is the current approach enough? This is a dilemma that many financial institutions around the world are currently wrestling with.

On behalf of its clients PGGM Investments remains invested in the fossil fuel sector. PGGM Investment's total listed investments in fossil fuel amount to approximately €4 billion. This is 1.6% of the assets we manage on behalf of our pension fund clients.

Do we not share the concern about the UN's alarming climate reports? We can be clear about that: we fully share them. So the question is what can we do to help ensure that the gloomy scenarios do not materialise?

By remaining invested in the fossil fuel industry PGGM Investments can exercise shareholder rights on behalf of its clients, maintain influence over the fossil fuel companies and push the energy transition forward. We believe these companies should and can play a key role in that transition, hence creating new climate solutions that we would like to see in our investment portfolio. Choosing divestment will reduce our carbon footprint and lower reputational risk but it will not have a positive impact on real world emissions. As such, we use divestment only as a last resort and prefer to use our long-term capital investments to realise positive impact on the world and more specifically on the much-needed energy transition.

By remaining seated at the table, alongside other shareholders, we can use engagement and voting rights to influence the companies and steer them in the right direction, to set targets and adopt cleaner technologies. Fossil fuel companies have the know how, scale and risk capital to be in a position to lead the energy transition but still need investors to finance them. Withdrawing all investments is counterproductive since it removes capital needed to finance the transition. Moreover, the world is still heavily dependent on fossil fuels and the implementation of sustainable alternatives will not entirely cover all our needs in the upcoming years. For example, the materials needed to build a windmill cannot be produced without the use of fossil fuels. This means that alongside engagement with the supply side of the energy sector, the demand side requires attention too. Can we move a large oil and gas producer towards improving sustainability, towards making a concrete contribution to the energy transition? We want to give that a serious chance.

Such a meaningful dialogue will have to be accompanied by visible action at shareholders' meetings, in word and in deed. We gave a clear shot across the bows at Shell's shareholder meeting in May 2021. For the first time, we voted in favour of a resolution of Follow This that called on the management of Shell to publish CO2 targets that are in line with the Paris Climate Agreement. At the same time, we voted against Shell's proposed climate strategy: we did not find it credible.

As such, we support PFZW position to remain invested only in those companies who show willingness, capacity, and the according actions to transition. This also means PFZW does divest companies that significantly underperform their peers in terms of greenhouse gas emissions. Beginning February 2022, PFZW shared its tightened policy on investing in the fossil fuel sector.

In the coming two years, PFZW will stop investing in companies in the fossil fuel sector that do not commit to the Paris Climate Agreement and the increased ambitions of COP26. The divestment will be gradual, with PFZW only remaining invested in fossil fuel companies that have a convincing and verifiable climate transition strategy in line with 'Paris' by 2024. PFZW has set a target of 1.5 degrees Celsius on a total portfolio level. Investments in 'fossil' will decline over the next two years – by no means all companies in this sector are expected to be ready or willing to commit to 'Paris'.

Key words are: shareholder influence and taking responsibility. PFZW intends to use its influence to make an impact: if major players in the global energy infrastructure can be incentivised to develop climate solutions, the energy transition will gain real momentum. With this new policy, PFZW is giving PGGM an important but also difficult task. We gladly accept the challenge, because it fits the profile that PGGM wants as a sustainable pension investor. But it will also demand a lot from our ability to really make this impact for PFZW, in addition to that other important task: profitable investing.

Do you want to read more about our vision regarding climate change? Please see chapter 3.2. Also read the press release of februari 2022 in which PFZW details its tightened policy on investing in fossil fuel sector.

2.3. Active ownership

PGGM Investments actively uses its influence as a shareholder to achieve improvements in the ESG field, thereby contributing to the quality, sustainability and continuity of companies and markets. We do this stemming from the belief that this ultimately contributes to a better financial and social return on investments for our clients. This is also called Stewardship and is an important part of the way in which we execute the Dutch Stewardship Code and the implementation of the European Shareholder Directive (SRD II). Please see our Active ownership implementation framework for more details.

2.3.a. Engagement

As an asset manager, PGGM acts as a representative of its clients and calls companies and market parties to account for their policy and activities to make improvements in relation to ESG. Committed equity ownership requires perseverance and calls for the use of high-quality knowledge to be able to conduct fruitful dialogue with a company's management and exert maximum influence. We have invested in that for years. As a result, we have now become a trusted conversation partner for many companies, also regarding strategic sustainability issues such as creating positive impact. Companies benefit from critical, active shareholders who encourage better management decisions regarding sustainability subjects. In this context, we also work to form engagement coalitions with other institutional investors. This increases our impact because our total share is greater.

We created focus in our engagement activities. Our focus (i) People & Health and (ii) Climate which are tied to seven corresponding SDGs. Our Active Ownership activities are largely aimed at creating positive impact on these SDGs. Also we engage with companies when major issues occur. This reactive engagement has been expanded as a result of the new OECD-Screening which we have implemented as of this year. This screening is used to identify significant ESG risks within our portfolios and as a result part of the high-risk companies will be engaged with by us.

During 2021 we engaged with 154 companies. 15 results were achieved.

Examples of the engagement results achieved in 2021 are the inclusion of living wage as an indicator for a sugar certification scheme as well as the introduction of rigorous anti-money laundering procedures at a large Swedish financial institution.

The engagements that PGGM Investments conducted are tracked in a purpose-built database. In this database, we document our projects and discussions, we set our goals upfront, and we monitor our progress. If progress is too limited, PGGM Investments may decide to divest. We are prudent in this respect, however, because this means that we will reduce our influence on those companies.

Distribution of engagement activities at companies according to region in 2021	
Europe (excl. the Netherlands)	34
North America	49
Asia	37
Rest of the world	26
The Netherlands	8
Total	**154**

Distribution of engagement activities at companies according to focus areas in 2021	
Anti-competitive behaviour	7
Business ethics	20

Corporate governance	6
Human rights	51
Labour rights	7
Land use	1
SDG 1	3
SDG 3	4
SDG 6	36
SDG 12	2
SDG 13	28
Total	**165**

A few examples of companies with which engagement was conducted or results were achieved in 2021 are shown below.

Climate change Active Ownership

Climate change is one the greatest challenges facing the world today and PGGM Investments believes that Active Ownership is the most effective way we can contribute. We are currently engaged in 48 company dialogues in the area of climate, including five oil & gas companies. Our engagement efforts are divided into three areas. First, through the Climate Action 100+ collaborative initiative, we engage with five oil and gas producers from Europe and North America. Second, we are engaging 25 food-related companies to push for deforestation-free supply chains by 2030. Our efforts here leverage Satellite technology to track deforestation events, about which we discuss with our investees. Finally, we are engaging with 16 Asian banks involved in the financing of fossil fuel assets. This is done through the Asia Transition Platform, a collaborative initiative which PGGM Investments has launched in collaboration with five other investors and led by Asia Research & Engagement. Progress towards 'Paris alignment' will be evaluated at the end of 2023 based on the Transition Pathway Initiative; lack of progress means selling the shares. In 2022, the number of oil and gas companies that will be engaged will be expanded to around 20, in alignment with the new fossil fuel program, which will involve divesting from all those that are not aligned with the Paris Agreement by the end of 2023.

Health care Active Ownership

Healthcare is an important topic given our own background and that of our largest client, PFZW. Historically we have focused on improving access to medicines for people in developing countries. Throughout the past few years, we have broadened the scope of our access approach to include Access to Healthcare worldwide (including healthcare equipment) and also focus on developed markets. Apart from our ongoing dialogue with healthcare companies this has ed to our direct involvement in the so-called Biopharma Investor ESG Communication Initiative. This initiative is a joint collaboration of biopharma companies and institutional investors with the aim of developing a common set of ESG indicators which were released in April 2020. Over the past few year these indicators have been further refined with the aim of creating helpful health impact indicators. Once biopharma companies will start using a standardized way of impact reporting they can consequently demonstrate their added value to the outside world as well as better benchmark their efforts to those of others.

Also, in January 2022, together with 65 institutional investors representing over 3,000 billion euro's, we called on pharma companies to do more to increase global COVID-19 vaccine availability. In a letter we asked pharmaceutical companies to make the remuneration of their directors partly dependent on the worldwide availability of vaccines.

Human Rights

During 2021 we continued our engagement with the companies that are part of the so-called IMVB Deep Track, a collaboration stemming from the IMVB Covenant between NGOs, labor unions, the Dutch Government and several Dutch pension funds. Amongst others, we have made the first steps in engaging a large e-commerce company on improving the labour rights of their employees and we discussed potential child labour in part of their supply chain with a large car manufacturer. We continued our engagement with a large company on human rights issues in their activities in Peru. Here we achieved success with regard to the company's approach in respecting Free Prior and Informed Consent (FPIC) principles in their future expansion plans. Regarding labour rights of outsourced workers, we have experienced some more difficulties as there appears to be a difference between the company's policy and its actions on the ground. This topic is top of mind in our further engagement with the company.

Company engagement related to Myanmar

In March of 2021, the NGO 'Justice for Myanmar' and Dutch media published a report on the relationship between several of our investee companies and the Myanmar military which had violently overthrown the ruling government in a coup d'état earlier that year.

We reached out to all the companies named in the report to ask them if they could confirm or deny the findings in the report and, if this was the case, could reassess their interests in Myanmar and take all steps necessary to distance themselves from the military rulers.

Most of the companies responded to our outreach, established a dialogue and even took the necessary actions. For example, the French energy company TotalEnergies announced their departure from Myanmar as a result of amongst others engagement led by French investor Sycomore Asset Management and supported by us and other investors.

Unfortunately, despite several outreaches from our side, one Indian defense company was not willing to enter into a dialogue with us to discuss the 'Justice for Myanmar' findings. Given the allegations, the specific concerns about the defense-related nature of its products and services and its unwillingness to provide further clarification (let alone action), we decided to divest from this company as per December 31st, 2021.

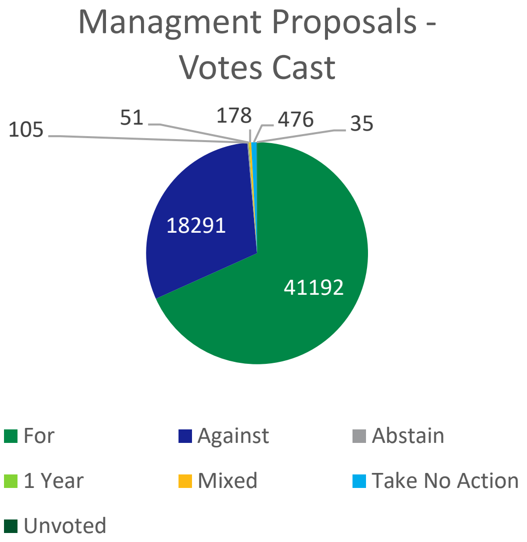
2.3.b. Voting

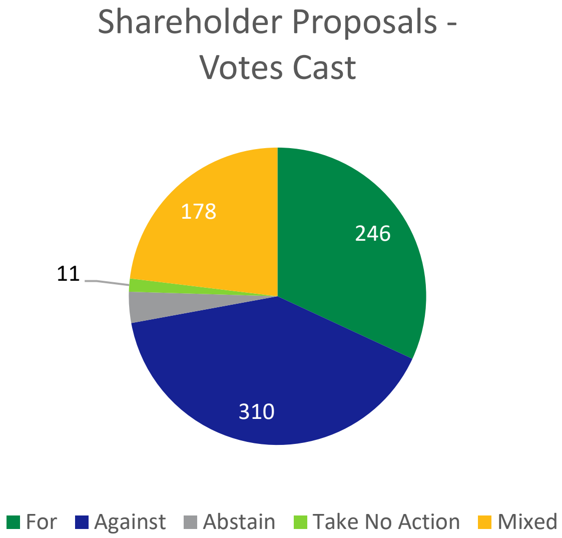
By voting at shareholder meetings, we exert our influence as shareholder on the companies in which we invest on behalf of our clients. Voting allows us to influence the direction the company takes on several fronts: strategic, financial and societal. For each company, we publish a voting record via this website. In cases that arise, PGGM Investments also addresses shareholder meetings (AGMs) to reinforce our vote and publicly engage in a debate with the companies in which we have invested. This is especially the case for Dutch companies. We also submit shareholder proposals ourselves or in cooperation with other investors when we want to spur a company to take action.

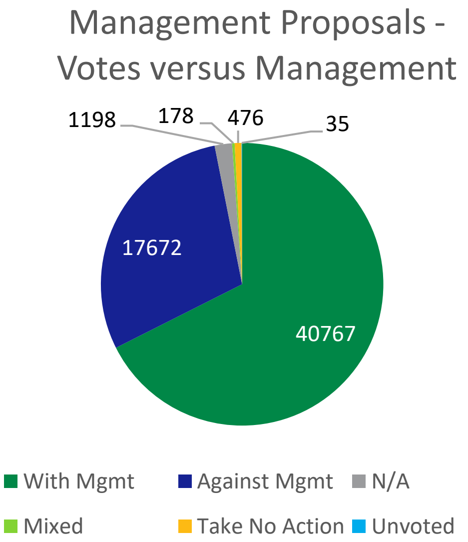
In 2021 we voted at 5,903 shareholder meetings of listed companies in which assets of our clients are invested. Based on our clients' voting policy, votes were cast on over 60,900 proposals.

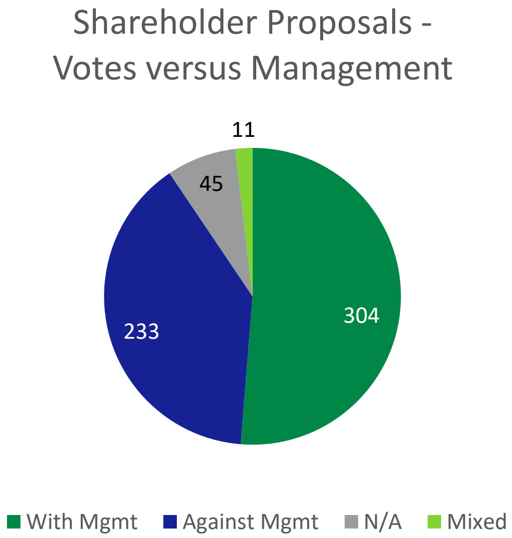
The figure below shows in what regions and on what topics we voted in 2021.

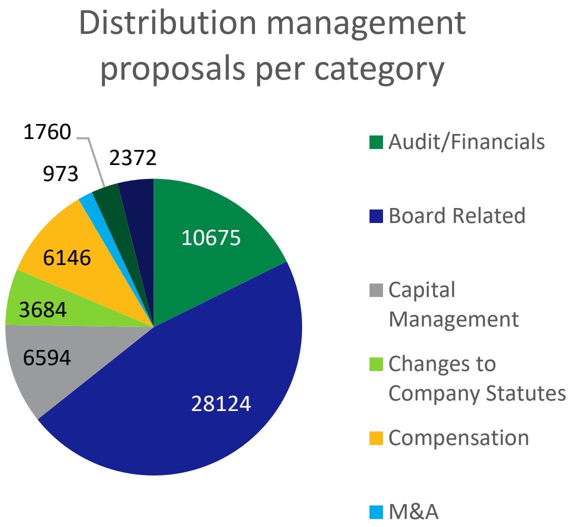
Voting figures 2021	
Number of shareholder meetings	5,903
Number of shareholder meetings at which we voted	5,900
Number of shareholder meetings at which we did not vote	3
Number of agenda items voted on	60,921
Percentage voted on	99.95%

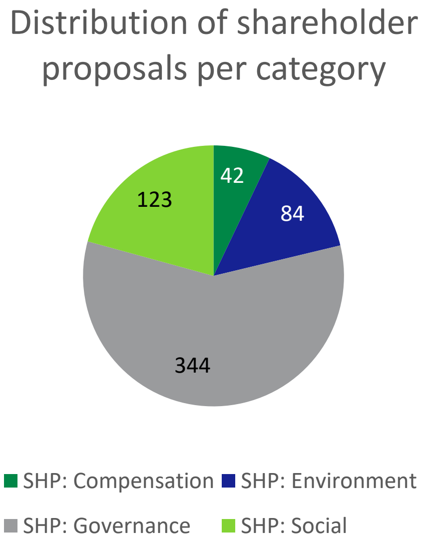

Managment Proposals - Votes Cast
105
51
178
476
35
18291
41192
For
Against
Abstain
1 Year
Mixed
Take No Action
Unvoted


Shareholder Proposals - Votes Cast
178
246
11
310
For
Against
Abstain
Take No Action
Mixed


Management Proposals - Votes versus Management
1198
178
476
35
17672
40767
With Mgmt
Against Mgmt
N/A
Mixed
Take No Action
Unvoted


Shareholder Proposals - Votes versus Management
11
45
233
304
With Mgmt
Against Mgmt
N/A
Mixed


Distribution management proposals per category
1760
973
2372
10675
6146
3684
6594
28124
Audit/Financials
Board Related
Capital Management
Changes to Company Statutes
Compensation
M&A


Distribution of shareholder proposals per category
42
123
84
344
SHP: Compensation
SHP: Environment
SHP: Governance
SHP: Social

The COVID-19 pandemic once again had a great influence on the AGMs in 2021. Not only in the Netherlands adapted forms of the AGMs were necessary. Many AGMs were held virtually in 2021, due to the COVID-19 measures, permitted by an enacted temporary emergency law.

Say-on-Climate proposals have become increasingly popular in 2021, and are expected to be on the agenda of AGMs even more often in 2022. These proposals, that are put on the agenda by the company itself, set out the climate strategy of the company in question to ensure they are fit for the climate change challenges ahead. It allows for shareholders to determine whether the climate strategy of the company in question meets their expectations.

2.3.c Legal proceedings

PGGM Investments conducts legal proceedings on behalf of its clients when necessary; f.i. in a situation where this is required to recover investment losses and enforce good corporate conduct. We do this as a shareholder in listed companies, both in the Netherlands and abroad, where we make a distinction between 'active' and 'passive' proceedings.

An active role in legal proceedings is sometimes opted for when a company has acted improperly and our funds and/or clients have suffered substantial financial losses as a result. In those cases, our aim is to recover as much as possible, limiting the entire loss as much as possible for our funds and/or clients. By actively conducting proceedings, we also send a signal to the market that the company's behaviour is unacceptable. These active proceedings can last a long time and can be very costly. However, since our advisors provide support on a 'no cure no pay' basis, we face no risk of legal costs. In some proceedings, we suffice with passively registering our claim. This is a primarily administrative process in which we can recover part of the damage suffered by our clients for minimum input and costs, yet mostly also with a much lower claim recovery rate.

In 2021, PGGM Investments has been involved in 11 active legal proceedings on behalf of our clients. As an example, we have been participating in collective actions against Volkswagen (in Germany) and BHP Billiton (in Australia). In the Volkswagen-case we are part of a group of shareholders that seeks compensation for losses incurred as a result of the "Dieselgate scandal", where the company has already been found guilty having purposefully misled regulators and other authorities in relation to emission levels. The case against BHP Billiton evolves around the collapse of a dam in Brazil, that is co-owned by BHP Billiton and that was (knowingly) maintained poorly– ultimately leading to its collapse. Apart from the ecological and human tragedy surrounding this collapse, BHP Billiton's shareholders also suffered losses for which investors are seeking compensation. One of the actively litigated cases that led to a settlement in 2021 – and a payment to one of our funds - was against pharmaceutical company Valeant in Canada.

In 2021 we recovered over € 943,000 in class actions.

2.3.e Tax behaviour in the portfolio

Taxes play an important role in the finance of society's collective expenditure such as healthcare, education and infrastructure. In this regard taxpayers also have a responsibility, and therefore in its operations PGGM Investments wants to deal with taxes in a sustainable way. The tax environment has changed and will continue to change. In recent years, for example, several international initiatives, such as those by the OECD and the EU, have been undertaken that emphasize greater tax transparency and the prevention of aggressive tax planning. Moreover, tax planning keeps emerging in the social debate. PGGM Investments shall always be mindful of such developments when it invests on behalf of its clients.

Investment structures can be used to avoid (economic) double taxation for the pension fund clients and their beneficiaries. In doing so, PGGM Investments respects both the letter and spirit of the applicable (international) tax laws and regulations considering its tax principles and tax viewpoints that are published in a Sustainable Tax Position Paper. The Executive Board of PGGM is responsible for the design, operation and evaluation of this tax policy.

We see that the tax policy requirements can be met particularly in investment structures where PGGM Investments has decisive or substantial control. However, this is much more difficult for investments in externally managed funds, because our clients or funds are often one of the many investors with small interests. For example, the use of tax haven jurisdictions still occurs for these funds or their underlying structures. Traditionally, external managers often chose such jurisdictions, because these have built up an entire infrastructure around the fund practice and offer a great deal of flexibility legally and supervisory, including "tax neutrality". Principal Tax Counsel Niels Krook notes that we are trying to move away from the use of tax havens. He explains: '*Because we do not have a casting vote in many external funds, it is difficult for us to enforce that an external fund manager does not use entities in tax havens or certain aggressive structures. The market tends to be opportunistic on this issue. Many institutional investors still seem reluctant to adapt. Without binding legislation this is unlikely to change*.' However, there are bright spots, Krook notes. '*Sometimes PGGM Investments can achieve a positive result in this area on the basis of its relationship or persuasiveness*.'

2.4. ESG integration

Environmental, Social and Governance (ESG) integration can be described as the identification and mitigation of material ESG-factors in investment activities and -decisions. ESG integration is aimed to improve better risk-weighted return, since ESG-factors can directly and indirectly impact financial results. For instance, climate-related financial risks such as more extreme weather events can result in higher claims at insurers, or energy companies sued for complicity in human rights violations can lose drilling rights.

Our investment teams are responsible for the integration of ESG-factors in investment decisions. The Risk departments perform a parallel ESG risk analysis and challenge the assessment of the investment teams. The Responsible Investment team assist the investment teams by providing guidance, training, and coordination. The role of the Responsible Investment team is to help ensure that the investment portfolio contributes to the responsible investment objectives of PGGM Investments and its clients, and also complies with ESG-related regulation.

2.4.a ESG integration in practice

A first step to ESG integration is the identification of ESG-risks. To be able to identify these risks, ESG related data are essential. The available data is limited due to subjectivity, estimations and modelling of the data. Improvement of data quality is therefore an important objective of our ESG integration activities. We have insourced ESG data from several specialised data provided for many years, attempting to overcome data limitations like subjectivity, estimations and modelling of data. In 2022 we expect our internal ESG database to be operational. This database will enable the investment teams to easily access, use and report the most relevant ESG-related data for ESG integration purposes, but also to meet the requirements from regulation, voluntary initiatives, and client policies.

In 2021 we started using a tool provided by the environmental, social, and corporate governance data science company RepRisk. With this tool it was better possible to specifically identify ESG risks relating to the OECD Guidelines for Multinational Enterprises and involvement in thermal coal and tar sand exploration in our private investments. This enables us to better comply with the requirements of the IMVB covenant, which some of our clients signed.

We expect good direct or indirect results from an improved integration of ESG-factors. Better reporting of ESG-related data will therefore remain one of the key priorities for our dialogue with and monitoring of external investment managers. Especially in private markets, we see exciting potential for reporting on risks and of mitigation strategies.

To identify and assess ESG risks, our Responsible Investment team developed a structured process, based on the Sustainable Accounting Standards Board (SASB) framework. The assessment process will be further refined and in 2022 we expect it to be tailored and presented to most investment teams.

Additional support is provided through internal Responsible Investment Guidelines, which discuss topics like biomass, hard to abate sectors and biodiversity. The number of these guidelines will be further expanded in the coming years.

Below are several examples of how the investment teams integrated ESG factors in their day-to-day investment activities.

Biodiversity

The attention of governments, corporations and investors is increasingly turning towards the topic of biodiversity and nature loss, a threat potentially equal to climate change. It has also become evident that the two share common causes and common solutions. And experts are clear: either we solve both or we solve neither.

PGGM Investments and other investors are already exposed to nature-related physical risks. In 2020, De Nederlandsche Bank (DNB) assessed that the exposure of Dutch investors to such risks was at least € 510 billion. The expectation is that regulators will soon be asking

PGGM Investments and its peers to find ways to manage these risks. Like the climate crisis, we simply cannot ignore the biodiversity crisis.

We are very conscious of this topic and are addressing it within our investments. This includes divesting from companies that have a severe negative impact on biodiversity. An example of this is SLC Agricola SA, a Brazilian agricultural producer, who was added to the non-inclusion list due to its involvement in illegal deforestation.

Also, PGGM Investments engages with companies regarding biodiversity. For example: we are engaged in discussions with food producing and retailing companies on deforestation, which is a major driver of both climate change and biodiversity loss. Together with peers we are using tools such as satellite technology to engage in conversations with companies on how to improve their sourcing practices for cattle, soy and palm oil. We have joined peer networks to agree on standardized metrics and tools (i.e., the Taskforce of Nature-related Financial Disclosures, the Partnership for Biodiversity Accounting Financial).

There remains a lot to do, particularly the translation of these complex topics into usable metrics during the investment process. Yet, thanks to the growing attention, a lot of development in terms of metrics standards and regulation is expected in the coming years. In the meantime, asset managers like PGGM Investments can already take action to manage their exposure and their negative impact.

PGGM Investments supports Private Equity ESG Data Convergence Project

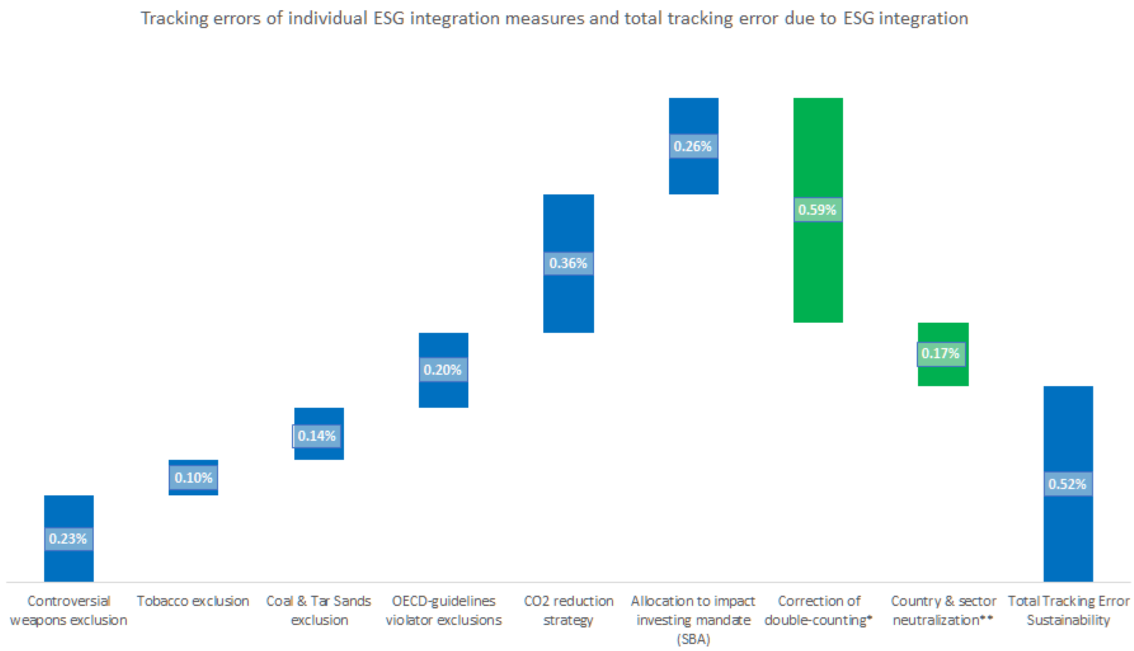
Private equity is an important investment category for PGGM Investments to realize a sustainable and valuable pension for participants of our pension fund clients, including our biggest client PFZW. The risk profile of investing in private equity is generally higher than for other asset classes, but private equity generally also generates higher returns. PGGM's private equity objective is to outperform the public markets by 2.5%, which we have exceeded historically.

In recent years, we see a proliferation of sustainability-related initiatives. These often focus on public markets, and it is becoming clear that private equity (PE) needs to catch up. In 2021, PGGM Investments participated in the ESG Data Convergence Project, the first partnership in the PE industry between private equity firms (so called 'general partners' (GP) and its investors that commit capital (so called limited partners (LP). These project aims to standardize ESG disclosure metrics. The convergence starts with six metrics, including Scope 1 and 2 greenhouse gas (GHG) emissions, renewable energy, board diversity, work-related injuries, net new hires, and employee engagement. This will help PE to achieve our clients' climate ambitions. After having collected GHG emissions data across the PE portfolio, we faced a clear gap in terms of data availability in the PE industry. By supporting this LP-GP partnership, we are committed to further collaborating with LPs as well as engaging with our GPs to achieve full ESG transparency.

2.4.b ESG integration in numbers

What is the financial impact of ESG integration on our listed equity investments? PGGM Investments uses standardized measures and deviation analyses to measure this. The size of the difference between return fluctuations of an investment portfolio against return fluctuations of a benchmark is measured by a tracking error. A tracking error is a measure of the size (not the direction) of performance differences. The benchmark is the FTSE All World Index, a broad market index reflecting the global stock market performance. A large tracking does not necessarily imply underperformance of a portfolio compared to its benchmark but a higher chance that the performance will be significantly different.

With our ESG integration policies we want to achieve the best ESG performance while achieving market-level returns. Therefore, we strive for a low tracking error in all our ESG integration policies which represents reduced risks. To understand the impact of ESG integration, we compute the tracking error of each ESG integration policy separately and the total tracking error due to ESG integration. The graph below shows from left to right the tracking errors of individual ESG integration policies and the total tracking error due to ESG integration. Our CO2 reduction strategy has the biggest impact (0.36%) followed by our allocation to impact investing (0.26%). However - overall - we can conclude that our ESG integration policies do not have a significant impact on the financial performance of our listed equities portfolios. The total tracking error of ESG integration, after correcting for overlaps in policies and accounting for country and sector effects, is only 0.52%.



*) Some of the ESG integration policies overlap in their effect. For example, a company might be exlcuded due to its CO2 emissions but at the same time be in scope of the coal exclusion policy. Simply taking the sum over all individual tracking errors would lead to an exaggerated total tracking error by double-counting such cases. Therefore, we subtract a correction factor to correct for such double-counting.
**) Some ESG integration policies have an uneven effect on the allocation to certain sectors and countries compared to the allocation in the benchmark. This increases the tracking error unnecessarily. The portfolio sector and country weights are re-scaled to resemble the benchmark sector and country weights to correct for this effect.

All tracking errors calculated as realized ("ex-post") tracking errors as of 30 September 2021. All tracking errors are annualized.

Research: The attractive risk-return trade-off of SDIs

Impact investing becomes an increasingly important instrument to classical ESG integration. While ESG integration emphasizes investment risks resulting from ESG factors, impact investing seeks to align investments with opportunities generated by solutions to sustainability challenges. Our new SDI AOP dataset allows us to explore and research to what extent companies contribute to SDG solutions through their core commercial activities and to link that information to financial performance at the company and portfolio level. This helps us in empirically evaluating the merits of “3D investing” in listed equities. It is an extension of the traditional risk-return considerations to include the positive contributions that companies are making to environments and societies through their core business alongside their financial risk and return profile.

Our empirical research shows that SDIs provide an attractive risk-return trade-off. In our study, a pure-play SDG-aligned portfolio yields a risk-adjusted performance over a five-year time horizon that is on par with a broad market benchmark. Our results show that investors can accommodate SDG tilts in diversified listed equity portfolios without compromising financial performance. Attention to industry exposures resulting from a closer link of some industries to specific SDGs is an important consideration in SDG-aligned portfolio construction. The research results have been presented at a webinar of the International Center for Pension Management (ICPM) and help PGGM Investments and other members of the SDI Asset Owner Platform in gaining a better understanding of 3D investing.

Chapter 3: Risk management

PGGM Investments operates in a continuously demanding and rapidly changing world. Risk management therefore is a highly material topic for us. We check whether our clients' investment policies are properly implemented and ensure that all internal and external regulations are strictly adhered to. We also assess whether the investment policy matches the ambition of the pension fund and the risk appetite of the participants.

We make a distinction between risks to which our institutional clients are directly exposed via their investments and risks to which PGGM Investments is exposed. In order to determine whether and to what extent there is exposure to specific risks, the risk appetite of each client is determined annually. This risk appetite constitutes our framework for decision making and contributes to an active and conscious risk culture. In this chapter we reflect on the most significant risks of 2021 and how we dealt with these risks.

3.1. Optimal risk management of investments

In our role as asset managers, we compose and maintain investment portfolios for our clients in order to realise the desired risk-return profile. Our Front Office investment teams select the investments and are responsible for managing the investment risks. The Risk and Compliance teams independently supervise that 1) the risks in the investment portfolios are consistent with the desired risk-return profile and 2) they satisfy the preconditions stipulated by our clients.

3.1.a Financial risks

The financial risks of the investment portfolios are continuously measured, analysed, discussed with the investment teams, and compared to the predetermined risk limits and risk tolerances. The financial risks that PGGM Investments Risk & Compliance monitor can be divided into 1) market risks, 2) liquidity risks and 3) counterparty risks. In this context, market risk is deliberately incurred in order to achieve expected returns. All three risk types are reported on, both on the level of the individual investment portfolios (PGGM Investments funds and segregated mandates) and the client portfolio as a whole.

Total portfolio approach

During 2021 PGGM Investments searched for opportunities to monitor and analyse the investment portfolio in an integral way, the so-called Total Portfolio Approach. Our goal is to have an integral view of all risk exposures, including ESG risks, and being able to run performance analysis on the entire balance sheet. Currently, different teams use different tools to analyse their part of the portfolio, without an integral overview of all investments. After an extensive analysis process of vendor solutions, management decided to follow the advice of the steering committee and and started exclusive negotiations with the preferred vendor. In 2022 we expect to implement the chosen solution and integrally measure risk and performance of both publice and private investments.

During 2021, COVID-19 related market risks still got much attention. The health crisis and variations of the virus led to further restrictions, limiting economic growth and sound balance sheets. COVID-19 disruptions in the supply chain have resulted in delayed output and increased prices. From a credit risk perspective, a continuous focus was on our counterparties, as well as liquidity risks and volatility in client mandates.

Moreover, climate risk is an increasingly complex topic. In 2021, the energy demand was higher than the supply of (renewable) energy, causing high returns for the sector as well as high inflation globally. An initial framework was developed to integrate climate risks in the evaluation of investments. Several high emission companies were excluded from client mandates. Furthermore, the new Intergovernmental Panel on Climate Change (IPCC) report this year contained troubling conclusions regarding an accelerating increasing pace of global warming with (partly) irreversible damage to the environment. PGGM Investments has started to invest in more tooling to address this risk adequately. For more details on how we deal with climate risks see chapter 3.2.

Also the regulatory environment had an impact on the PGGM Investments. For example the disintegration of PGGM Treasury B.V. last year resulted in large transfers of securities and cash balances to a new custodian and house bank. The introduction of the European Market Infrastructure Regulation (EMIR) and the Uncleared Margin Rules (UMR) meant a lot of preparation to post and receive collateral with counterparties.

Developments in China received extra attention. The Chinese Communist Party more strongly enforced control in the tech and the real estate sector, with several real estate firms (most notably Evergrande) on the brink of default. The risks appear to be contained for now, but potential impact on global markets and counter parties could be large. The Emerging Markets Credit mandate did not have any exposure to Evergrande or its competitors whereas the sector had a high weighting in the benchmark. The team has analysed the sector a couple of times (most recently in 2020) and always refrained from investing, due to the debt funded growth and opacity of accounting predominantly. This positioning helped the mandate outperform the benchmark significantly in 2021.

Higher inflation and higher interest rates are expected for the near future. It’s still an open question whether the inflation is transitory or persistent. Inflation leads to tapering (decreasing the quantitative easing by central banks) and may lead to a further increase of the interest rate. While beneficial for the coverage ratio, longer term interest rate increases may lead to a new risk: steerability. The risk of large rebalancing flows from equity to fixed income may result in a relative increase of illiquid assets on the balance sheets of our clients. Investments is developing tools to address this new steerability risk correctly.

3.1.b Liquidity and Steerability Stress Models

In 2021 our Risk department reviewed its (funding) liquidity stress model. This model assesses whether our clients have sufficient assets and resources available to fulfil expected requirements such as margin calls of counterparties, commitments, payment of pension premiums and requirements as a result of EMIR regulation.

EMIR regulation, and especially the future expiration of the temporary exemption of central clearing obligation for pension funds as well as the UMR requirement can have a tremendous impact on the liquid funds available; particularly, with respect to the required variation in margin calls, since these can only be fulfilled in cash. This impact increases as more central clearing will be used in the interest rate hedge mandates. We therefore extended our liquidity stress model with additional screenings whether the deposit of the collateral is available in the right form (bonds or cash). An additional challenge is the prediction of the development in the repo-market. The repo-market is a necessary tool for our clients to transform the available (European) government bonds into cash which could be necessary to fulfil to its short-term liquidity obligation in cash in case of central clearing. In tandem with the quantitative review of the liquidity stress model, the governance with respect to liquidity has been further improved by defining clear roles and responsibilities of both PGGM Investments and its clients aligned with the outcomes of the model.

After the completion of the liquidity framework, we performed additional research in the area of steerability of the balance sheet of our clients. We carried out extensive research to formulate an opinion on how steerability should be monitored and defined our own measure for steerability. This has been challenging as best practises were not easy to find on this risk topic. The Risk department has also defined scenarios under which circumstances steerability could be seriously hampered. One of the scenarios is a severe (market)liquidity stress which may result into a forced selling of assets to fulfil funding or liquidity requirements. Consequently, the clients balance sheet contains fewer liquid assets and has become less flexible to absorb future shocks. We are currently in the process of rolling out a risk monitoring framework for our clients regarding steerability. Finally, we are aiming to add the potential impact of the new pension contract into both our liquidity and steerability models in 2022.

3.2. Dealing with climate risk as financial risk

Climate change has been a concern for PGGM Investments and our clients for years. It is an urgent matter and an increasingly important risk. As a large global investor, with a diversified portfolio, we expect climate change and the energy transition to impact our clients' investments. Each new year, previous climate risk estimates are replaced by new and always more material estimates, underlining the necessity to fully integrate climate risk into our financial risk management processes and policies.

The relationship between climate change and investing is twofold. On the one hand, our client's investment decisions have an impact on the climate. Our clients feel societal responsibility to reduce negative impact on the climate. On the other hand, climate change - and measures to combat climate change - have an impact on the value of our clients' investments. It is our fiduciary responsibility to understand and respond to these effects. We therefore see this as one of our material topics. PGGM Investments manages its clients' investment portfolio by effectively contributing to the energy transition in the interests of participants.

Also, it is part of PFZW climate strategy to identify and mitigate climate risks for all asset classes. Full integration of climate risks, and more broadly sustainability risks, into existing risk management practices is furthermore being enforced by new regulation such as the Alternative Investment Fund Managers Directive (AIFMD) and the Markets in Financial Instruments Directive II (MIFID II) and climate risk stress testing is expected to be requested by the Dutch central bank as of 2022. In the upcoming years, PGGM Investments and our clients will have to provide more insight into climate and other sustainability risks in investment products complying with SFDR requirements. Furthermore, in 2022 the European Insurance and Occupational Pensions Authority (EIPOA) will carry out a stress test for pension funds in which climate risks will be a major focus. We expect to use our expertise to help our clients deliver on this request.

Below we reflect on the key themes for 2021 regarding climate risk and how we are preparing our risk management for the future. Also, we show how different investment teams integrate climate change risks in their day-to-day investment activities.

Achievements dashboard:

- In the entire PGGM Investments portfolio, fossil fuel exposures (both GICS and Barclays), have been reduced from 2.4% in 2017 to 1.6% in 2021.
- Exclusion of 109 companies that derive more than 30% of their turnover from coal extraction or combustion or more than 10% from tar sands oil extraction. This concerns among others Coal India and Conoco-Phillips.
- Seven companies with activities in fossil energy have been excluded based on the OECD screen (human rights), for a total of approximately €81.5 mln.
- 227 companies (of a total of 3,791) were removed from the equity benchmark due to our CO2 index by 2021, including RWE, Exxon Mobil and Gazprom. Through the CO2 index, the CO2 intensity of the equity portfolio has been reduced by more than 50% between 2015 and 2020. In 2021 a further reduction of 5.3% was realised.
- We voted at 27 shareholder meetings on climate related resolutions to encourage Paris alignment
- €15.8 bln is currently invested in climate solutions in equities, bonds (green bonds), infrastructure and Private Equity, contributing to Sustainable Development Goals #7 and #13.

3.2.a Carbon emission monitoring and climate stress testing

This year we have further integrated climate risk into our financial risk management processes. We added ‘Sustainability’, including climate risk, to our Portfolio Risk framework that we use to monitor, review and challenge the public market portfolios. This framework ensures a complete and consistent portfolio investment risk management process and is used by our risk managers. To evaluate ESG and climate risk in existing public market portfolios, both stand alone and against benchmarks, we are developing new dashboards containing ESG, Reputation and Carbon metrics for the equity and credit portfolios.

In order to quantify climate risk, we monitor carbon emissions of the companies in our investment portfolios. Our previous research showed that a global increase in carbon tax levels to $100, or even $200 per ton CO2, presents a substantial risk for equity portfolios. While much smaller, it also presents a non-negligible risk for credit portfolios. Monitoring carbon emissions for the public market portfolios therefore gives a good idea of the level of climate risk, more specifically climate transition risk, in the investment portfolios.

As the carbon footprint of investments (measured in tonnes CO2 per million euros company turnover) has been mapped for a larger part of the portfolio, more insight has been gained into possible transition risks. One of the insights is that the carbon intensity of the loan portfolio is significantly higher than for the equity portfolio.

While the carbon emission monitoring and carbon tax stress testing is a good first approach, it is too limited in scope to give a complete picture of climate risk. Carbon tax stress testing only takes transition risk into account and cannot adequately differentiate between companies that are part of the solution to climate change, companies that are potential stranded assets, and everything in between. Also, the impact of a possible carbon tax remains very difficult to predict. There are many indirect effects that are difficult to include in the analysis. Questions we consider include: how quickly can businesses adapt? How much of a potential carbon tax is already embedded into prices? Will the carbon tax be introduced globally or locally? How would the carbon tax affect the business of key supply chain partners both directly and indirectly?

In 2021, we performed further research on climate risk stress testing and continued our collaboration on this topic with the Pensioenfederatie (in English: Dutch Pension Federation), the Dutch umbrella representative entity of almost all Dutch pension funds in 2021. A good climate risk stress tests should be forward looking and takes both transition and physical climate risk into account. We continue to research this in cooperation with others. We are gathering information regarding new forward looking long-horizon climate risk stress tests that take both transition and physical risk into account. We completed our research for a new climate risk stress testing tool, thereby greatly enhancing our capabilities to accurately monitor climate risk in the investment portfolios. In 2022, we will start with the implementation of a new climate risk stress testing tool that will greatly expand our ESG and climate risk monitoring capabilities and thereby putting sustainability risk on a comparable level with traditional financial risks. Additionally, we continue developing the aforementioned dashboard by, for example, expanding the asset class scope to government debt or enriching the amount of ESG / Climate / Reputation data available.

In 2021, we developed a framework for the private markets portfolios in which we estimate the gross and net risk exposure towards climate change. This includes - to the extent we are able to assess - both physical and transition risks on the basis of seven indicators. We are currently in the process of rolling out this framework. Below are a number of examples of how the investment teams in 2021 integrated climate risks in their day-to-day investment activities.

Sustainability risk: knowledge building and sharing

PGGM Investments organized multiple workshops on sustainability risks for various departments. With the front office teams, a workshop was organised that dealt specifically with the impact of climate risks on the portfolio. A multidisciplinary workshop was organized on sustainability risks, during which meeting sustainability risks were discussed in a broader sense, both from a financial and an enterprise perspective (reputation, etc.). Also, an online session on the latest IPCC report was organized for all PGGM Investments employees, and in December we welcomed Ben Caldecott for a new edition of our so-called Power Lunch. Ben is respected internationally as the expert in the field of sustainable finance. He is affiliated to the University of Oxford. In his presentation, he discussed his core message: 'Entire sectors could lose their value and become "stranded assets" as a result of climate change.' With the Power Lunch, we bring the outside world in. We ask well-known speakers to reflect on us and our field of work; to learn from, to be inspired by, and to enrich our view of the whole and thus build together the PGGM of the future.

Investing in Insurance Linked Investments and climate change

Since 2006 PGGM Investments invests in Insurance Linked Investments for PFZW, through leading investment partners. These investments are focused on sharing very low probability, but high impact financial risks of global natural catastrophes, such as hurricanes and earthquakes. For PFZW, these investments have achieved an average annual return of about 6% while offering diversification, as there is no direct link with stock market valuations or interest rate movements. In addition, these investments help keeping insurance affordable by expanding the financial capacity the (re)insurance industry and provide homeowners and businesses around the world affordable insurance, to rebuild after a natural catastrophe.

Climate change is an important topic for the (re)insurance industry. There is scientific consensus that high temperatures, heavy rainfall, and drought will occur more frequently. These can cause increasing damage from floods or large wildfires. Such manifestations give clear guidance to our investment partners of which risks to steer away from. We aim to limit the portfolio's chance of incurring such losses. Our main exposure is to hurricanes and earthquakes. The latest United Nations' Intergovernmental Panel on Climate Change (UN's IPCC) report's findings indicate only a small increase in risk of loss from hurricanes, due to a decrease in frequency and an increase in intensity. No relation has been found between climate change and earthquakes. The (re)insurance contracts that underlie our investments run typically for one year. This yearly renewal allows for quick adaption of prices and contract terms. This way, with updated knowledge on climate change and accountability we further limit any impact on the portfolio.

Real Estate and the CRREM Global pathways

Climate change is high on the agenda within PGGM Investments and our stakeholders. With approximately 40% of the annual global greenhouse gas emissions related to real estate, this asset class is part of the problem but as such also part of the solution. As mentioned earlier, carbon reduction is one of the focus points for the PGGM Real Estate teams. While climate change could lead to changes in physical risks across the globe, e.g. more frequent storms and flooding, there will be transition risks on our path of preventing climate change.

Transition risk is the risk associated with the changes required to combat climate change. One could think of changing laws and regulations from governments or changes in tenant preferences in the transition to a CO2 neutral world. To illustrate, as of January 1, 2023, every non-monumental office building larger than 100 m2 in the Netherlands must have at least energy label C. If a building does not meet this requirement, it may not be rented out or used as an office. However, we see limited comparable initiatives from legislators globally thus far to push carbon reduction.

At PGGM Investment we pursue to be a leader in the field of carbon reduction for the real estate sector. We are one of the founding partners on a leading global initiative to quantify carbon reduction goals and transition risks for the real estate sector. This project, the Carbon Risk Real Estate Monitor (CRREM), is science based and divides the global 'budget' for greenhouse gas emissions, as stipulated in the Paris Agreement of 2015, by country, sector and building level. In addition, the results contribute to making decarbonisation measurable and thus reducing the transition risk in the real estate sector. Over the next couple of years, we expect to use the decarbonisation pathways to measure to what extent results align with the Paris agreement aimed at keeping global warming below 1.5 degrees. This makes something important measurable and thereby actionable.

3.2.b CO2 reduction

Following the 50% reduction in the carbon footprint of the Equity portfolio between 2015 and 2020, PFZW has set the new goal to further reduce CO2 emissions in the listed equity portfolio by 30% in 2025. Previous CO2 strategy focused on reducing exposure to the CO2-inefficient companies in the three most polluting sectors (Energy, Materials and Uilities). For the actively managed Equity portfolios a gradually declining CO2 budget was used to achieve a lower carbon footprint.[2] A different scope and method will be used to achieve the -30% reduction. Previously the carbon footprint was measured using the classification of emissions into direct and first tier

[2] The equity portfolios constituted 52% of the total assets under management.

indirect emissions. Going forward the classification of emission in Scope 1, 2, and 3 will be used. Moreover, instead of using a rule-based approach (as was the case in previous years), optimization will be used to achieve the necessary reduction.

Objective: 30% reduction of the carbon footprint (measured by the weighted average carbon intensity) of the Equity portfolio in 2025. Baseline measurement at 31-12-2020 of the Equity portfolio : relative carbon footprint = 189 tonnes of CO2 per milllion dollars revenue.

At 31-12-2021 the relative carbon footprint = 179 tonnes of CO2 per million dollars revenue. 5.3% less than 2020.

PGGM also monitors the impact of the CO2-reduction strategy on portfolio return. This has remained slightly positive and constant over the past years, at 0.3%. This is as intended: any ESG adjustments in the equity portfolio have to fit within a 1% tracking-error budget.

In addition to the Equity portfolio, the Credit portfolio will also start reducing its carbon footprint in the coming years. The first step is reducing emissions by 20% ultimo 2023, then 5% by 2024 which is followed by a reduction between 3-7% in the three years thereafter. For Real Estate and Infrastructure strategies are being develop which do not focus on CO2 targets, but on the number of companies that have set actionable, credible, and measurable targets to become Paris aligned.

By further reducing the carbon footprint and increasing the Paris-Alignment of the various portfolios, a clear signal is send to the market that businesses must reduce their CO2 footprint and actively take steps towards becoming Paris-Aligned. All these efforts include targets that we expect should not interfere with the risk-return profile of individual asset classes. Finding balance between realistic and ambitious targets is a key challenge. In this process, connection is sought with standards and regulatory frameworks that have been developed over the past years

3.2.c Dutch Climate Agreement

In 2019, clients of PGGM Investments committed to the Dutch Climate Agreement for the financial sector. With this, they pledged to report as of 2020 financial year onward on the carbon footprint of all relevant investments in the portfolio.

PGGM Investments also reports itself, in line with the Dutch climate accord, on the absolute footprint (in CO2 equivalents) of the total investments under our management (see table 3.1). We aim to inspire market participants to do the same, especially companies we invest in on behalf of our clients. Such measurements are important in monitoring and constructing our portfolio. By identifying greener companies and sectors, we can (re)direct funding and limit the exposure to transition risks with regards to climate change. In addition, this data is of importance in our engagement activities with companies we have invested in. The climate objectives of organizations usually relate to the emissions of greenhouse gases. By using CO2 footprints, we can use our influence as a major investor in the monitoring our portfolio to put energy efficiency and climate action on top of their agendas.

The absolute emissions of the relevant investments in 2021 decreased by 17% compared to 2020 on a comparable basis (i.e. for the same asset categories as reported last year). From 2021, we also report emissions from emerging markets credits and infrastructure due to the greater availability of data for these categories. As a result, reported emissions are substantially higher than last year. It should be noted that, due to the considerable delay in the reporting of emission data by companies, the footprint has been calculated using emission data largely related to 2020, with the remainder consisting of 2019 data. These emissions data are linked to the portfolio at year-end 2021. This is a change in methodology from last year when the portfolio data of the same year as the year of the emission data was used. The absolute emissions data for 2020 in table 3.1a have also been adjusted compared to last year's reported data.

Starting this year, in addition to the absolute emissions (tonnes of CO2), we also report the carbon footprint/economic emissions intensity[3] to increase comparability with other financial institutions. Another advantage of reporting the carbon footprint is that it takes into account PFZW's growth as a pension fund. After all, a larger number of participants means more premiums and a higher invested capital. In addition, we report the weighted average carbon intensity (WACI) for a number of investment categories, as reduction targets for listed equities and credit are based on the WACI. The reported carbon footprint and WACI are not adjusted for inflation or exchange rate changes.

In our CO2 emissions calculation, only scope 1 and 2 emissions of the investments are included. For a part of the investments, scope 3 emissions are also available, but the coverage and quality of the data is insufficient to report on them already. We plan to start reporting (partly) on the scope 3 emissions of our investments as of next year.

As part of the Dutch Climate Agreement, PFZW and BPF Schilders must start communicating on the 2030 reduction targets for their relevant investments in 2022. During 2021 significant time was spent formulating these targets. The approach to the reduction targets is not the same for each asset class. For equities and credit, the approach is based on reducing the CO2 intensity of the portfolio. This year, targets have also been developed for credit, real estate and infrastructure for the year 2025. Real estate and infrastructure have targets related to the percentage of companies in the portfolio that have communicated a Science Based Target.

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[3] PCAF uses the term 'economic emissions intensity' while SFDR uses the term 'carbon footprint'.

Asset class	AuM 31 dec 2021 (in mln €)	Absolute emissions 2021 (ton CO2e)	Absolute emissions 2020 (ton CO2e)	Change	Data coverage 2021	Source
Listed equities	€ 91,220	3,226,999	4,449,188	-27%	97%	Trucost
Developed market credit	11,927	1,832,039	1,651,515	11%[4]	76%	Trucost
Emerging market credit	6,363	2,219,210	-		49%	Trucost
Listed real estate	€ 18,059	83,879	70,935	18%[5]	68%	GRESB + Trucost
Private real estate[6]	€ 19,247	97,436	111,710	-13%	60%	GRESB
Infra-structure	€ 12,849	1,498,026	-		70%	GRESB
Total	**€ 159.666**	**8,957,589**	**6,283,348**	**43%**	**84%**	
Total on compara ble basis	**€ 140.453**	**5,240,353**	**6,283,348**	**-17%**		

Table 3.1a: Absolute footprint (in CO2 equivalents) of AUM

Asset class	Absolute emissions 2021 (ton CO2e)	CO2 footprint (tCO2e/€M invested assets)	WACI 2021 (tCO2e/€M turnover)
Listed equities	3,226,999	35.4	92.1
Credit	4,051,249	221.5	407.8
Listed real estate	83,879	4.6	n/a
Private real estate	97,436	5.1	n/a
Infrastructure	1,498,026	116.6	n/a
Total/average	**8,957,589**	**56.1**	**n/a**

Table 3.1b: Key figures financed emissions (Scope 1 and 2)

[4] The increase in emissions is a result of a substantial higher allocation to high yield credits in 2021.

[5] The increase in emissions is explained by the fact that for a part of the portfolio another vendor is used since this year. This vendor has a higher coverage which increases the footprint.

[6] The private real estate emissions have been calculated using the year-end 2020 position data as the year-end 2021 position data were not yet available when the calculation was done

3.3 Enterprise Risk Management

For the implementation of risk management, we use the PGGM risk framework to structurally provide insight into, monitor and report on risks. PGGM's Risk Framework is based on the COSO Enterprise Risk Management methodology accepted internationally as standard. Risk management at PGGM is organized in accordance with the generally accepted 'Three Lines Model'. Responsibility and primary risk management lie with line management (first line). Risk Management & Compliance (second line) supervise and report on the risks. Internal Audit (third line) assesses whether the management demonstrably complies with the different requirements stipulated in relation to risk management.

3.3.a Risk and risk appetite

With every decision, risks are taken, consciously and unconsciously, in order to realise certain objectives. In order to determine whether we are willing to run a particular risk, and to what extent, it is necessary to determine our risk appetite. If a risk is assessed as lying beyond the risk appetite, extra control measures are necessary in order to bring this risk within the limits of the risk appetite. The risks and the accompanying risk appetite are divided into three risk clusters: Corporate, Service Provision and Reputation. We have also made a distinction in relation to certain risks between risk appetite in a 'running the business' situation (execution) and risk appetite in relation to 'changing the business' situations. This is based on the thinking that continuity and reliability weigh the heaviest in the performance of our service provision, while major change programmes sometimes require more latitude for experimentation and learning, for example in the event of innovation.

The risks identified are generally subject to a 'low' risk appetite. A different risk appetite is substantiated for specific risks. PGGM has a low risk appetite for fraud and integrity incidents. PGGM applies the PGGM Fraud Risk Management Framework to manage the risk of fraud. PGGM also conducts a systematic integrity risk analysis (SIRA) throughout the company each year. PGGM therefore has a well-formalised and measurable process for identifying and assessing the risks of fraud, including bribery and corruption.

A risk assessment is drawn up every quarter, which is then compared to the predetermined risk appetite. Operational incidents and other disruptions are also considered with the purpose of learning from them, discovering trends, and discussing underlying root causes. Based on the current risk assessment, it is determined whether additional measures are necessary and where future risks might occur. Line management (our investment teams) issues a quarterly In Control Statement (ICS) about the pressing and current risks. Our annual target and ICS was issued every quarter in 2021.

External developments affected the risk profile in 2021. Some of these risks were outside the risk appetite during the year (4 of the 17). Additional control measures have been identified for these risks and included in a risk plan. These results have been considered while determining the risk appetite for 2022, resulting in tightened defition and control instruments for a number of risks.

Important to mention in this context is the current crisis between Ukraine and Russia. Currently geopolitical and global economic developments are anything but stable. This is expected to cause uncertainty and increased risks in various areas in 2022 and beyond. However, it is still too early to assess the extent and depth. PGGM Investments is monitoring developments closely and additional measures will be taken where necessary. Crisis teams are operational in both the financial and non-financial fields. Consultations are also taking place with our stakeholders, including our clients and DNB.

3.3.b Risk culture and assessment

A healthy risk culture is essential in effective risk management. Therefore, our risk culture focuses on risk-conscious actions in an open and honest environment. We hold each other accountable for responsibilities and results, but also reflect on behaviour in relation to our values, standards and objectives. An important tool for strengthening the risk culture and management is the introduction of management based on Objectives, Goals, Strategies, Measures (OGSM). This method is known to be useful for reaching higher levels of ownership and accountability, which translates into more specific quantitative and qualitative results and improvements, and greater risk awareness. In addition, the learning process has been partly formalised through the incident management process. This process aims at limiting the impact of incidents and learning from them, in order to help preventing the occurrence of similar incidents in the future.

3.3.c Key risks and uncertainties in 2021

In addition to the outlined development of the overall risk picture, a number of specific risks and uncertainties that left a significant mark on the risk picture in 2021 are explained below. Here we reflect on our risk appetite and on the measures taken to mitigate the risks.

Key risks and uncertainties in 2021

Risk cluster Corporate

COVID-19

One of the major risks that PGGM Investments as a company faced in 2021 was the COVID-19 pandemic. PGGM Investments identified and adequately managed the risks and uncertainties arising from the COVID-19 pandemic. Services were maintained throughout the crisis, but the change calendar was delayed by the impact of working from home on projects, limiting our potential influence. PGGM Investments expects to be well-prepared for the ongoing operational effects of COVID-19 and related risks in the future. The assumed risks resulting from working from home for long periods of time, such as an increased risk of operational errors and accumulation of work stocks, have not (yet)manifested themselves. Absenteeism within PGGM Investments also remained stable. Despite the limited number of sick leave, PGGM Investments sees a risk in working from home for long periods of time, such as employees dropping out and a loss of solidarity and connection to PGGM Investments. PGGM Investments has available workstations in the office for its employees who require them due to mental health issues. COVID-19 has/had an effect on different risk-clusters (risk taxonomy) as stated in the Risk Appetite Statement. To handle the operational risks as result of the pandemic a special task force was installed.

New pension system

In 2020, the main principles of the new pension system were established. It is clear that the new pension system will impact PGGM Investments proposition and its operations. Initiatives were started in 2021 to prepare the organization for various future scenarios. These initiatives are aimed at improving the organization's agility and steerability. Despite the new pension agreement, there is still much uncertainty about the consequences for the investment policy of PGGM Investments clients. The outlines of the new system are clear, yet further elaboration is still required within PGGM Investments. In turn, pension funds will have to make several choices when it comes to, for example, the form of the new contract and the way in which the investment policy will be shaped. The risk appetite regarding change is Medium. A project is ongoing in which we prepare for the new pension system. This project also has the full attention of the PGGM Investments management Board.

Revision Control Framework

Despite our clean statement for the Asset Management Standard 3402/3000A report in 2020, in 2021 we decided to to improve the Control Framework (as part of continuous improvement). To this end a project was started to further improve the Standard 3402/3000A. This project is ongoing and concerns a renewal of the Control Framework for the audit year 2023. The risk appetite is Low.

The news is full of ransomware attacks and data thefts; the number of ransomware attacks in the Netherlands has increased significantly in 2021. This increase underlines the importance of PGGM Investments adequately securing itself against this risk, security that is divided into detection, prevention, and response. The TIBER exercise (ethical hacking) carried out in 2021 produced good results in terms of detection. An improvement plan was written on the basis of this exercise in 2021. Embedding the improved PGGM Investments Security Control Framework, PGGM Investments is actively monitoring the maturity and demonstrability of our security processes. The risk appetite for IT is Low. PGGM has taken various control measures in the field of IT, including cyber security, such as maintaining a information security policy, information policy and a business continuity policy. Under these policies, for example, the Business Continuity processes and products are assessed and certified on the basis of ISO22301 BCMS, authorisations are granted on the basis of Rule Based Access Control and the security of systems is in line with the security architecture and classification. PGGM Investments also has an off-site disaster recovery location.

Laws and regulations

PGGM Investments operates in a highly regulated sector. This requires continuous management attention and close monitoring of compliance with existing and new laws and regulations, which are constantly becoming stronger and more stringent. As a global market player, PGGM Investments carries out activities that are subject to licensing, as well as national and international (financial) market supervision. Market supervision is exercised by regulators such as the Netherlands Authority for the Financial Markets (AFM). Since a large part of legislation and regulations are enacted at European level, PGGM Investments also needs to deal with policymakers and supervisors at European level, such as the European Securities Markets Authority (ESMA). In order to comply with legislation and regulations, a great deal of attention was paid in 2021 to the Markets in Financial Instruments Directive II (MiFID II), the Money Laundering and Terrorist Financing (Prevention) Act (abbreviation in Dutch: Wwft), the Sanctions Act 1977 (abbreviation in Dutch: Sw) and the Sustainable Finance Disclosure Regulation (SFDR). PGGM Investments aims to be well placed to demonstrate compliance with legislation and regulations from the perspective of market supervision. The risk appetite for legislation and regulations is Low. Within PGGM Investments, various control measures have been set up and policies have been drafted. To name a few: Tax, Legal & Regulatory charter, Shareholder Litigation Policy, PGGM Compliance handbook Asset management chain and Policy dealing with Regulators. These policy documents ensure that: new contracts and amendments to existing asset management contracts are always made under the direction of legal specialists; the Legal Committee advises on identifying and monitoring follow-up/implementation of (new) legislation and regulations for PGGM N.V. and its legal entities, including PGGM Investments; internally executed transactions on public markets are preventively checked against relevant investment guidelines.

Sustainability

Developments in the investment world focusing on sustainability are actively monitored. PGGM Investments has traditionally been a thought leader in terms of sustainability. Meanwhile, PGGM Investments is accompanied and sometimes surpassed in this by an increasing number of investment institutions with high sustainability requirements. PGGM has implemented the Level 1 requirements of the SFDR as per March 10, 2021. The SFDR project continues in 2022 to implement the Level 2 requirements that come info force as per 1st of January 2023, assuming there will me no further postponement of this date.

Financial

PGGM Investments has a healthy financial position. Total costs developed in line with the budget and the forecast. The investment portfolios are managed on behalf of and at the risk of our clients. This means that the financial risks arising from these investment portfolios have no direct impact on the financial position of our organization. Annually, PGGM Investments has the obligation from DNB to prepare an ICLAAP. The capital and liquidity position held is considered adequate.

Risk cluster Service

We are exposed to operational risks in the performance of our clients' assignments. In order to mitigate these risks, PGGM Investments has structured its processes in such a way that it is demonstrably in control. PGGM Investments issues Standard 3402 and 3000 reports on its asset management services. PGGM Investments' Standard 3402 and 3000 reports on asset management services for 2021 do not contain any limitations. In 2021, no incidents with a material, attributable impact occurred and no significant control risks were found. Regarding information security and (cyber) security, we live in a time in which threats continue to increase and demonstrability of measures for ourselves and our stakeholders is becoming increasingly important. In 2021, the policy and the organization of information security were further strengthened. We actively monitor the maturity and demonstrability of our security processes based on the PGGM Security Control Framework and we will continue to pay attention to this. In addition, we see an increased risk of operational errors due to the many working from home. These could also potentially have significant negative financial consequences. In order to minimize the chance of operational errors, increased attention is also being paid to continuing to apply the necessary operational control mechanisms. This situation is monitored continuously. There is no reason to suppose that internal control has diminished. It can also be mentioned that the activities for our clients continue unabated. Client demand, and with it employment, are thus guaranteed. Our clients are also sufficiently solvent, so that there is no payment risk. We also remain in close contact with our suppliers to ensure the continuity of their services to us. We continue to improve the data quality, data governance and the associated risk management, with process digitalisation including straight-through processing. We continue to strive for transparency of our primary processes and to ensure that control and management measures are incorporated and continually monitored and kept up to date. As part of the operational risk control process, a framework has been developed that contributes to PGGM being demonstrably “in control”, both internally (corporate) and externally (on behalf of the clients).

HR risk

Being able to attract, develop and retain talent is of strategic importance to PGGM Investments. This calls for increased attention to HR risks, including the emerging risk of the 'war on talent'. The ongoing situation of working from home affects the bonding and morale of employees and requires constant management attention to our employee welfare, specifically our younger employees. To recruit new talent, PGGM Investments seeks and uses alternative recruitment methods wherever possible. For instance, PGGM Investments has its own trainee and quant trainee program for which PGGM Investments managed to recruit talent in 2021. The risk appetite on HR is Middle. Some of the control measures include the presence of: a recruitment and selection policy; a remuneration policy manual; performance & development and a products & services catalog. Continuous attention is paid to appealing and representative labor market propositions, a transparent and responsible remuneration policy that is appropriate to the labor market.

Risk cluster Reputation

Reputation risk

PGGM Investments actively monitors the media exposure of PGGM Investments and its clients. Periodically, the reputational risks and opportunities are specifically discussed, as well as the measures to mitigate these risks and exploit opportunities. In order to manage reputation risk, PGGM Investments works closely with PFZW. This collaboration was further intensified in 2021. PGGM Investments also actively manages its stakeholders, constantly monitoring the client relationship and measuring client satisfaction. The risk appetite with respect to reputation is Low. Some of the management measures include: active relationship management with the press; monitoring and interpreting media exposure; internal dynamics and internal advice and guidance to relevant stakeholders.

Financial risk

Business risk

PGGM Investments' revenues depend on the agreements with clients. The risk of falling revenues due to declining assets is limited because our revenues largely consist of fixed fees. The risk appetite is Low. One of the management measures is working with Service Lavel Agreements (SLA’s). In addition, within the ICLAAP we work with a settlement scenario for which additional capital is held.

Credit risk

Credit risk is defined as the risk that counterparties cannot meet their contractual obligations. This mainly concerns the management fees to be received that have been contractually agreed with our clients. As PGGM Investments' clients have a strong financial position that is subject to supervision, the risk resulting from bankruptcy is low. The maximum credit risk amounts to the carrying amount of financial fixed assets, receivables and cash. The carrying amount of financial assets recognised in the balance sheet approximates fair value. Counter parties are subjected to a thorough ODD when entering into a relationship, which is part of the deal team process. Periodic reviews also take place. In addition, active relationship management takes place for existing relationships. The financials of the counterparties are monitored.

Capital requirement

For PGGM Investments, the threshold of the capital held is subject to requirements of the Internal Capital & Liquidity Adequacy Assessment Process (ICLAAP). To this end, PGGM Investments has drawn up a specific capital adequacy policy. The requirements set by DNB have been incorporated into this policy. It is important for the continuity of PGGM Investments that sufficient capital is held to be able to deal with the possible financial consequences of the identified risks. The Finance & Control department monitored the adequacy of the capital held in 2021. In an annual ICLAAP process, we determine for each risk whether it gives rise to the retention of additional capital over and above the minimum required capital buffers for an asset manager. DNB assesses the adequacy of the capital annually. For 2021, DNB's conclusion is that the capital surcharge and liquidity position calculated by PGGM Vermogensbeheer are sufficient. In order to be able to absorb the financial impact resulting from one or more risks, we took several extra measures. First of all, we made agreements with our customers about liability. In addition, we are insured for various forms of damage. In addition to insuring the physical property, damage can arise from liability or cyber attacks, for example. For impacts not covered by insurance, or financial impacts arising from other risks, we maintain equity. The specific guidelines for this are set out in the Own Funds Policy. Where applicable, our liability to our clients is limited. We aim to have a sufficient buffer to absorb the impact of worst case scenarios for as long as possible, without immediately endangering business continuity. With regard to operational business continuity, appropriate measures have been taken. The adequacy of these has been tested, among other things, in the annual update of the worst-case scenarios.

3.4 Compliance

Clients, regulators, society and other stakeholders expect PGGM Investments to act in accordance with applicable laws and regulations and standards of conduct, and to promote a corporate culture that includes acting with integrity. Compliance and integrity are therefore part of our license to operate for us. In order to achieve this, PGGM Investments conducts an active policy with regard to compliance and integrity in line with its core values. PGGM is aware that culture plays an increasingly important role in the management of risks. For this reason, it focuses on 'soft controls' (factors that influence behaviour) in the management of risks and the realisation of objectives, as well as 'hard controls' (demonstrable measures in processes and systems). Employees are taught how to deal with integrity issues through integrity sessions.'

3.4.a Important developments in laws and regulations

PGGM Investments operates in a highly regulated sector as a licensed institution supervised by the Netherlands Authority for the Financial Markets (AFM). In addition to the AFM, PGGM Investments also needs to comply with rules and regulations from the Dutch Central Bank (DNB) as well as the European Securities Markets Authority (ESMA), since a large proportion of the applicable laws and regulations are enacted at European level. This requires continuous attention by the Management Board and a structured supervision on remaining compliant with applicable laws and regulations. Below we give a summary of the most impactful developments in 2021.

Sustainable Finance Disclosure Regulation (SFDR)

As of March 10, 2021, the European Sustainable Finance Disclosure Regulation (SFDR) entered into force. With its new rules SFDR redefines mandatory Environmental, Social and Governance (ESG) disclosures and has a significant impact on financial market participants in Europe, such as asset managers like ourselves. The aim of SFDR is to provide more transparency on sustainability in a standardised and structured way, ensuring comparability and hence preventing 'greenwashing'. It raised the bar for investments claiming to be sustainable, by introducing a new and strict definition of what is defined as a 'sustainable investment': (i) an investment with an environmental or social objective, (ii) provided that such investments do no significant harm and (iii) the investee companies follow good governance practices. The SFDR, in combination with the Taxonomy Regulation (TR), requires both asset managers and pension funds to provide additional information for all their products in precontractual documentation, periodic reports and on websites. The financial products of PGGM Investments are its funds and segregated mandates. PGGM classified its funds as article 8 SFDR as is the case for most of the mandates. The other mandates are classified as article 6 SFDR. PGGM Investments currently has no article 9 classified funds nor mandates.

In the first part of the implementation of the SFDR (level 1), we implemented the obligations based on the text of the regulation itself. It mainly consisted of qualitative disclosures, which we had to disclose on our website. Also, in the the annual reports of the funds that we provide the fund participants, we disclosed the necessary information as required in article 11 SFDR. Level 2, the second phase of implementation of the SFDR, was originally scheduled for January 1, 2022, but the implementation date has been postponed by the European Commission to January 2023. A complicating factor is that the detailed legislation underlying level 2, the Regulatory Technical Standards (RTS), is published at a very late stage.

The SFDR and the RTS are an integral part of the SusFin Strategy of the European Union. The purpose of this legislation is to prevent greenwashing and to give end users of any financial product useful information on the sustainability of that product. SFDR sets a new challenging benchmark for sustainable investments in the EU, with a more detailed focus on reporting, use of data, mandatory formats and indicators. Currently, the main challenges include the (timely) availability of data and the adjustment of current investment policies and processes to the new requirements, including the use of the mentioned disclosure formats.

European Taxonomy

The EU Taxonomy is a classification system, establishing a list of environmentally sustainable economic activities. It provides a framework to promote sustainable investments. The Taxonomy defines which economic activities the EU considers 'environmentally sustainable'. It is based on scientific insights to determine the extent to which companies are making a significant contribution to the transition to a carbon-neutral economy. The idea is to combat greenwashing of financial products and to accelerate the transition, to a cleaner economy. Pension funds and pension providers must report what percentage of their investment portfolio qualifies as sustainable under the EU Taxonomy. We believe that a reliable, independent taxonomy contributes to better comparability and further convergence of sustainability data. The EU Taxonomy helps investors and companies to identify economic activities that contribute substantially to sustainability.

Since 2020 PGGM Investments has represented the European pension sector in the Platform on Sustainable Finance (Platform). The Platform advises the European Commission on the EU Taxonomy. Within the Platform, PGGM is providing input particularly on the usability of the EU Taxonomy for investors.

In 2021 the Platform developed the criteria for the additional environmental objectives of the taxonomy on biodiversity, pollution, water protection and circular activities. The Platform also developed a framework for a social taxonomy and proposals for the extension of the Taxonomy towards transitional activities and activities that seriously detract from sustainability. The reports on these proposals are expected to be published in the first half of 2022.

As chair of the working group for asset managers and pension funds in 2021, PGGM Investments coordinated the industry's feedback on the upcoming taxonomy reports and communicated it to the European Commission and ESAs. A key issue that the industry is struggling with is the interpretation of the reporting requirements associated with the taxonomy and the (inter)relationship with SFDR. In addition, pension funds and asset managers are researching how to surface the required data for the reports in time. For unlisted investments, obtaining sustainability data is a major challenge.

The independence and scientific basis of the EU Taxonomy is under pressure at the end of 2021. A number of European member states wanted to classify gas and nuclear energy as green in the taxonomy. PGGM, along with other Dutch pension funds has strongly advised against this step as it undermines the credibility of the taxonomy. On December 7, 2021, the Dutch Pension Federation in collaboration with PGGM and APG called on politicians not to allow economic or political interests to play a role and to base the Taxonomy on scientific consensus, as secured through the European Platform on Sustainable Finance (Pensioenfederatie roept op tot behoud wetenschappelijke karakter van de EU-Taxonomie). This is also the input that we have given to the final advice of the advice of the Platform to the European Commission (Platform on Sustainable Finance's response to the consultations on the taxonomy draft complementary Delegated Act | European Commission (europa.eu)). Until the final decision on the proposal is taken by the European Parliament and the European Council we will continue to emphasize that the broad consensus and the scientific basis are essential to ensure confidence in the taxonomy and to mobilize private capital towards the sustainability transition.

MIFID II

The AFM conducted a sector enquiry into MiFID II compliance at investment firms in 2018-2019. This study specifically examined compliance with the MIFID II requirements in the areas of cost transparency, product governance and commissions. Partly as a result of this sector-wide survey, PGGM Investments conducted a self-assessment focusing on all the requirements of MiFID II. This resulted in an improvement process that was largely completed in the course of 2021 and will be continued in 2022.

Best Execution governance

Best Execution (BE) is the obligation under MIFID II that investment firms should aim for the best possible result when executing orders for their client(s). At the start of 2018, the introduction of MiFID II laid the foundation for PGGM Investments’ best execution structure. This structure contributes to the best possible result for the client, complying with rules and regulation as well as with PGGM Investments’ order execution policy.

To guarantee BE, PGGM Investments considers a multitude of criteria. Amongst others, these topics are speed of execution, execution price, transaction costs, volume and nature of the order, probability of execution and settlement, quality of service, footprint, and sustainability. Realising BE requires balancing the above-mentioned criteria within the boundaries of rules and regulation.

This is all captured in our governance: The Best Execution Committee (BEC), which is part of the main PGGM Investment Committee, determines whether execution is compliant with aforementioned obligations. The trading process is an integral part of portfolio management. Transaction costs affect the performance of each fund or mandate. It is therefore in the interest of the portfolio manager (PM) to monitor and optimize the execution process. A continuous dialogue between PM, trading and Risk Management is taking place to allow for this optimisation. PGGM Investments continuously aims to improve the quality of its order execution. Of paramount importance is gaining a thorough understanding of the entire transaction chain by using pre-post- and real time trade analyses with the aim of executing orders cheaper and faster. Determining BE benefits from this as well, because the improvements make it easier to do so.

Wwft-Sw

The introduction of new legislation and regulations on the the ‘Money Laundering and Terrorist Financing (Prevention) Act (in Dutch: the ’Wet ter voorkoming van witwassen en financieren van terrorisme’ (Wwft) and the Sanctions Act 1977 (abbreviation in Dutch: Sw) in 2020-2021 and forthcoming legislation and regulations inspired PGGM Investments to take a critical look at its own processes for compliance with these laws and regulations in 2020. The importance of adequate compliance with these laws and regulations has also increased socially in the asset management sector, with stricter supervision and enforcement. The resulting outcomes were incorporated in our processes in 2021.

In order to comply with the Wwft and Sw, PGGM Investments successfully introduced a new board approved CDD Policy. The CDD Policy establishes multiple new processes, for example, analyzing new relations (identification, verification, risks, KYC process) as well as reviewing these parties periodically and is based on event driven alerts. A newly created CDD department will be implementing these processes and will develop a firm broad policy in accordance with the Wwft, Sw, and CDD Policy. By doing so, we maintain the clients’ and participants’ trust by ensuring that their funds are invested in a safe and sustainable future.

Part 2
Our organisation

At PGGM Investments, we are committed to deliver excellent services to our clients. Our goal is to provide good, affordable and sustainable pensions for our clients and their participants.

PGGM Investments is facing several challenges. Not only are we facing the transition to the new pension system, we also operate in a market in which digital developments evolve quickly and in which consumers' wishes and expectations are changing. To be able to add value for our stakeholders in the long term we need to keep up with the changed market expectations and changed client needs. So, we need to organise PGGM Investments accordingly. We have to become 'future proof'. We do this by creating an agile and manageable organization, while limiting execution costs and by ensuring healthy business operations. We embrace the opportunities and possibilities offered by new technologies and optimise our processes and digital systems. Additionally, we invest in high-quality teams that are aware of their responsibilities and experience PGGM Investments as being a great place to work.

In this part of our integrated report, you will learn about our organisation; about the diversity of people that work at PGGM Investments and how we remunerate them for their contributions to our goals. We will describe how we cope with the difficulties of the COVID-19 pandemic and how we strive for maximum value creation by focussing on our best-in-class status. We provide an overview of our different programmes that help us create future-proof business operations and explain why we focus on innovation and data driven research.

Chapter 4: Our people

Our people are our most important asset. That is why at PGGM Investments, we make sure that our employees enjoy their work, are able to develop and feel involved and appreciated. In order to attract, retain and develop talent, we continuously working on creating an inspiring, innovative and inclusive work environment.

This chapter demonstrates how diversity is an integral part of our organisation. It shows how we aim to be great place for people to work at through diversity, talented colleagues and fair remuneration.

4.1 Our organisation in numbers

As a company, PGGM Investments has no employees. The number of FTEs seconded from PGGM N.V. as at 31 December 2021 amounted to 476 FTEs (as at 31 December 2020: 443 FTEs). PGGM Investments also makes use of the staff services available within PGGM N.V., such as Compliance, Enterprise Risk Management, Finance, IT and HR.

PGGM Investments - our people				
Total amount of people employed	**2021 Headcount**	**FTE**	**2020 Headcount**	**FTE**
PGGM Investments	463	476	427	443
Distribution by fulltime/parttime				
Full-time	412	89%	386	90%
Part-time	51	11%	41	10%
Total	**463**	**100%**	**427**	**100%**
Distribution by gender				
Male	350	76%	322	75%
Female	113	24%	105	25%
Total	**463**	**100%**	**427**	**100%**
Distribution by age				
Younger than 25	11	2%	11	3%
25-34	139	30%	114	27%
35-44	126	27%	130	30%
45-54	130	28%	121	28%
55 years and older	57	13%	51	12%
Total	**463**	**100%**	**427**	**100%**

Distribution by gender - management				
Male	33	79%	22	73%
Female	9	21%	8	27%
Total	**42**	**100%**	**30**	**100%**

4.1.a Our management

PGGM Investments is managed by a five-member Board of Directors. The management team, led by the Chief Investment Management, is collectively responsible for the whole business. Within this collective responsibility each director has his/her own focus area. During this year, two directors decided to step down. Their positions will be filled in the beginning of 2022. Their work has temporarily been taken care of by an interim-director, and by the other directors.

Board of Directors PGGM Investments	
Name	**Function**
Geraldine Leegwater	Chief Investment Manager (Head Board of Directors)
Frank Roeters van Lennep	Chief Investment Officer Private Markets
Arjen Pasma	Chief Risk & Compliance Officer
Vacant (filled in by an interim-director)	Chief Operations Officer
Vacant	Chief Investment Officer Public Markets

PGGM Investments operates in a continuously changing environment. Legislation and regulations, as well as technological possibilities and changing customer demand from participants, employers and social partners are causing this. We need to assess how we can set up a flexible, agile organization that is ready for the challenges that lie ahead. This requires a top structure that is capable of guiding our organisation in the right direction. The new 'Topstructure' with four new management positions, and the revised division of responsibilities ensure an organization that can meet the challenges ahead, and that successfully works out these challenges and realizes the necessary changes. At the end of 2021, the Executive Committee of PGGM N.V. ratified the decision to implement the new Topstructure which will be implemented at the beginning of 2022.

4.2 Great Place to work

Management at PGGM Investment is continuously investing in high-quality, diverse teams. PGGM Investments aims to be a progressive employer in this regard and has created various programs for this purpose. PGGM Investments-wide adjustments have been introduced in the performance and development cycle. The aim of this adjustment is to pay more explicit attention to employee development and employability. PGGM Investments encourages its employees to continue to develop. We are convinced that if employees keep developing themselves, the best results can be achieved. Various initiatives are currently being developed to improve development paths of employees. Our PGGM Academy is involved in developing courses in collaboration with various departments. We also organised and implemented a management program for (starting) executives. This is meant to develop managerial skills of managers with little experience.

Attracting talent is also important for us. The trainee program is a good example of this. In this program, recent graduates are given an opportunity to take a closer look at PGGM Investments. The traineeship lasts for two years and starts every year in September. Strategic workforce planning is an annual process that was also carried out this year.

4.3 How we remunerate our people

The employees who work for PGGM Investments are employed by PGGM N.V. and are therefore subject to PGGM N.V.'s remuneration policy. Our remuneration policy is part of the material topic of good employment practices. It is careful, controlled and sustainable and fits with our strategy, risk appetite, cooperative objectives and core values. The interests of the client are key and the long-term interests of PGGM Investments and relevant laws and regulations are taken into account. As a manager of investment funds, we hold an AIFM licence, which means that we must comply with European regulation (such as the Alternative Investment Fund Managers Directive (AIFMD) and Resolutions (AIFMR)). This applies alongside the provisions in relation to remuneration policy contained in the Financial Supervision Act (abbreviation in Dutch: Wft).

4.3.a Responsible remuneration policy

We aim for healthy financial business operations, in which we are conscious of our societal responsibility. This is reflected in our remuneration policy, which is transparent and responsible. It is our policy objective to remunerate at the median of the appropriate reference markets. These reference markets are: the Dutch financial services market, the Dutch asset management market and the back- and mid- office market of Dutch asset managers. PGGM Investments benchmarks its internal remuneration levels periodically against these reference markets.

One-year Variable Income

We use one-year variable income only for employees working in a front-office position in the investment chain. This type of variable income is capped at 20% of the base salary of an employee. Other employees are not eligible for this type of variable income.

Deferred Variable Income

In addition to the one-year variable income there is the possibility of granting deferred variable income (DVI) to employees with a front-office position in the investment chain. DVI is a long-term incentive. This is paid out after a multi-year deferral period after the year in which the key performance indicators (KPIs) applicable to attaining the DVI were achieved. No particularities may have arisen since the granting of the DVI which could prompt discussion as to whether the remuneration should still be granted. The to be awarded DVI on an annual basis is kept at 80% of the base salary of an employee. The KPIs for the one-year variable income and DVI must be aligned to the objectives of the clients, PGGM Investments, the business unit and the department, and must be based on at least 50% non-financial criteria.

Collective Labour Agreement

A CLA pay rise of 2% took place on 1 July 2021. It was agreed with the trade unions in the CLA for 2022 and 2023 that salaries will be collectively increased in July 2022 and July 2023. The pay rise for both 2022 as 2023 will be 2.75%.

Gratuity

Employees who do not receive any form of individual variable income can be awarded a gratuity on account of exceptional dedication and/or performance.

4.3.b New performance and remuneration philosophy

PGGM Investments revised its performance and remuneration philosophy in 2021. Remunerating in line with the market and more focus on personal development and growth, with attention to performance appropriate to the context of the work are becoming the key elements of this philosophy. Unlinking the yearly increase of the base salary from individual performance scores for all employees not working in a front-office position are a result of this new performance and remuneration philosophy. For front-office positions, the yearly increase of the base salary and individual performance scores are still linked.

4.3.c Renumeration in figures

The table shows the remuneration paid out to our employees in 2020 and 2021. The remuneration policy can be found on PGGM Investments' website.[7]

Variable renumeration paid out (x €1000)		
Distribution of variable renumeration per type	**2021**	**2020**
One-year variable remuneration paid out *	4,514	3,723
DVI paid out **	1,351	1,142
Gratuity paid out	260	165
Total amount of variable remuneration paid out * **	6,125	5,030

Number of variable renumerations paid		
Distribution number of variable renumerations paid	**2021**	**2020**
One-year variable remuneration	227	194
DVI	38	35
Gratuity	80	53
Total number of variable renumerations paid	345	282

* This concerns paid one-year variable remuneration that relates to the previous financial year. Therefore, one-year variable remuneration paid in 2021 relates to performance year 2020 and one-year variable remuneration paid in 2020 relates to performance year 2019.

** Amounts do not include pension and social security contributions.

Average amount of variable renumeration paid		
Distribution per variable renumeration	**2021**	**2020**
One-year variable remuneration	20	19
DVI	36	33
Gratuity	3	3

2021					
Amounts paid out in 2021 (x €1,000,-)	**Fixed remuneration**	**Employer's share of social insurance and pension costs**	**Variable remu-neration**	**Total remu-neration**	**Number of employees**
Senior management	1,803	173	382	2,358	6
Employees with a significant influence on the risk profile	31,946	5,723	4,660	42,329	215
Other employees	17,870	4,480	1,083	23,433	236
Total remuneration paid out	51,619	10,376	6,125	68,120	457

2020

[7] The Wft and the Bgfo Wft (Section 1:120(2)(a)) stipulate that the directors' report must mention any employees who received more than €1,000,000 in remuneration. No employee received more than €1,000,000 in remuneration in 2021.

Amounts paid out in 2020 (x €1,000,-)	Fixed remuneration	Employer's share of social insurance and pension costs	Variable remu-neration	Total remu-neration	Number of employees
Senior management	1,397	143	357	1,897	6
Employees with a significant influence on the risk profile	30,057	5,209	4,054	39,320	203
Other employees	15,383	3,870	618	19,871	219
Total remuneration paid out	46,837	9,222	5,029	61,088	428

2021 vs 2020

Amounts paid out (x €1,000,-)	Fixed remuneration	Employer's share of social insurance and pension costs	Variable remu-neration	Total remu-neration	Number of employees
Senior management	406	30	25	461	0
Employees with a significant influence on the risk profile	1,889	514	606	3,009	12
Other employees	2,487	610	465	3,562	17
Total remuneration paid out	4,782	1,154	1,096	7,032	29

4.4 Diversity and inclusiveness

We believe diversity and inclusiveness (D&I) in our organisation is important and it is therefore one of our material topic of good employment practices. We are convinced that diversely-composed teams are more complementary and deliver better results, which contributes to the realisation of our vision and strategy. The more diverse the employees in an organisation, the more talent and competencies it has at its disposal. That makes the organisation stronger, more flexible and effective.

Within the context of the diversity policy of PGGM N.V. (Diversity of Thinking), PGGM Investments has drawn up an action plan which is further targeted towards the challenges faced by PGGM Investments. The participation of PGGM Investments at the PGGM Diversity Board is done by the COO. This board monitors the progress of increasing diversity at PGGM Investments and shares common practices within the business units.

To get a better understanding of the D&I and the perceptions of the employees, PGGM Investments has done a survey together with Edge. Most important recommendations was the improvement of visible commitment of the management regarding D&I and awareness regarding the composition of important project groups. PGGM Investments as a business unit has performed well regarding the cultural diversity. We attract employees from around the world which means cultural diversity is well represented at PGGM Investments. The day-to-day language in a great many front-office teams has therefore become English. The challenge faced still concerns the issue of gender diversity and equality. At the end of 2021, still only 25% of the working force of PGGM Investments are women. Part of our approach is aimed at increasing the number of women in influential positions. We have set ourselves the goal of increasing the percentage of women in management positions to at least 30% by 2023. The percentage of women in management positions was 21% at the end of 2021 (27% in 2020). The percentage of women in positions in grade 11 and up is 19% (19% 2020). The weakened gender balance can be attributed to advancements within PGGM Investments through promotion. In the years to come, attention will continue to be paid to improving the gender balance at scale 11 and above, which is our talent pool for future management roles.

PGGM Investments pursues a conscious recruitment and selection process in which the aim is to ensure that at least half of the candidates for management positions are women. Awareness is created among managers by enriching the management programmes with D&I training. In order to create awareness and stimulate inclusive thinking among the whole organisation, PGGM Investments organises the Stratego workshop for women. The PGGM Investments Academy also offers different workshops on dealing with cultural differences and bias training courses for employees. In the second half of 2021, all managers have participated at the unconscious bias training.

The current composition of the Board of Directors satisfies the requirements for a balanced distribution of seats from the Dutch Governance Code, as this applied until 1 January 2020 (at least 30% of seats are held by women and at least 30% by men). In the current composition 33% of the seats of the Board of Directors are held by women (1 out of 3 seats[8]). Daniëlle Melis has been appointed to the Supervisory Board, replacing Roderick Munsters, from 1 April 2022. She will join a three-member supervisory board, in which 33% of the seats of Supervisory Board are held by women (1 out of 3 seats).

This topic is also important in our clients' investments. Questions have been added to the questionnaires for external manager selection and attention is now more explicit. We also confront organisations in which we invest on behalf of clients on this topic.

Private equity: data dilemma when driving diversity, equity and inclusion

Diversity, equity, and inclusion (DEI) has been a focus area of ESG integration by the private equity team for several years, encouraging its GPs to take steps to measure and report their initiatives. While historically the focus was mainly on gender diversity, we decided to explore options to broaden the scope and include other important DEI metrics like ethnic diversity. The urgency to take this step stems from within the industry and was emphasised by the Black Lives Matter movement. To help building momentum around the advancement of DEI, we signed up to Institutional Limited Partners Association's (ILPA) Diversity in Action initiative.

As we firmly believe that reporting can drive change ('what gets measured gets managed'), our preferred approach was to include ethnic diversity data at the GP and portfolio company

[8] In 2021, two of in total five members of the Board of Directors decided to step down. Their positions will be filled in the beginning of 2022.

level using ILPA's template. However, it quite quickly became clear that while perfectly normal (and often required) in the US, processing of personal data revealing racial or ethnic origin is prohibited in the Netherlands under GDPR. They are considered sensitive data. Because of this, we decided to look for alternative metrics that enable us to set clear and meaningful targets covering our total portfolio, without processing sensitive information.

We found a simple and hopefully effective metric in asking our GPs to report whether the individual portfolio companies have DEI policies in place.

4.5 Working and COVID-19

The coronavirus had a significant impact on our work experience in 2021. At the beginning of the year a limited number of people worked in our office in Zeist and only when strictly necessary. The national measures allowed us to scale up during the year, but near the end of the year we needed to scale down again. Most of the employees had to start working from home by default. Transactions that normally took place at the office now took place remotely. Thanks to good IT infrastructure we were able to facilitate this. Working from home has become the norm. PGGM Investments had drawn up a standard pandemic policy. This enabled the continuity of our business operations to be safeguarded. Despite this pandemic policy, we encountered plenty of unknown and unexpected factors, but the timely preparation helped us manage the crisis. However, it remains an ongoing area of attention, especially in fulfilling and maintaining a great working environment. From March 2022 onwards we will start with hybrid working, allowing our employees to work partly at our office and partly at home. With hybrid working, we want to maintain the productivity and effectiveness of working from home and combine it with meeting each other physically in the office.

Chapter 5: Excellent execution - striving for maximum value creation

At PGGM Investments, we do everything to secure a good, affordable and sustainable pension for our clients' participants. This is how we can and want to add value. It is essential for us and our clients that our performance is always of the highest quality. By investing in the growth and development of our people and optimising our processes and digital systems, we keep pace with the rapidly changing markets and are able to add value for our stakeholders in the long term as well.

In this chapter we explain how PGGM Investment measures itself up to the best in the market. We reflect on the steps we take to become more cost efficient and the challenges we face in making our business operations future proof. Also, we elaborate on our focus using research and innovation and the important role of data management within our organisation.

5.1 Measuring up to the best

It is our ambition to deliver best-in-class (BiC) asset management to our clients, both in terms of price and quality. We want to measure up against the best teams in the world. Through an integrated approach and management of the overall portfolio, we guarantee that asset management is more than the sum of its parts. The various factors that have an impact on our client's investments are viewed across the entire portfolio rather than separately per asset class. The integrated approach enables us to respond on a portfolio level to the developments in relation to the economy, sustainability and climate and technology. We use this broad knowledge to carry out the execution of mandates and individual transactions at the right level.

5.1.a Our best-in-class status

One of the goals of PGGM Investments is to be 'best in class'. This means that PGGM Investments operates in the same league as the best external asset managers worldwide. Our investment teams drew up a strategic multiyear plan in 2019. This plan describes what is necessary until 2022 in order to be and remain best in class.

The idea behind this goal is quite simple: A large asset owner like PFZW has access to all asset managers around the globe. As such, PFZW has the obligation to its stakeholders to hire the best (mix of) managers to manage their portfolio with the aim of achieving the highest risk-adjusted return. For PGGM Investments to be a credible manager of (parts of) the assets, they need to maintain their BiC position.

To make this goal more measurable, all our investment teams are reviewed by an external consultant. The external consultants are asked to review the PGGM Investments product and assess whether they would consider it a short list candidate in a manager selection process. Three to four products are screened each year in this quality assessment using desk research on

PGGM Investments process documents, interviews with the teams involved and peer group comparisons. The final review report gives an independent judgement on the PGGM Investments products and states which PGGM Investments products are considered best in class by the consultant review, and which need improvement. This report, together with a management response written by PGGM Investments, is discussed in the Investment Commission (in Dutch commissie Beleggen) of PFZW. PGGM Investments will then use the review report for their BiC plans and work on the necessary improvements. After three years, the external consultants are asked to reassess the given PGGM Investments products, including the improvements made, and evaluate whether the PGGM Investments product is now BiC or not.

Over the past couple of years, these so-called quality assurance BiC reviews were conducted for all internally managed portfolios at PGGM Investments. Some teams were found to be best in class, whereas for others the evaluation committee found opportunities to improve.

In 2021, the efforts to achieve the best-in-class ambition have progressed according to plan. It is our expectation that in 2022 all investment teams will have achieved best-in-class status.

5.1.b Excellent execution in practice

Within public markets, 'Responsibly passive' is the core product. We have a long and successful track record with benchmark-aware implementation. Our strength does not lie in blindly implementing the purchased indices. We build better portfolios that remain close to the index, but mitigates the risk of undesirable exposure and integrates ESG factors. For instance, Public Markets is strongly positioned to mitigate climate risks for clients in the portfolios with a low active risk budget.

This proposition has been expanded to include systematic investing. PGGM Investments' distinctiveness lies in providing clients with comprehensible and manageable access to those factor exposures elaborated in their expectations towards PGGM. In addition, over several years, long-term and impact investing has developed into a core product of Public Markets. PGGM Investments has a head start on its peers in the area of impact investing in shares and thereby also makes PFZW a recognized front runner among the large asset owners.

Over the past several years, we have set the standard in responsible investment, internationally as well. We provide our clients with a platform to achieve the desired scope in SDG investments and to realise further development of impact investment and measurement.

We also put emphasis on internal investing within public allocations. This safeguards in-house knowledge building about financial markets, so that PGGM Investments is always a fully-fledged knowledge partner for its clients.

Credit markets already have a market capitalisation that is roughly double that of listed shares. The credit market is expected to grow further in the coming years and become an even larger part of the global capital markets. We are well-positioned to control this expected further growth of credit markets for our clients. We feel it is important to do this partly via an internal proposition. After all, internal credit knowledge is necessary in order to responsibly manage clients' large exposure in the financial sector. PGGM Investments also has a long and successful track record in Investment Grade Credit and Emerging Market Credit, which we want to reinforce in the coming period.

Another area in which we made a difference over the past several years is our investments in private markets. This involves, areas like risk-sharing transactions with banks and insurers and direct investments in businesses, property and infrastructure outside of the public markets. Where possible, we have cut out intermediaries to lower costs, being able to make better decisions on the portfolio level and enable our clients to contribute to the decision making for very large investments.

Being BiC also means understanding our boundaries and limitations. There were we are not BiC we search the world for the best parties in order to procure their services. Passive investing, for instance, involves simply following a particular market index. Other parties can replicate the market index more cost efficient than we can. We work worldwide with external managers who offer that added value, for private real estate, private equity and the insurance linked-market, for instance. The choice between internal or external management depends on the mandates from our client and on how PGGM Investments can realise the optimal implementation efficiently.

Best in Class Example - Long Term Equity Strategy (LTES)

After a dedicated ESG lead joined our LTES teams at the end of 2020, the team has further expanded in 2021. In Q1 of 2021, a new analyst joined with a special focus on climate investing. This increased the capacity and strength of the team in preparation for the significant increase of the investable universe within their mandate.

The team has also highlighted the integration of the Factset Research Management System as a tool to transparently keep track of research, company due diligence and engagement notes. This is an important tool to further increase collaboration with teams such as External Management and Responsible Investment and to have the IT-infrastructure required to be best in class.

PGGM Investments tied 1st place in RAAI 2021 Ranking of the worlds 30 Most Responsible Asset Allocators

The Responsible Asset Allocator Initiative analysed $ 26 trillion in assets to identify 30 world-leading responsible, sustainable long-term investors. The study, developed in partnership with the Fletcher School at Tufts University, rated and ranked 251 asset allocators from 61 countries with assets of $ 26 trillion, to identify the 30 Leaders and 22 Finalists (The Top Quintile) that together set a global standard for leadership in responsible, sustainable investing. Competition for the Leaders List was fierce in the 2021 RAAI rankings. To be in the Leaders Group, a minimum score of 92% was required. To be a Finalist (in the top quintile), a minimum score of 96% was required. PGGM Investments achieved a score of 100%, placing us tied for 1st out of 251 firms rated globally.

"The RAAI Leaders List provides a window into the future of investing, a world where the planet's top investors are addressing the world's greatest challenges. These institutions increasingly recognize that investing responsibly and sustainably is a better way to optimize

returns, reduce risks, and identify opportunities for future growth, while aligning portfolios with broader social and environmental concerns of stakeholders."

Best in class trading

Over the past decades markets have transitioned into many different forms of execution methods and execution venues. In addition, intensified regulation has resulted in more checks and balances than ever before. Regulation, specialization, fragmentation, and technological developments warrant the existence of a centralized Trading Desk.

The core philosophy of the Trading Desk is to facilitate the overall trading process in such a way that portfolio managers can focus on portfolio construction and portfolio management. The Trading Desk diminishes the operational burden from portfolio management supporting them in the areas of trading preparation, execution, reporting and operations.

The objective of the Trading Desk is to facilitate the trading of our clients in the most efficient and cost-effective manner in line with best execution objectives.

PFZW had requested a review of the Trading Desk. Due to the specific characteristics of a Trading Desk, the review was conducted by an external specialized bureau.

The recommendations stemming from the review were largely in line with the original BiC document of the Trading Desk. As such it provided a good stepping stone in sharpening the thought process and provided assurance that the direction of development was the right one.

5.2 Control of costs

The degree of realisation of the return target after costs is decisive in assessing whether the manager is best in class. In every step of the Product Approval Process, there is attention to controlling the overall costs. The Investment Case for an asset class indicates a bandwidth for costs. In the reviews per asset class, Fiduciary Advice makes a cost comparison with other market parties. In the execution per asset class, a fee protocol is used prescribing maximum costs.

Control of cost is a condition for us to be a financially healthy organisation and indispensable in order to realise our strategy. Interest rates are extremely low and the return on investments is expected to be historically low in the coming period. This influences the affordability of pension but also puts pressure on lowering (hidden) costs in our daily execution. That is why we work on client returns, critically examining what our current strategic investments yield and aiming at improving efficiency.

With the Cost Efficiency program, we are investigating how we can work more cost-efficient within PGGM Investments. Cost efficiency is part of a bigger picture, in which we examine the business model of the future with Vision2030 by PGGM Investments: emphasizing which asset management organization do we want to be in the upcoming period? And what cost level is associated with that? At the same time, we now sometimes spot inefficiencies in our day-to-day work, which we do not always address. With this program we want to realize small and bigger changes, short and long run improvements. As an aside, this will yield us more than just financial savings. Consider, for example, savings on meeting, working and traveling time, and the reduction of bureaucracy and CO2 emissions. With the aim of lowering costs, more focus on what is important and more job satisfaction stressing our license to operate for the upcoming years.

A more cost-efficient investment management: internal costs

In analysing our external expenses, we mainly look at expenditures that are now specified as "other". With a data analysis and interviews with various colleagues, we gained insight where costs can be saved in the short term. A few results:

1. External hiring is now only possible through our purchasing desk, which takes care of standardized contracts, fair prices and negotiates better conditions in case of larger contracts.
2. Due to the pandemic, we are now better equipped to have online meetings instead of meeting in person and therefore were able to cut down travelling budgets by 20%.
3. We reviewed our paper subscriptions to papers and magazines and decided to reduce these to a minimum required for executing our BiC performance. This not only saves us money, but also leads to CO2 reduction.

Reviews Front Office

We are working on a plan to reduce the time needed for Front Office reviews. At this moment, a Front Office team is usually reviewed by six internal and external parties. There appears to be a considerable overlap between the information requested for different reviews. By creating a database with information about the required documents, reports and findings from previous reviews, reviews can become much more efficient. Existing information will then be included. But also we review whether all reviews are necessary, improving our entire business efficiency.

(Simplified) Control Framework

The Control Framework includes all Investment Management processes and provides insight into which control measures are used to control these processes. We currently have a very extensive and complete Framework, and the Standard 3402/3000A for 2020 contained no restrictions (a so-called 'clean' auditor's report). The downside, however, is that we currently spend a lot of time preparing reports in which we demonstrate how we comply with the Control Framework.

That is why we strive to moving towards a simplified version of the Framework. We are looking at how we can seamlessly connect the Control Framework 2.0 with our primary process. The aim is to reduce the extra time spend on establishing our controls by 90% for 2022 compared to 2020. And we have already started: in Phase 1 of the project, we picked the low-hanging fruit by eliminating 55 controls.

Outlook on cost efficiency

In 2022 we will continue to work on cost efficiency initiatives. In addition to the previous example, we are working on issuing less reports, or at least issuing less frequent, more concise and more targeted, yet in coordination with the target audience of the specific reports of course. We are continuously looking for a way in which we can have more efficient meetings, by reducing the time, frequency, number of participants, while at the same time keeping all stakeholders involved. Also, we currently administer externally managed mandates both internally and externally. This means that we are partially performing the same administrative tasks as the external managers do. This way of working doesn’t comply with our Future State Architecture and should be made more efficient. That is why we have started mapping the administrative processes and the information needs of various departments involved (such as Front Office, Risk and Reporting) and external parties. Additionally, we are currently carrying out a cost benchmarks, in order to compare our costs at function level with those of our peers. With the results of this research we will define new cost saving projects for the coming years.

5.3 Future-proof business operations

Since PGGM faces many new developments, we have to be ready and flexible. We do this by creating an agile and manageable organization, while maintaining grip on limiting execution costs by (product-oriented) control and by ensuring healthy business operations.

5.3.a Impact of the new pension agreement

The new pension system will bring major challenges and changes to PGGM Investments and our clients. Our clients will transition to a new pension scheme by January 1, 2027 at the latest, and have to make choices regarding the reform in 2022 and 2023. Many business operations need to be adapted in order to ensure excellent execution within the new pension system. The project ‘Feniks’ prepares PGGM and PGGM Investments for these changes.

Feniks has identified potential consequences for our investment chain and multiple in-depth research questions. Questions which are related to the potential impact of the reform on investment allocation, asset management administration and the cooperation between PGGM Pension Administration and PGGM Investments. One of the preliminary conclusions after analysing these questions is that the impact of NPC (new pension contract) on PGGM investments seems limited, whereas the impact of WVP (verbeterde premieregeling) seems more substantial.

The answering of these questions provides us with input for in-depth discussions about the new pension scheme. However, as long as the regulation does not have an approved status and the preferences of our clients are not fully determined, it is impossible to define definite future state solutions for PGGM Investments. In the meanwhile, we work with a set of assumptions during the current analysis phase. In 2022, PGGM Investments will continue with our preparation initiatives on the pension reform, which will result in a proposal for the implementation of the pension reform in the next coming years.

5.3.b Future-proof PGGM Investments implementation

Our 'Future-proof PGGM Investments (in Dutch Toekomstvast VB)' programme which has been running since the autumn of 2017, came to an end in 2021. The objective of this programme was to improve our business operations and make them more agile and manageable. This has largely been achieved. A core element of this program is the so called Future State Architecture (FSA); a product-focused target operating model which is based on specific and predefined responsibilities. The responsibility for implementation and safeguarding of the use of the FSA now lies within the organisation while internal support on these type of topics has been organised. People know where to find this support and have been using it throughout 2021, turning PGGM Investments into a more agile and future-proof organisation.

5.3.c Program 'Besturing 2021'

The dynamic environment around PGGM Investments continues to challenge our organisation, our teams and our people. Today, PGGM Investments offers high quality products and services at relatively low costs. With our programme 'Besturing 2021' we moved towards a more dynamic and adaptive way of working in order to improve our organisation.

The programme 'Besturing 2021' started off with a focus on improving PGGM Investments' financial steering and its governance. In July 2021, the program was completed with the delivery of the governance manual 'Besturing Manual 2021 PGGM Investments', which has been embedded within PGGM Investments. This led to a product catalogue with detailed information on product-level, Profit & Loss statements using integral costs, and five-year rather than one-year business plans on total product and business unit-level. Together, these developments have ensured that PGGM Investments acts more in line with its integral responsibilities.

In 2022, this way of thinking will be further implemented. New insights that came out of the program will allow PGGM Investments to take charge and act according to its integral responsibility. Consequently, we expect PGGM Investments to transform into a fast-paced, adaptive organization.

5.4 Our focus on innovation and research

Our Innovation & Research department focuses on developing new products, services and optimizing processes for our customers and the participants of pension funds. The guidelines used are closely tied to the needs of our customers and the strategic goals of PGGM Investments. One of these goals, aims at realizing greater returns against smaller risks within the various financial markets.

The key driver of these innovations is enabling the organization to accelerate innovations based on automatically created cloud environments where investment departments can benefit from cloud, infrastructure, computation power as well as traceability, transparency and maintainability. Over the previous years, innovation has provided input to accelerate processes using cloud infrastructure. Innovation also supported the PGGM Investments Azure cloud service team in creating automated templates which enables departments to create analytics platforms within the cloud. This knowledge is being combined with the knowledge of tech partners to add sandbox environments (experimentation environments where productional data can be used) to these platforms.

Listed Real Estate (LRE) Team

The first department to have access to such a platform is listed real estate (LRE). This platform consists of a complete infrastructure and algorithms to run LRE portfolios. The traditional approach is replaced using modern artificial intelligence (AI) applications using real time, up to date data available in the market. In 2022, machine learning applications will be introduced on our activities which will enable LRE to gather even more insights in short amounts of time.

Private Real Estate (PRE) Team

Another front office team, the PRE team, decided to specifically focus on alternative data in order to improve their results. The goal is to create value from alternative data such as availability regarding parking lots around real estate. There are a lot of new hypotheses which are tested using new technology and alternative data. These could potentially result in new indicators in order to value real estate. PRE is researching these correlations in close collaboration with the innovation department. The end goal is to determine if alternative data can be quantified, incorporated and adds value to existing valuation models.

Infrastructure Team

Starting 2021, a new cloud platform is being built for the infrastructure team. Using this platform, the infrastructure team, together with the innovations team, can develop algorithms finding new opportunities based on market data. The goal is to spot deals before other investment parties do, to create a competitive advantage.

Currency trading desk

In November 2021, a new collaboration between PGGM Investments & MN kicked off. A joint coding environment was created which includes a database to create an algorithm based on information from the currency market. The PGGM Investments and MN trading desk collaboration contributes to creating an algorithm to improve currency trading when markets are volatile. PGGM Investments and MN also set up a collaboration with universities which brings in bright students to work on this initiative.

5.5 Data management

Data plays an important role in the current digital transformation. Since data and the availability of tooling opportunities to analyse data (for example machine learning, Artificial Intelligence (AI)) is progressively growing, it becomes increasingly more important to have clear governance on data availability and quality of data. This is a necessary condition for making solid investment decisions and our license to operate. Additionally, we use this approach complying with laws and regulations as well as supervisory requirements. Advanced data analytics is also the basis for technological developments and innovation. Lastly, it can ensure efficient business operations by minimising hidden costs from data issues.

There are several projects in PGGM Investments that focus on getting 'grip on data'. For data availability, the 'data delivery infrastructure' (DDI) project and 'datahub' project play a central role. The DDI provides a PGGM Investments-wide platform with technical resources to support general data governance, access and delivery within PGGM Investments. The datahub (GoldenSource) on the other hand plays a central role in gathering, validating, editing and saving external/market data. Through these initiatives, PGGM Investments aims to capture the full potential of data within the organization.

Datahub

With the datahub we are automizing the validation process of external data. The process is exception based and there are no manual interruptions involved. We can easily manage the data for different purposes based on data-quality and data-ownership requirements.

For example: Static data of securities normally does not change in time, but in some circumstances it does. With the new datahub our whole security-universe is checked for changes on a daily basis. Only static data will be updated if there actually is a change. Also, we can timestamp these changes to match audit requirements.

DDI

DDI is a data platform where PGGM Investments data lands for general usage. With this data platform we can add value to data. Datasets that are created in a process can be used in several upstream processes.

For example:

- Real estate data is used within Real Estate Front Office, but also used for portfolio monitoring, risk monitoring and client reporting. We created one dataset on this data platform, that can be used easily for all the processes. Also, we are able to implement solid data governance.
- The data-owner gives access to users and can see how the data is used, which is automated with standard reports.
- Implementation of data-lineage: We can follow the creation of data, where and how data is changed over time.

5.5.a Investment Analytics team

In September 2021 an Investment Analytics team was set up at PGGM Investments. The team will work on the development of investment models and related tooling, in close cooperation with the various investment teams in both Public Markets and Private Markets. Having a dedicated, centralized team within the investment organization to focus on investment modelling allows us to be more efficient in building, maintaining and sharing solutions across all the investment teams.

In the Investment Analytics team, we see investment knowledge meets model building and advanced analytics expertise. The Investment Analytics team will provide an impulse to the use of advanced analytics in investments, because the team will also serve as a centre of expertise for the use of AI and Machine Learning techniques and alternative data embracement in the investment process. These new techniques and data sources offer many opportunities across the various asset classes and will support us in our goal of reaching the best possible investment decisions for our clients, while at the same time improving sustainability.

Over the coming years, we expect the Investment Analytics team to play a central and crucial role in the development of our investment models. The number of possibilities of effectively applying machine learning techniques within investments is growing rapidly and significantly, and we expect this trend to continue in the upcoming years. Moreover, with the huge growth in available classical and alternative data sources, having an effective platform for analysis is a necessary condition to function properly. The Investment Analytics team will help us to embed the usage and knowledge of these new techniques throughout the investment organization.

Outlook

After an eventful year, it is time to look ahead to 2022 and beyond. We look ahead with much uncertainty. The Russian invasion of Ukraine on February 24 marked a serious escalation of the Ukraine crisis. While the continuing tragedy will undoubtedly harm the global economy, the consequences will depend to a large extent on the sanctions imposed in response to the conflict. The heavier the sanctions, the greater the economic impact. For pension funds and thus also for our clients, it means that they will experience a negative impact within the investment portfolios as a result of worldwide deteriorating stock market prices. In addition to the risk of energy price increases, there is also the risk of energy shortages occurring. This can lead to lower GDP and higher expected inflation. The risk of the aforementioned movements on our business operations and on our financial position is limited. Nevertheless, we follow the developments with the highest urgency.

Although this crisis casts a shadow, the return to the office at the beginning of March was nevertheless a positive moment for us; it was very enjoyable to be able to meet colleagues in person again after a long time. For the largest part of the past two years we have worked from home to prevent the spread of the coronavirus. Although the service to our clients continued unabated and we had a good financial year, we are looking forward to working at the office more often. In 2022 we will combine home working with physical meetings in the office.

Sustainability is and will remain a major priority for PGGM Investments. With increasing societal expectations and scrutiny of our investments (eg. fossil fuels, Russia), the impact dimension - besides risk and return- is steadily becoming more prominent. Questions are being raised whether index investing can keep up with fast-shifting conditions and concerns among stakeholders and participants, and provide for the accountability for real-world outcomes they require.

It has become clear that the non-financial data infrastructure must be reinforced in order to truly integrate the financial performance and sustainability of our investments, whether active or passively managed. In 2021, necessity and opportunity conspired with EU transparency and compliance requirements (SFDR) and standard- setting breakthroughs (notably the International Sustainability Standards Board under IFRS). These developments will accelerate several projects to deliver on PFZW policies to reduce CO2, increase SDG impact and mitigate negative impact through ‘smart’ engagement and divestments. Increasingly, these policies and instruments aim for outcomes, ie. the real-world difference PFZW makes with the pension savings of its participants. With PFZW’s new fossil policy, we are entering a new era. In the benchmark investments in particular, we are now going to deviate significantly and have announced in advance what we are going to invest in through engagement, including timelines. That requires more commitment, more transparency and accountability and proactivity.

As PGGM Investments, we must continue to comply with all legal and regulatory requirements. For 2022, there will be an extra focus on the implementation of Level 2 of the SFDR and the sustainability related adjustments to MifidII and AIFMD. Transparency remains important to PGGM, not only for accountability, but also for moving the broader industry towards a more sustainable world, together with our clients.

The PFZW decision to discontinue its investments in the PGGM funds in order to be more agile and in control of its investments, impacts PFZW, as well as PGGM Investments and our other clients. In 2022 we are focuses on executing this decision and realising an optimal structure while ensuring a fluent transition of our clients to their new fiduciaries.

In addition to implementing our clients' investment policy, 2022 is also about developing a long-term strategy. In 2022 we will translate our long-term vision (Vision 2030) into an actionable strategy and start to deploy this strategy. We refer to our 2030 investment approach as "sustainable value creation", i.e. investment management aimed at achieving a good financial return through long-term value creation, offering a positive contribution to society and the environment. Our investments yield a financial return, contribute to the great global transitions and visibly impact the topics our participants feel are important.

This will, more than ever before, require an organisation able to identify and capitalise on the opportunities this brings, both in a top-down, as well as a bottom-up sense. That process sees the individuals and the teams involved become the bearers of the success attained. This requires our organisation to adopt a culture and employ the professionals that will match that. Innovative and entrepreneurial spirit is needed to prepare for the future. Experimenting with new behaviour is an absolute precondition for achieving greater entrepreneurship and decentralised responsibility.

Also, our 2030 strategy requires looking more from the outside in, embracing technological developments more quickly and co-operating even more with partners. In order to remain relevant, it is important for PGGM to continue to provide excellent services for a competitive fee.

The investment process needs to be redefined to invest more from a total portfolio approach and there is the accelerated digital transformation. We will continue to work on cost-efficiency initiatives and continue our initiatives to prepare for the implementation of pension reform in the coming years. We will also continue to explore new opportunities to support the healthcare sector with our financial expertise and possibly assets.

In 2022, the ideas of Besturing 2021 will be further developed. The new insights arising from the programme will enable us to act even more so than before in accordance with our integral responsibilities. In doing so, we are transforming PGGM Investments into a fast, adaptive organisation that is ready for the future.

Zeist, 29 March 2022
The Management Board,

Geraldine Leegwater

Arjen Pasma

Frank Roeters van Lennep

Chapter 6: Report of the Supervisory Board

In this report, the Supervisory Board explains how the supervisory and employer role was shaped in the past year and how the Supervisory Board assisted the Board of Directors with advice. The most important substantive matters in which the Supervisory Board has been involved this year are also discussed. The Supervisory Board looks back on a year in which the focus was on a number of central topics:

- PFZW decision to change the investment structure
- Change trajectories within PGGM Investments

Highlights

COVID-19 pandemic

The outbreak of COVID-19 also led to measures in 2021 in which social traffic was (partially) shut down for part of the year. The allevation and tightening of measures alternated and the occupation at the office was adapted to this situation. The increasing number of corona infections after the summer meant that PGGM was unable to start to work from both the office as well as at home (hybrid working place) in the beginning of November. However, preparations have been made so that PGGM can immediately start working in a hybrid manner as soon as the corona measures have been lifted. Most employees have been working from home for most of 2021, with the exception of a small group of employees that were designated to office-related work for critical processes ('skeleton crew'). The Supervisory Board notes that, despite the challenging circumstances, the investment assignment was carried out well in 2021 and that the activities and processes could be carried out on a continuous basis.

PFZW decision to change investment structure

In 2021, PFZW decided to organize the investments differently. The aim of this is to increase PFZW's agility. Due to PFZW's decision to switch to a new investment structure, PGGM is unfortunately unable to continue to offer fund and asset management services to other clients on attractive terms. PGGM will make every effort to terminate and transfer these services in a proper and careful manner, in consultation with its customers. This is an impactful development for our customers, PGGM as an organization and the employees of PGGM.

Change trajectories within PGGM Investments: Control 2021, Strategy 2030 and Top Structure

The world around us is changing rapidly and this places new demands on the organisation, the teams and the people. The Supervisory Board has regularly discussed the status of the various change programs within PGGM Investments and the relationship between them with the Board of

Directors. In the second half of 2019, a start was made on the Financial Management program to arrive at a different financial management scheme, which includes using cost prices per product. This creates more insight into the costs and their controllability, and we can give our customers more insight into the costs. At the end of 2019, this project was expanded to the strategic program Control 2021 (abbreviation in Dutch: Besturing 2021). As a result of the Control 2021 program, various responsibilities are delegated to the three business units (PGGM Pension Management, PGGM Investments and PGGM Institutional Business). PGGM Investments has entered into discussions with its (internal) partners about the product to be delivered and the associated compensation as part of the execution of the Control 2021 program. The Supervisory Board discussed the progress of this program with the Board of Directors and noted that PGGM through the Control 2021 program will become an agile, manageable and enterprising organization and is therefore well prepared for the changing pension landscape.

The environment of PGGM Investments is also changing rapidly and customers are making increasingly higher demands. In the past period, among other things, within the framework of the Strategy 2030 project, an exploration was carried out into the issues facing PGGM Investments in the coming years. In discussions with the various stakeholders, it was discussed how the management can best approach the various strategic issues in the coming years in close coordination with the wishes of PGGM's customers. We need to look at how we can set up a flexible, agile organization for this that is ready for the challenges that lie ahead. The new Top Structure of PGGM Investments and thereby revised division of responsibilities ensures an organization that can meet the challenges ahead, and that can successfully assess these challenges and realize the necessary changes. Top structure of PGGM Investments leads to a new composition of the Board of Directors, with four new management positions. The Supervisory Board is involved in the review of the senior management structure and in the appointment of new members of the Board of Directors.

Personnel changes in the Board of Directors and Supervisory Board of PGGM Investments

Sylvia Butzke has left PGGM on 1 November 2021. She worked for PGGM for almost five years as Chief Operations Officer Investment Management (COO IM). As COO IM she was statutory director of PGGM Investments.

Bob Rädecker has left PGGM as of 1 January 2022. He worked for more than twenty-three at PGGM, the last seven years being Chief Investment Officer Public Markets (CIO PuMa). As CIO PuMA, he was statutory director of PGGM Asset Management.

The Supervisory Board is grateful to both Sylvia and Bob for the contribution they have made to the development of PGGM Investments.

Partly in connection with the changed top structure and the above-mentioned personnel changes, the Board of Directors has consulted with the Supervisory Board about the appointment of the Board of Directors members in the new positions. Temporary positions are provided where necessary. For example, individual profiles of the new management positions were drawn up and various interviews were held with candidates. This resulted in four intended appointments. The new board members are expected to take office at the beginning of the second quarter of 2022.

Roderick Munsters has indicated that he will step down as a member of the Supervisory Board effective from 1 January 2022. Roderick has held the position for more than three years. The Supervisory Board is grateful to Roderick for his contribution and the commitment he has made in recent years. The incumbent members of the Supervisory Board have taken the lead in the appointment of his successor and are very pleased to announce that Daniëlle Melis has been appointed as a new member of the Supervisory Board effective April 1, 2022. In the autumn of 2021, the individual profile was drawn up and various interviews were held with candidates. The discussions led thereafter to the appointment Daniëlle Melis as the third member of the Supervisory Board. Her appointment secures our position as independent and critical stakeholders.

Topics regular meetings 2021

Fixed agenda items in every regular meeting are the business update and reports on customers, business operations and the regulators. The financial results and the main risks associated with business operations are reviewed, based on the various risk management and performance reports and the quarterly responsible investment report.

The Supervisory Board is regularly informed by the Board of Directors about developments in the financial markets. To this end, the Supervisory Board receives the PGGM Investments Highlights every quarter with developments in the financial markets and at PGGM Investments. In this context, consideration is given to special investments that may have a (positive or negative) effect on business operations or reputation. The business update of PGGM Investments is provided by the Board of Directors and comprises of a view on the investment results, the financial status, the risk profile and employee satisfaction, supplemented with varying topics such as the progress on the annual targets (as derived from our strategic objectives) and findings from Internal Audit.

In addition, so-called in-depth sessions are regularly held in the presence of both the Board of Directors and the Supervisory Board, during which specific subjects are discussed in detail. The subjects may relate to current legal or regulatory subjects for the purpose of maintaining professional competence as well as specific current developments that are relevant to PGGM Investments. Topics of the in-depth sessions that took place included: the Money Laundering and Terrorist Financing (Prevention) Act (abbreviation in Dutch: Wwft), insight into a healthy risk culture and criminal implications of economic crimes, such as corruption, money laundering and sanction violations.

Furthermore, the legislation and regulations and their possible impact on the business of PGGM Investments are discussed in each meeting. The training plan (which started in 2020) was continued in the context of the permanent training of the supervisory directors.

The annual employee survey has taken place and in the regular Supervisory Board meetings the Supervisory Board has considered the scores and the measures taken by the Board of Directors in response. Behavior and culture are seen as important components for the realization of the strategic objectives.

In the first half of 2021, the Supervisory Board evaluated the remuneration policy and determined that it complies with legislation and regulations. The Supervisory Board is curious about the reference benchmark to be performed and will discuss the results of the reference benchmark with the Board of Directors.

In the second half of the year, the Supervisory Board conducted a self-evaluation. The Supervisory Board also asked the Board of Directors for input on the functioning of the Supervisory Board. The results of the evaluation have been discussed with the Board of Directors. A number of points were mentioned in the evaluation, such as the information gap between the external member and internal nenbers of the Supervisory Board. The actions that follow are taken up by the Supervisory Board.

Attendance regular meetings

The Supervisory Board met six times in 2021, four of which were regular meetings and an extra meeting was called twice to keep the Supervisory Board informed on current developments. The majority of the meetings took place via video calling, in line with the COVID-19 measures of the RIVM. The regular meetings of the Supervisory Board are held in the presence of the members of the Board of Directors of PGGM Investments. The relationship with the Board of Directors is good and transparent. The suggestions from the Supervisory Board are taken into account. There were constructive discussions during the meetings, whereby the Board of Directors and the Supervisory Board are receptive to each other's arguments.

In addition, the Supervisory Board held six closed meetings. The topics discussed included the assessment and remuneration of the Board of Directors and PFZW's decision to change the investment structure.

All three Supervisory Board members attended 100% of the Supervisory Board meetings. During all four regular meetings, a Supervisory Board member of PGGM N.V. attended the meeting as an independent attendee.

The independent auditor responsible for the audit of the Integrated report was present during the discussion of the Integrated report, the auditor's report and the management letter in the meeting of the Supervisory Board. The Supervisory Board has not established any committees.

The Supervisory Board would like to thank the members of the Board of Directors and the employees of PGGM Investments for their efforts in the 2021 reporting year.

Zeist, 29 March 2022

The supervisory board,

Edwin Velzel

Willem Jan Brinkman

Appendix 1 Information about PGGM Vermogensbeheer B.V.

PGGM Vermogensbeheer B.V. (PGGM Investments) was founded on 20 July 2007. PGGM Investments has its registered office and principal place of business at Noordweg Noord 150. 3704 JG, in Zeist, the Netherlands.

Objective

In accordance with Article 2.1 of the articles of association, the statutory objectives of PGGM Investments are:

To act as a manager of investment institutions in the widest sense of the word, in any case including portfolio management, risk management, administration, marketing of participations and share and activities related to the assets of investment institutions;

To provide investment services including discretionary asset management, investment advice and the reception and transmission of orders in relation to financial instruments;

(to ensure) the safe-keeping and administration in relation to participations or investment institutions;

To offer and have offered financial instruments to employees who are employed in thecare and welfare sector and to their partners, as well as to former employees who in that capacity have been employed in the aforementioned sector and to their partners, as well as to members of the cooperative: PGGM Coöperatie U.A.; and

To participate in, to take an interest in any other way in, to conduct the management of other business enterprises of whatever nature, and to finance third parties, to grand security in any way, and to bind itself for liabilities of third parties, and finally all activities which are incidental to or which may be conducive to any of the foregoing.

Furthermore, in accordance with article 2.2 of the articles of association, the purpose of the company is to manage and finance its subsidiaries, group companies and associated companies, and to provide security and guarantees for its own debts and for the debts of its subsidiaries, group companies, and associated companies.

AIFM licence

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

Pursuant to Section 2:67a(2) of the Wft, PGGM Investments is also permitted to carry out the following activities or to provide the following services:

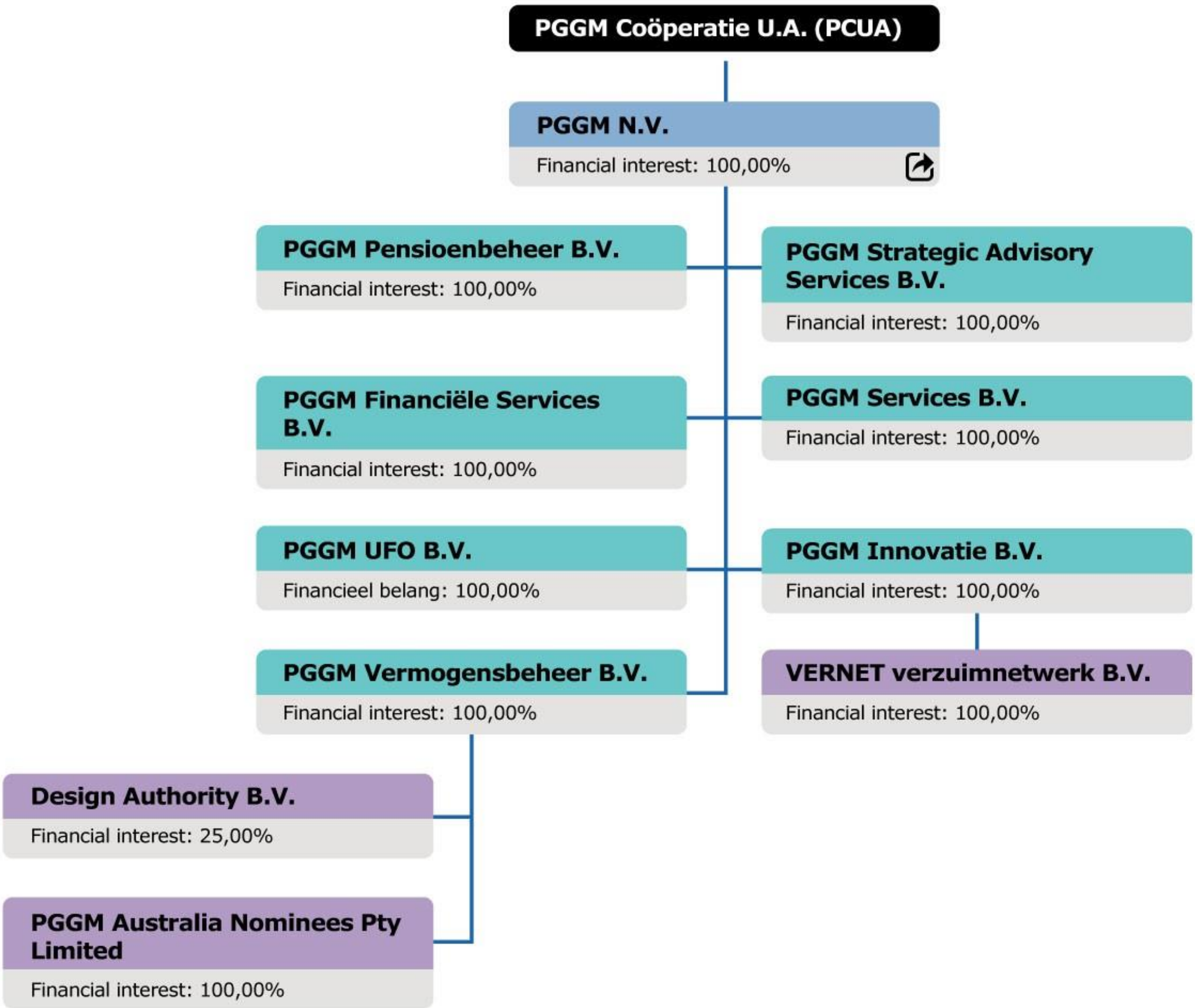
Manage individual capital;

Advise on financial instruments in the context of practicing a profession or conducting a business;

Receive and transfer orders from clients relating to financial instruments in the practice of a profession or operation of a business.

Group structure

One hundred percent (100%) of the shares in PGGM Investments are held by PGGM N.V. In turn, 100% of the shares in PGGM N.V. are held by PGGM Coöperatie U.A. The following figure shows the legal structure of PGGM Coöperatie U.A., PGGM N.V., its subsidiaries and other participating interests ('the PGGM group') as at 31 December 2021.



PGGM Australia Nominees Pty Limited

PGGM Investments acquired the shares in PGGM Australia Nominees Pty Limited (PAN) on 13 May 2009. PAN is a 100% subsidiary of PGGM Investments. On this basis, the assets and liabilities as well as the result of PAN is fully included in PGGM Investments' consolidated annual report.

Design Authority B.V.

PGGM Investments held a 50% interest in Design Authority B.V. from 2 June 2020. Subsequent to that date, two other parties participate in Design Authority B.V., as a consequence of which PGGM Investments holds a 25%-interest as of year-end 2021. With this share capital no material influence can be exerted on the operational management, and therefor this participating interest is not consolidated in PGGM Investments' financial statements or the financial statements of PGGM N.V. and PGGM Coöperatie.

Participant's meeting

The participants' meeting is important in the decision making on the fund terms and conditions of the investment funds managed by PGGM Investments.

The meeting allows us to inform participants about the course of affairs in relation to the investment policy and to include them in a discussion of relevant developments in relation to investment institutions (for example: legislation and regulations and responsible investment).

PGGM Advisory Boards

PGGM Investments has two advisory boards: PGGM Advisory Board Alternative Funds (ABAF) and PGGM Advisory Board Responsible Investment (ABRI).

The ABAF advises the Board of Directors of PGGM Investments on the Private Market funds. It advises both on its own initiative and at the request of PGGM Investments. The ABAF is asked for advice on potential Private Equity investments of a special nature and/or which exceed the sum or value of € 250 million or € 100 million for certain transactions, and in the event of a change to the strategy of the investment funds. In 2021 there were four meetings of the ABAF with PGGM Investments. In addition, twenty-one recommendations were provided on specific transactions and topics in relation to potential investments by the investment funds. The ABAF currently consists of three external members.

The ABRI advises PGGM Investments and her clients and is consulted on activities in the field of responsible investment. The ABRI also provides unsolicited advice on societal developments. The members are appointed by PGGM Investments and its clients. They represent different professional fields: the financial sector, industry/multinationals, science, government, social organisations and multilateral institutions.

Financial and operating results

The result after taxes over the period under review amounted to € 19.9 mln (2020: € 30.4mln). Total revenue increased by € 23.6 mln in 2021, from € 149.8 mln in 2020 to € 173.4 mln in 2021. The increase in the total revenues is caused by a renewed contract with PFZW that stimulates the best in class movement as well more internalization of the externally managed AuM. The operating expenses of € 146.9mln (2020: € 126.7mln) largely relate to increased costs on employee expenses, costs of depreciation of the building and additional costs charged on by

PGGM Investments, concerning personnel expenses, accommodation expenses, IT costs and overhead costs.

Equity amounted to € 102.8mln as at 31 December 2021 (year-end 2020: € 98.0mln). The solvency as at 31 December 2021 amounted to 90.9% (2020: 83.0%). The solvency is determined as the ratio of equity to the balance sheet total. The cash balance was € 88.6mln as at 31 December 2021 (31 December 2020: € 88.3mln).

In 2021, PGGM Investments' liquidity position was sufficient to cover all cash outflows from operating, investment and financing activities and there were no additional finances required.

PGGM Code of conduct

Supportive, responsible and steadfast. These values are visible and tangible in everything we do. Our conduct in upholding these values is a critical factor in determining the success of PGGM Investments. We see it as our responsibility toward society to act with care, transparency and integrity. Ensuring there is clarity about how we interact with one another helps us to fulfil this responsibility. Social media and technological developments mean that our conduct and the information we hold are visible to a larger group of people than ever before. Increased requirements and demands from society and regulators in particular place an continuous commitment on us to keep track of all the requirements, and to where necessary update our current rules of conduct and agreements. We have combined these updated agreements and guidelines in a single document: the PGGM Code of Conduct. Our Code of Conduct is set up to be more than a set of rules and instructions designed to maintain trust in the services we provide. The mandatory compliance with the underlying principles and criteria in the Code of Conduct offer guidance in our interaction with clients, suppliers, colleagues and society in general. In 2021 we have further strengthened the Code.

Corporate sustainability

The Executive Committee (EC) of PGGM Investments' parent company, PGGM N.V., has expressed the ambition for herself and all her subsidiaries to play an exemplary role in relation to sustainability and in that regard, aims specifically at three Sustainable Development Goals (SDGs). These are SDG 1 - no poverty, associated with the mission to contribute towards a good pension in a habitable world; SDG 3 - good health and welfare is part of the DNA as a fixed value in the Health Care and Welfare sector; and SDG 13 - climate action underscores the responsibility for a habitable world. PGGM N.V. takes responsibility here for its climate impact and takes action to reduce its CO_2 emissions. Read more about this in the PGGM N.V. Annual Report.

Appendix 2 Explanation to our materiality analysis

PGGM Investments determines annually in a structured manner what topics will, at a minimum, be covered in the annual report. We use a materiality test to do this. Assessing the material topics serves as foundation for the contents of the integrated annual report and takes place at an early stage of the reporting process. The materiality survey relies on a dual assessment: on the one hand, various stakeholder groups assess the relevance of different topics and, on the other, we assess internally what impact these topics have on the company and society using a double materiality principle.

We determined the topics on the basis of desk research in 2020 and 2021. This consisted of a media analysis, research at peers and equivalent organisations, ESG ratings and sector reports. We also requested input from our key stakeholders via a survey. The outcomes of the stakeholder consultation and the materiality were discussed with the Board of Directors of PGGM Investments. The topics that stakeholders considered important are in line with the key topics that PGGM Investments works on.

The material topics are a reflection of our outputs as described in the value creation model. A material topic is not related exclusively to one of the output capitals, which means that some topics appear more than once. In the table below, we have provided insight for each output capital into the link with the material topics. The eight most relevant topics served as a guide in the process of deciding on the contents of the annual report and are addressed at length in the chapters.

Output capital	Material topics
Stable financial performance	Stable financial results
	Impact investments
	Transparency
Active equity ownership	ESG integration
	Active ownership
	Exclusions
	Reducing the negative impact of the client’s portfolio
Reliable market player	ESG integration
	Professional organisation
	Risk management
	Data & digitalisation
	Customer orientation
	Fiduciary responsibility
	Strategic cooperation

	Compliance and integrity
Inclusive workplace	Good employment practices
Impactful investments	Strong health care and welfare sector
	Impact investments

Appendix 3 Companies engaged in dialogue

Company name	SDG(s) & Subject(s)
AMP Limited	Business Ethics
Commonwealth Bank of Australia	Business Ethics
Crown Resorts Ltd	Business Ethics
Rio Tinto Ltd.	Human Rights
Woolworths	SDG 12 / SDG 13
Andritz AG	Human Rights
Anheuser-Busch InBev SA/NV	SDG 6
Banco Bradesco	SDG 12 / SDG 13
Braskem S.A.	SDG 6
Companhia de Saneamento Basico do Estado de Sao Paulo SABESP	SDG 6
Cosan Ltd.	SDG 6
Dexco SA	SDG 6
Klabin S.A.	SDG 6
Marfrig Global Foods S.A.	SDG 6 / SDG 12 / SDG 13
Minerva S.A.	SDG 6
Suzano S.A.	SDG 6
Magna	Human Rights / Labour Rights
Bank of China	SDG 12 / SDG 13
China Construction Bank	SDG 12 / SDG 13

China Gas Holdings Ltd	Human Rights
China Huarong Asset Management Co Ltd	Business Ethics
ICBC	SDG 12 / SDG 13
Oversea Chinese Banking Corporation	SDG 12 / SDG 13
Tencent Holdings Ltd	Human Rights
ZTE Corporation	Human Rights
Danske Bank A/S	Business Ethics
Valmet Corp	SDG 6
Bolloré SA	Human Rights
L'Oréal	SDG 12 / SDG 13
Sanofi	Human Rights
Teleperformance SA	Labour Rights
TotalEnergies SA	SDG 13 / Human Rights
Adidas	Human Rights
BMW Group	Human Rights / Labour Rights / Business Ethics
Daimler AG	Business Ethics
Deutsche Bank AG	Business Ethics
Deutsche Post	Human Rights
Lanxess AG	SDG 6
Volkswagen AG	Environment
Shangri-la Asia	Human Rights

Adani Ports	Human Rights
Bharat Electronics	Human Rights
Gail India	Human Rights
Page Industries Ltd.	Human Rights
Tata Motors	Human Rights
UPL Ltd	Environment
Bezeq The Israeli Telecommunication Corp. Ltd.	Business Ethics
Teva Pharmaceutical Industries Limited	Business Ethics
Eni Spa	Human Rights
Daiwa House Industry	Human Rights
Eisai Co.	SDG 3
Eneos	Human Rights
Fast Retailing	Human Rights
KDDI Corp.	Human Rights
Mitsubishi Corp.	SDG 12 / SDG 13
Mitsubishi UFJ	SDG 12 / SDG 13
Mizuho Financial	SDG 12 / SDG 13
Nitto Denko Corp.	SDG 6
Olympus Corporation	Human Rights
Sumitomo Corp.	Human Rights
Sumitomo Mitsui Financial Corp.	SDG 12 / SDG 13

Takeda	SDG 3
Coca-Cola FEMSA, S.A.B. de C.V.	SDG 6
ABN Amro Group	Corporate Governance
Adyen	Corporate Governance
Ahold Delhaize	SDG 12 / SDG 13
Akzo Nobel N.V.	SDG 6
ASR	Corporate Governance
Heineken N.V.	SDG 6
ING Groep N.V.	Corporate Governance
NN Group	Corporate Governance
EDP - Energias de Portugal, S.A.	Business Ethics
DBS Group Holdings	SDG 12 / SDG 13
United Overseas Bank	SDG 12 / SDG 13
African Rainbow Minerals Ltd.	SDG 6
ArcelorMittal South Africa Ltd	SDG 6
Eskom Holdings SOC Limited	SDG 6
Exxaro Resources Ltd	SDG 6
Gold Fields Ltd.	SDG 6
Harmony Gold Mining Co. Ltd.	SDG 6
Impala Platinum Holdings Ltd.	SDG 6
Sasol Ltd.	SDG 6

Sibanye Stillwater Ltd.	SDG 6
Hyundai Motor Co., Ltd.	SDG 6
Lotte Corp	Human Rights
POSCO	Human Rights
SAMSUNG BIOLOGICS Co., Ltd.	Business Ethics
Samsung C&T Corp.	Business Ethics
Samsung Electronics Co., Ltd.	Business Ethics
Siemens Gamesa Renewable Energy, S.A.	Human Rights
Essity AB	Land Use
Svenska Cellulosa AB	SDG 6
Swedbank AB	Business Ethics
Volvo AB	Human Rights
Credit Suisse Group AG	Business Ethics
Glencore Plc	Human Rights / Labour Rights
Nestlé	SDG 12 / SDG 13
Novartis	SDG 3
UBS AG	SDG 12 / SDG 13
Formosa Taffeta Co., Ltd.	Human Rights
Associated British Foods PLC	SDG 6
Barclays PLC	Business Ethics
BP Plc.	SDG 13

Petra Diamonds Ltd.	SDG 6
Reckitt Benckiser	Human Rights
Royal Dutch Shell	SDG 13 / Corporate Governance / Human Rights
3M Co	Environment
Activision Blizzard, Inc.	Labour Rights
Alphabet	Labour Rights / Anti-Competitive Behaviour
Amazon	Labour Rights / Human Rights
AptarGroup, Inc.	SDG 6
Ashland Global Holdings Inc	SDG 6
Bausch Health Companies Inc	Human Rights
BorgWarner Inc	SDG 6
Bunge Ltd.	SDG 6 / SDG 12 / SDG 13 / Environment
Capital One Financial	Anti-Competitive Behaviour
Catalent, Inc.	SDG 6
Caterpillar Inc	Human Rights
Chevron	SDG 13 / Human Rights
Chipotle Mexican Grill	SDG 12 / SDG 13
Citigroup, Inc.	Business Ethics
Coca-Cola	SDG 1 / Human Rights
Colgate-Palmolive	SDG 12 / SDG 13

Corteva, Inc.	Human Rights
Costco Wholesale	Human Rights
Crown Holdings Inc	SDG 6
Dow, Inc.	Human Rights
DuPont de Nemours, Inc.	Environment
Edison International	Human Rights
Facebook Inc	Human Rights
Hilton Worldwide Holdings	Human Rights
Huntsman Corp	SDG 6
JP Morgan	SDG 12 / SDG 13
Kraft-Heinz	SDG 1
Lilly Company	SDG 3
Marathon Oil	SDG 13
Mastercard	Anti-Competitive Behaviour
McDonald's Corporation	SDG 12 / SDG 13 / Human Rights
McKesson Corp	Human Rights
Morgan Stanley	SDG 12 / SDG 13
Motorola Solutions, Inc.	Human Rights
Nike	Human Rights
PepsiCo	SDG 12 / SDG 13
Procter & Gamble	SDG 12 / SDG 13

Qualcomm	Anti-Competitive Behaviour
Sonoco Products Co	SDG 6
Starbucks	SDG 1
Stryker Corporation	Human Rights
Target	SDG 12 / SDG 13
The Goldman Sachs Group, Inc.	Business Ethics
Thermo Fisher Scientific Inc.	Human Rights
Tyson Foods	SDG 12 / SDG 13
Uber Technologies, Inc.	Human Rights
Yum! Brands	SDG 12 / SDG 13

Part 3
Financial Statements

Consolidated Financial Statements of PGGM Vermogensbeheer B.V.

Consolidated balance sheet as of 31 December 2021

BALANCE SHEET

(before profit appropriation)

(amounts in thousands of euros)

	Ref	*31 December 2021*	*31 December 2020*
Assets			
Fixed assets			
Intangible fixed assets	**3**	1,009	852
Property, plant and equipment	**4**	19	15
Financial fixed assets	**5**	634	150
Total fixed assets		**1,662**	**1,017**
Current assets			
Receivables	**6**	22,913	28,755
Cash and cash equivalents	**7**	88,579	88,259
Total current assets		**111,492**	**117,014**
Total assets		**113,154**	**118,031**
Liabilities			
Equity	**8**		
Paid and called-up capital		100	100
Statutory reserve		5	5
Share premium reserve		34,400	34,400
Other reserves		48,455	33,075
Retained earnings		19,854	30,380
Total equity		**102,814**	**97,960**
Current liabilities			
Current liabilities	**9**	10,340	20,071
Total current liabilities		**10,340**	**20,071**
Total liabilities		**113,154**	**118,031**

Consolidated income statement for 2021

INCOME STATEMENT

(amounts in thousands of euros)

	Ref	2021	2020
Management fees	11	173,382	149,805
Total operating income		**173,382**	**149,805**
Costs of outsourced work and other external expenses	12	20,637	20,192
Employee expenses	13	88,857	77,095
Depreciation / amortisation of tangible / intangible fixed assets	14	5,600	2,844
Other operating expenses	15	31,845	26,563
Total operating expenses		**146,939**	**126,694**
Operating result		**26,443**	**23,111**
Financial expenses		-111	-124
Result before taxes		**26,332**	**22,987**
Taxes	16	-6,562	-5,747
Result participating interests	5	84	13,140
Result after taxes		**19,854**	**30,380**

Consolidated cash flow statement for 2021

CASH FLOW STATEMENT

(amounts in thousands of euros)

		2021	2020
Cash flow from operating activities			
Operating result		26,443	23,111
Adjustments for:			
Amortisation, depreciation and impairments	***3,4***	489	445
Changes in receivables	***6***	5,842	-5,075
Changes in current liabilities	***9***	-16,293	-6,506
Cash flow from operating activities		**16,481**	**11,975**
Paid interest		-111	-124
Corporation tax paid	***16***	0	0
		-111	**-124**
Total cash flow from operating activities		**16,370**	**11,851**
Cash flow from investment activities			
Additions and acquisitions of			
Intangible fixed assets	***3***	-639	-3
Property, plant and equipment	***4***	-11	-8
Acquisition of participating interests	***5***	-400	-600
Disposals, repayments and sales			
Receipts from disposal of participating interests	***5***	0	15,189
Total cash flow from investment activities		**-1,050**	**14,578**
Cash flow from financing activities			
Dividend paid	***8***	-15,000	-10,000
Total cash flow from financing activities		**-15,000**	**-10,000**
Net cash flow		**320**	**16,429**

Changes in cash and cash equivalents

Cash and cash equivalents at the beginning of the period	*7*	88,259	71,830
Cash and cash equivalents at the end of the period	*7*	88,579	88,259
Changes in cash and cash equivalents		**320**	**16,429**

Notes to the consolidated financial statements for 2021

1 General notes

Information on PGGM Vermogensbeheer B.V.

PGGM Vermogensbeheer B.V. (hereinafter: PGGM Investments) was founded on 20 July 2007. PGGM Investments has its registered office and principal place of business at Noordweg Noord 150 in Zeist, the Netherlands. PGGM Investments is registered with the Chamber of Commerce under registration number 30228490.

In accordance with Article 2.1 of the articles of association, the statutory objectives of PGGM Investments are:

- To act as a manager of investment institutions in the widest sense of the word, in any case including portfolio management, risk management, administration, marketing of participations and share and activities related to the assets of investment institutions;
- To provide investment services including discretionary asset management, investment advice and the reception and transmission of orders in relation to financial instruments;
- (to ensure) the safe-keeping and administration in relation to participations or investment institutions;
- To offer and have offered financial instruments to employees who are employed in the care and welfare sector and to their partners, as well as to former employees who in that capacity have been employed in the aforementioned sector and to their partners, as well as to members of the cooperative: PGGM Coöperatie U.A.; and
- To participate in, to take an interest in any other way in, to conduct the management of other business enterprises of whatever nature, and to finance third parties, to grand security in any way, and to bind itself for liabilities of third parties, and finally all activities which are incidental to or which may be conducive to any of the foregoing.
- Furthermore, in accordance with article 2.2 of the articles of association, the objective of the company also includes to manage and finance its subsidiaries, group companies and associated companies, and to provide security and guarantees for its own debts and for the debts of its subsidiaries, group companies, and associated companies.

AIFM licence

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

Pursuant to Section 2:67a(2) of the Wft, PGGM Investments is also permitted to carry out the following activities or to provide the following services:

- Manage individual capital;
- Advise on financial instruments in the context of practising a profession or conducting a business;
- Receive and transfer orders from clients relating to financial instruments in the practice of a profession or operation of a business.

Coronavirus pandemic

After the coronavirus outbreak in 2020, there was already an immediate major impact on the assets of our clients and the coverage of the pension funds was put under pressure. PGGM is doing everything possible to support them with this and to assure the continuity of PGGM and our service provision. PGGM also complied with the government's call to facilitate work from home wherever possible and the necessary IT and other support was quickly arranged. A Crisis Management Team (CMT) was formed at PGGM at the beginning of the crisis to guarantee PGGM's continuity. PGGM took proactive measures to manage the increased risks caused by COVID-19, including risks relating to privacy, third parties, credit and business continuity.

Financial/service provision

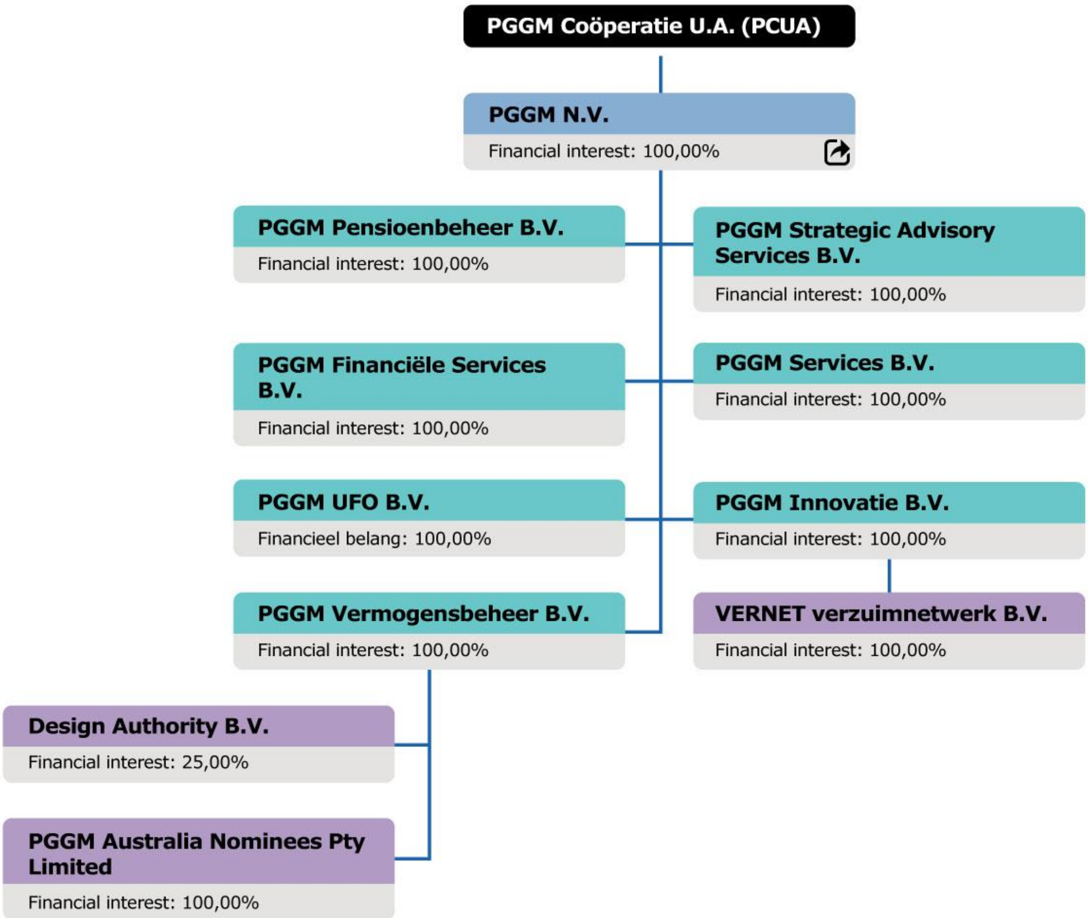
COVID-19 had a minor impact on the operating results of PGGM Investments in 2021. This is also the conclusion reached by PGGM's CMT. Our revenue consists primarily of fixed fees and our clients are sufficiently solvent and liquid, hence the risk of non-payment is extremely limited.

Operational

In response to the COVID-19 crisis, PGGM upgraded its login facilities significantly so that all employees could carry on working from home. This meant that operational activities for our clients could continue as normal. Systems and servers have proved stable to date. There were no incidents in this regard. This is monitored daily by the CMT (as part of the business continuity plan at PGGM). Adequate action is taken to the extent required.

Group structure

All shares in PGGM Investments are held by PGGM N.V. In turn, all shares in PGGM N.V. are held by PGGM Coöperatie U.A. The following figure shows the legal structure of PGGM Coöperatie U.A., PGGM N.V., its subsidiaries and other participating interests ('the PGGM group') as at 31 December 2021.



PGGM Australia Nominees Pty Limited

PGGM Investments acquired the shares in PGGM Australia Nominees Pty Limited (PAN) on 13 May 2009. PAN is a 100% subsidiary of PGGM Investments. On this basis, the assets and liabilities as well as the result is fully included in PGGM Investments' consolidated annual report.

Design Authority B.V.

PGGM Investments held a 50% interest in Design Authority B.V. from 2 June 2020. Subsequent to that date, two other parties participated in Design Authority B.V., as a consequence of which PGGM Investments holds a 25% interest as of 31 December 2021. The assets and liabilities of this participating interest is not consolidated in the financial statements since there is no control.

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

General

The consolidated financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Reporting Period

These annual accounts relate to the 2021 financial year, which ended on the balance sheet date on December 31, 2021.

Reporting language

The annual report of PGGM Investments has been drawn up in English with effect from the 2021 financial year. This is based on a management decision taken by the shareholders of PGGM Investments on November 18, 2021.

Applied standards

The consolidated financial statements have been prepared in accordance with the legal provisions of Part 9 of Book 2 of the Dutch Civil Code and the Guidelines for Annual Reporting, issued by the Council for the annual reporting. References are included in the balance sheet, profit and loss account and cash flow statement. These references refer to the explanation.

With effect from the 2022 reporting year, a transition will be made in the turnover recognition in the profit and loss account on the basis of amended articles in RJ 270 guideline as expressed in RJ-Uiting 2020-15.

Recognition of an asset or liability

Assets and liabilities in general are stated at the acquisition price or production cost, or their current value. If no specific valuation principle is stated, valuation is on the basis of the acquisition price. References are included in the balance sheet, income statement and cash flow statement. These references refer to these explanatory notes.

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

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

When a transaction causes almost all or all future economic benefits and almost all or all risks related to an asset or liability to be transferred to a third party, then the asset or the liability is no longer recognised on the balance sheet. In addition, assets or liabilities are no longer recognised on the balance sheet from the time that the conditions of probable future economic benefits and reliability of establishing the value are no longer met.

Recognition of income and expenses

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

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

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

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

Comparison to previous year

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

Fair value

The fair value of a financial instrument is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties who are independent of each other.

Foreign currency

The financial statements are presented in euros, PGGM Investments' functional currency. All financial information in euros has been rounded off to the nearest thousand. Assets and liabilities denominated in foreign currencies are converted into euros at the exchange rate prevailing on the balance sheet date. This valuation forms part of the fair value valuation. Income and expenses relating to transactions in foreign currencies during the reporting period are converted at the exchange rate prevailing on the transaction date. All foreign currency translation differences are recognised in the statement of income and expenses.

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

Use of estimates

The preparation of the annual financial statements requires the Management Board to make judgements, estimates and assumptions that 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. No significant estimates applied at PGGM Investments in 2021.

Basis of consolidation

The consolidated financial statements comprise the financial data of PGGM Investments, its group companies and other legal entities in which it can exercise control or over which it has central management. Group companies are participating interests in which PGGM Investments has a controlling interest, or in which it has the authority to govern otherwise their financial and operating policies. The assessment of whether it has the authority to govern otherwise their financial and operating policies involves financial instruments which potentially carry voting rights and can be exercised directly. Participating interests acquired for the sole purpose of disposal within the foreseeable future are not consolidated.

Newly acquired participating interests are consolidated from the date on which control can be exercised. Divested participating interests are consolidated until the date control ceases.

In the consolidated annual financial statements, mutual liabilities, receivables and transactions are eliminated, as are any profits made within the group. The group companies are consolidated. The following company is included in the consolidation:

Name Place of business capital	**Share in issued**	
PGGM Australia Nominees Pty Limited	Sydney, Australia	100%

Acquisition and disposal of group companies

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

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

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

Intangible fixed assets

Software

Software is stated at the acquisition price or at the production cost net of cumulative depreciation and any impairments. These assets are subject to straight-line depreciation over their estimated economic life, taking account of any contractual term. The residual value is zero.

Property, plant and equipment

Other operating assets

The other operating assets comprise computer hardware. Computer hardware is stated at the acquisition price net of cumulative depreciation and any impairments. These assets are subject to straight-line depreciation over their estimated five-year economic life. The residual value is zero.

Financial fixed assets

Participating interests in which significant influence is exercised

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

PGGM Investments' accounting principles are used to determine the net asset value. Results on transactions involving a transfer of assets and liabilities between PGGM Investments and its participating interests and between participating interests themselves are eliminated to the extent these are deemed to be unrealised.

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

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

Third party minority interest

The third party minority interest is shown in the share of third parties in the net asset value determined in accordance with the valuation principles of PGGM Investments.

Participating interests in which there is no significant influence

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

Impairments of fixed assets

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

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

Reversal of an impairment recognised previously takes place only in the event of a change in the estimates used to determine the realisable value since the latest impairment loss shown. In that case, the carrying amount of the asset is raised to the estimated realisable value, but no higher than the carrying amount that would have been determined (after depreciation) if no impairment loss had been recognised for the asset in earlier years.

Receivables, prepayments and accrued income

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

Cash and cash equivalents

Cash and cash equivalents are stated at face value.

Equity

Equity is defined as the balance between the assets and liabilities. Equity is therefore a residual item for which no specific valuation rules apply, but whose carrying amount is indirectly determined by the appreciation of all others balance sheet items.

PGGM Investments holds paid and called-up capital, reserves and undistrubuted profit. The undistributed profit is added to the reserves at the annual shareholders meeting. The shareholders can also decide to make a dividend payment.

Other liabilities, accruals and deferred income

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

Revenue

These are fees received from third parties for the fund and asset management services that have been provided. The revenues follow from the provision of services and are based on the services rendered up to the balance date in propportion to the total services provided less discounts and levied taxes.

Operational expenses

All expenses are accounted for in the year to which they relate. The operational expenses consists of costs of outsouced work and other external expenses, employee costs, depreciation/amortisation of assets and other operating expenses.

Financial expenses

PGGM Investments recognises interest income and expenses relating to its own cash and cash equivalents as a result of the interest set-off system at PGGM N.V. The interest income and expenses are assessed in the financial statements per individual credit institution and the net position is ultimately presented as interest income or expense. Interest income and interest expense is recognised on a time-proportionate basis, taking into account the effective interest rate of the particular assets and liabilities. No interest is settled for the current account relationship between PGGM Coöperatie U.A., PGGM N.V. and its subsidiaries.

Taxes

Corporation tax

Within the PGGM Group, corporation tax on the taxable result is calculated for each legal entity. Ultimately, PGGM Coöperatie U.A. settles with the Dutch tax authorities. Any deferred tax assets relating to forward loss compensation is accounted for in the fiscal unity at PGGM Coöperatie U.A. and is settled via the current account with the legal entity to which it relates.

VAT

In addition, together with its subsidiaries, PGGM Investments forms part of a fiscal unity for VAT purposes, as a result of which it is jointly and severally liable for any VAT liabilities of all entities belonging to the fiscal unity. The fiscal unity for value added tax purposes is entitled to advance deduction of VAT. The effectuated right to advance deduction is recognised within PGGM Investments.

Cash flow statement

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

3 Intangible fixed assets

	Software
Balance as at 1 January 2021	
Acquisition price or manufacturing cost	13,509
Accumulated amortisation and impairments	-12,657
Carrying amount as at 1 January 2021	**852**
Movements	
Investments	638
Amortisation	-481
Balance	**157**
Balance as at 31 December 2021	
Acquisition price or manufacturing cost	14,147
Accumulated amortisation and impairments	-13,138
Carrying amount as at 31 December 2021	**1,009**
Amortisation period	**5 years**

The investments concern licences of the back office system for the investment administration.

4 Property, plant and equipment

	Other operating assets
Balance as at 1 January 2021	
Acquisition price or manufacturing cost	49
Accumulated depreciation and impairments	-34
Carrying amount as at 1 January 2021	**15**
Movements	
Investments	11
Depreciation	-7
Balance	**4**
Balance as at 31 December 2021	
Acquisition price or manufacturing cost	60
Accumulated depreciation and impairments	-41
Carrying amount as at 31 December 2021	**19**
Depreciation period	**5 to 7 years**

5 Financial fixed assets

	Design Authority B.V.
Balance as at 1 January 2021	**150**
Movements	
Investments	400
Disposals	0
Result participating interests	84
Balance as at 31 December 2021	**634**

On 2 June 2020, PGGM Investments acquired a 50% interest in Design Authority B.V. Subsequent to that date, two other parties participated in Design Authority B.V., as a consequence of which PGGM Investments has a shareholding of 25%. Our interest in Design Authority B.V. yielded a result of € 0.1mln over the year 2021.

6 Receivables

	31 December 2021	*31 December 2020*
Accounts receivable	12,842	10,967
Receivables from group companies	1,012	6,994
Receivable from PGGM investment funds	2,263	3,363
Amounts to be invoiced	3,000	4,178
Prepayments and accrued income	3,796	3,253
Total	**22,913**	**28,755**

The receivables are of a short-term nature.

Accounts receivable

At year-end 2021, the receivables for open fund and asset management fees amounted to € 12.8mln (year-end 2020: € 11.0mln).

Receivables from group companies (amounts in thousands of euros)

The receivables from group companies concern:

PGGM Pensioenbeheer B.V.	1,012	1,609
PGGM UFO B.V.	0	5,385
Total	**1,012**	**6,994**

No interest is charged on the balance of the current account relationships with group companies. The receivable from PGGM Pensioenbeheer B.V. as at 31 December 2021 concerns a settlement of the costs falling within activities of PGGM Pensioenbeheer B.V. and the fee charged on for the advisory services towards PGGM Pensioenbeheer B.V.

The receivable from PGGM UFO B.V. in 2020 concerned the charging on of the fee for asset management services to institutional clients, which PGGM UFO B.V. charges these clients. In order to keep the net receivables from group companies as low as possible, the current account is settled monthly during the last week of the month (including an estimate of remaining entries based on previous periods). This settlement did not take place for PGGM UFO B.V. in 2020 and this resulted in the account balance amount of € 5.4mln. The balance consisted mainly of a receivable from PGGM UFO B.V. in connection with 2021 advance invoices for non-PFZW clients. In 2021 the settlement did take place leading to a account balance amount of € 0.0mln.

Receivables from PGGM investment funds

Of the receivables from PGGM funds at year end of 2021 an amount of € 1.7mln (2020: € 2.8mln) related to the Deferred Performance Interest (DPI) scheme and consisted of a receivable from the relevant Private Equity funds. An amount of € 1.1 million (2020: € 1.7 million) of this has a term of more than 1 year.

Prepayments and accrued income

The other prepayments and accrued income relate to prepaid expenses and have a remaining term of less than one year.

7 Cash and cash equivalents

Cash relates to credit balances which are held in Dutch credit institutions. All amounts are collectable on demand. The company's own cash and cash equivalents form part of the balance and interest set-off system within PGGM. As a result of participation in the interest set-off system, the company is jointly and severally liable for all obligations arising from this. PGGM Investments is the asset manager for external clients and for the PGGM investment funds. The cash management activities are set up locally and derivatives transactions are executed decentrally.

8 Equity

The movement in the group equity and insight into the overall result (group result and direct movements) is as follows:

	2021	***2020***
Balance as at 1 January	97,960	77,580
Group result after taxes	19,854	30,380
Total result of the legal entity	**19,854**	**30,380**
Dividend payment	-15,000	-10,000
Total direct changes in the equity on account of relations with shareholders	**-15,000**	**-10,000**
Balance as at 31 December	**102,814**	**97,960**

The capital of PGGM Investments amounts to € 500,000 (2020: € 500,000), consisting of 500 shares, each with a nominal value of € 1,000. Of these, 100 shares have been issued and are paid up.

9 Current liabilities

	31 December 2021	31 December 2020
Amounts invoiced in advance	1,298	5,014
Creditors	430	112
Amounts owed to group companies	6,632	5,962
Accruals and deferred income	1,980	8,983
Total	**10,340**	**20,071**

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

Amounts invoiced in advance

The prepayments from institutional clients mainly pertain to advance invoices for 2022. The amounts invoiced in advance has declined in 2021 (€ 1.3mln) in comparison with 2020 (€ 5.0mln). This is due to the transition from annual invoicing to quarterly invoicing.

Creditors

The amount shown in creditors consists of outstanding invoices from regular creditors.

Amounts owed to group companies

The amounts owed to group companies concern:

PGGM N.V.	4,205	3,220
PGGM Coöperatie U.A.	2,135	1,441
PGGM Strategic Advisory Services B.V.	278	1,301
PGGM UFO B.V.	14	0
Total	**6,632**	**5,962**

The amount owing to PGGM N.V. as at 31 December 2021 concerns costs charged on for supporting services, accommodation, telephony and ICT costs and the credit invoices paid on behalf of PGGM Investments by PGGM N.V. An amount of € 3.5mln (2020: € 2.8mln) relates to charged-on expenses. Of this, an amount of € 3.0mln relates to the increase in the charged-on depreciation/amortisation costs due to the depreciation in the appraised value of the property. The remaining amount of € 0.7mln relates mainly to liabilities that have been formed due to reorganizations within PGGM Investments of which the Topstructure Program amounts up to € 0.2mln. The most important estimates in the calculation concern the number of jobs that will disappear, the average lump sum payment according to the social plan and expected additional costs such as legal assistance and outplacement costs. The actual costs for the reorganization provision are held by PGGM N.V. and charged on to PGGM Investments through intercompany debts.

The amount owing to PGGM Coöperatie U.A. as at 31 December 2021 comprises the share of the corporation tax for 2021 still to be settled.

The amount owing to PGGM Strategic Advisory Services B.V. as at 31 December 2021 concerns a settlement of the costs falling within activities of PGGM Strategic Advisory Services B.V.

Accruals and deferred income

The accruals and deferred income are mainly invoices still to be received. In 2021 an amount of approximately € 0.1mln was intended for the PGGM funds (2020: € 7.0mln).

10 Off-balance sheet assets and liabilities

Liability of a fiscal unity

Together with its shareholder, PGGM N.V. and its sole shareholder PGGM Coöperatie U.A. and the other subsidiaries of PGGM N.V., PGGM Investments forms a fiscal unity for corporation tax purposes and, for that reason, is jointly and severally liable for all the ensuing liabilities.

PGGM Investments also forms part of a fiscal unity of the PGGM group for VAT purposes, as a result of which it is jointly and severally liable for any VAT liabilities of all entities belonging to the fiscal unity.

Balance and interest set-off system

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

Contract liabilities

The total liabilities towards datavendors amounted to € 35.9mln as at 31 December 2021 (2020: € 22.4mln). The liability runs until 2026. An amount of € 24.0mln is payable within one year.

11 Management fees

	2021	*2020*
Management fee institutional	74,539	53,898
Management fee PGGM Funds	98,843	95,907
Total	**173,382**	**149,805**

PGGM Investments performs asset management activities for institutional clients (Dutch pension funds) via discretionary mandates and the PGGM funds. A gross management fee is charged for this at the fund and mandate level, with settlement of the total fee from clients taking place after the event, resulting in the net management fees shown above.

12 Costs of outsourced work and other external expenses

	2021	*2020*
External personnel	11,851	12,373
Advisory costs	631	493
Charged-on expenses	8,155	7,326
Total	**20,637**	**20,192**

External personnel are personnel hired externally directly by PGGM Investments. The advisory costs relate to investment advice, fiscal/legal advice and other services. The costs of outsourced work consist of direct costs and so called 'charged-on expenses'. The charged-on expenses are costs made by PGGM N.V. for company wide activities and allocated to all subsidiairies such as PGGM Investments. The expenses charged by PGGM N.V. for the 2021 financial year amounted to € 8.0mln in costs for external personnel (2020: € 7.1mln) and €0.2mln in advisory costs (2020: € 0.1mln). The increase in the charged-on expenses of work outsourced (€ 0.9mln) is mainly caused by an higher allocated usage of staff services towards PGGM Investments based on an increase in the number of working employees.

13 Employee expenses

PGGM Investments does not have its own employees. The employee expenses for the employees working for PGGM Investments are charged directly to PGGM Investments by PGGM N.V. and amounted to € 77.3mln in 2021 (2020: € 68.4mln). In addition, a sum of € 14.9mln (2020: € 12.4mln) of the employee expenses relates to costs of the supporting services charged on by PGGM N.V. A sum of € 3.3mln (2020: € 3.7mln) is charged on by PGGM Investments to PGGM Strategic Advisory Services B.V. for the advisory services provided.

This leads to a combined sum of employee expenses in the financial year 2021 of € 88.9mln (2020: € 77.1mln). The increase in employee expenses is mainly caused by an increase in the amount of personnel working for PGGM Investments (2021: 476 FTEs | 2020: 443 FTEs) and Collective Labour Agreement developments (a pay rise of 2% which took place on 1 July 2021).

Remuneration of Management Board and Supervisory Board

PGGM Investments has no Board members who receive remuneration on the grounds of a directorship pursuant to the Articles of Association. The remuneration for the Management Board is included in the costs charged on from PGGM N.V.

The remuneration for Roderick Munsters of the Supervisory Board amounts to €26,402 (2020: €25,822). The remuneration for the other members of the Supervisory Board is included in the costs charged on from PGGM N.V.

No loans, advances or guarantees were provided to the Management Board and the Supervisory Board members. Furthermore, Roderick Munsters has indicated that he will step down as a member of the Supervisory Board effective from 1 January 2022. Daniëlle Melis has been appointed to the Supervisory Board, replacing Roderick Munsters, from 1 April 2022. The Supervisory Board consists hereonafter of 3 members.

14 Depreciation / amortisation of tangible / intangible fixed assets

	2022	***2020***
Amortisation of intangible fixed assets	482	440
Depreciation of property, plant and equipment	7	5
Charged-on depreciation/amortisation costs	5,111	2,399
Total	**5,600**	**2,844**

The increase in the charged-on depreciation/amortisation costs is due to the depreciation in the appraised value of the property.

15 Other operating expenses

	2021	***2020***
Accommodation expenses	49	12
IT costs	17,866	16,716
Marketing costs	3	42
Other expenses	4,353	1,225
Charged-on expenses	9,574	8,568
Total	**31,845**	**26,563**

The other operating expenses consist of direct and charged-on expenses. The increase in the other operating expenses is mainly caused by research costs made for the monitoring of developments of asset classes.

16 Taxes

The taxes shown in the income statement consist of the following:

	2021	*2020*
Tax expense	6,562	5,747
Total	**6,562**	**5,747**

Nominal tax rate	25.00%	25.00%
Effective tax rate	25.00%	25.00%

Corporation tax is calculated on the fiscal result. Ultimately, PGGM Coöperatie U.A. settles with the Dutch tax authorities. Any corporation tax liabilities and/or deferred tax assets due to forward loss compensation are accounted for in the fiscal unity at PGGM Coöperatie U.A. and are settled via the current account with the entity to which they relate.

The nominal tax rate of 25% is calculated by dividing the current taxes and changes in deferred taxes by the result before taxes. The effective tax rate is equal to the nominal tax burden.

17 Transactions with related parties

Transactions with related parties 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.

18 Auditors’ fees

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

19 Post-balance sheet events

Ukraine crisis

The Russian invasion of Ukraine on February 24 2022 marked a serious escalation of the Ukraine crisis. While this will undoubtedly harm the global economy, the consequences will depend to a large extent on the sanctions imposed in response to the conflict. The heavier the sanctions, the greater the economic impact. In addition to the risk of energy price increases, there is also the risk of energy shortages occurring. This can lead to lower GDP and higher expected inflation. The risk of the aforementioned movements on our business operations and on our financial position is limited. Nevertheless, we follow the developments with the highest urgency.

Coronavirus pandemic

Despite earlier success in slowing the spread of COVID-19, the number of infections worldwide recently increased dramatically with the Omikron variant as the most dominant infectious virus type. Although there is still uncertainty about how the virus will evolve, the outlook has become more positive in terms of relatively less infected people being admitted to the hospital despite a rising number of infected people.

In the Netherlands, social life is slowly flourishing and many other countries worldwide are also slowly coming back out of the lockdown situation. There remain both national and international policy efforts however to slow down the spread of the virus (such as a booster vaccination in the Netherlands). The current COVID-19 pandemic did aggravate uncertainty about the economy and may also do so in the year 2022. Despite this uncertainty, we remain cautiously optimistic that there will be no adverse effects for PGGM Investments' operations.

Beyond this, COVID-19 has no impact on the financial continuity of PGGM Investments, in view of the current Equity Policy of PGGM N.V. and its subsidiaries. PGGM N.V. is sufficiently solvent to guarantee the continuity of its subsidiaries, including PGGM Investments. There is consequently no liquidity risk for PGGM Investments.

Partly because of the growing number of infections, the advice to 'work from home unless this is impossible' has been extended in the first weeks of 2022 / until the beginning of March 2022. Working from home more often is expected to become the 'new normal', which means additional points for attention for, among other things, the issue of office accommodation.

20 Risk management

The Risk & Compliance department is responsible for coordinating the risk management process and draws up a monthly risk report for each business unit. This risk report presents the risk picture for each cluster of risks, compared with the risk appetite determined by the PGGM Investments Management Board. The substance of the risk report is discussed and adopted by the Unit Risk Committee of PGGM Investments. The risks and the accompanying risk appetite are divided into three risk clusters: Corporate, Service Provision and Reputation.

Main risks and uncertainties

The main risks and uncertainties, developments in 2021 and management of these risks in each cluster are briefly discussed below. An explanation is also provided for a few relevant financial risks, specifically: market risk and credit risk.

Corporate risk

In 2021 we started a program (Feniks) to prepare PGGM for the new pension system. In order to be able to realize the transition to the new pension system, all activities have been grouped into work flows. One of these workflows is the PGGM Investments workflow. The PGGM Investments workflow prepares all systems and processes in the pension management chain to operate the plans our clients choose.

Our largest client, PFZW, provided more clarity in 2021 about the choices to be made with regard to the new pension system by expressing its support for a working hypothesis focused on the solidary contribution scheme and the transfer of existing rights. The scenarios are also taking shape with other customers. On this basis, we are fine-tuning our strategy in coordination with PFZW. Risk Management is closely involved in the design and implementation of Feniks and supports program management in the design and implementation of its risk management.

In 2021 we successfully completed the preparations for a possible discount on the pension schemes. At the end of 2021, the chance of a discount has shrunk considerably due to an improvement in the funding ratio as a result of interest rate developments and the investment results achieved.

Developments in the investment world focusing on sustainability are actively monitored. PGGM Investments has traditionally been a thought leader in terms of sustainability. Meanwhile, PGGM Investments is accompanied in this by an increasing number of investment institutions with high sustainability requirements. In order to prepare PGGM Investments optimally for the requirements of SFDR, a project was started in 2021 and this will continue into 2022.

The organizational structure and management of PGGM must be in line with the requirements and wishes of the most important stakeholders such as customers, participants and supervisors. PGGM wants to allocate responsibilities within the organization as low as possible. This requires an organization with clear communication, consultation and decision-making structures. In addition, PGGM wants to increase customer focus and entrepreneurship in the management of the company. To this end, steps were taken in 2021 with the introduction of a new management model 'Control 2021' (abbreviation in Dutch: 'Besturing 2021'). This means that responsibilities and authorities are more explicitly assigned to the business units.

In addition, PGGM Investments decided to make a change in its top structure after a strategic evaluation (see paragraph 4.2 for more information). At the end of 2021, the Executive Committee of PGGM N.V. ratified the decision to implement the new Topstructure which will be implemented at the beginning of 2022. The implementation of the Top Structure program is accompanied with a reorganization. The liabilities due to the formation of a reorganization provision is estimated at € 0.2mln (see also note 9).

Human Resources risk

Being able to attract, develop and retain talent is of strategic importance to PGGM Investments. This calls for increased attention to HR risks, including the emerging risk of the 'war on talent'. The ongoing situation of working from home affects bonding and morale and requires constant management attention to the welfare of employees, specifically our younger employees. To recruit new talent, PGGM Investments seeks and uses alternative recruitment methods wherever possible. For instance, PGGM Investments has its own trainee and quant trainee program for which PGGM Investments managed to recruit talent in 2021.

Operational risk

Operating risks are run in the execution of orders for our clients. In order to mitigate these risks, we have designed our processes in a way that means we are verifiably 'in control'. PGGM issues Standard 3402 and 3000 multi-client reports on this, with regard to the asset management service provision. The Standard reports of PGGM Investments for 2021 contain no limitations. No incidents with a materially attributable impact occurred in 2021. The investment portfolios for which our clients have entrusted the management to PGGM were managed in a controlled manner during the past year, without any notable incidents.

PGGM Investments operates in a highly regulated sector. This requires continuous management attention and close monitoring of compliance with existing and new laws and regulations, which are constantly becoming stronger and more stringent. As a global market player, PGGM Investments carries out activities that are subject to licensing, as well as national and international (financial) market supervision. Market supervision is exercised by regulators such as the Netherlands Authority for the Financial Markets (AFM),. Since a large part of legislation and regulations are enacted at European level, PGGM Investments also needs to deal with policymakers and supervisors at European level, such as the European Securities Markets Authority (ESMA). In order to comply with legislation and regulations, a great deal of attention was paid in 2021 to the Markets in Financial Instruments Directive II (MiFID II), the Money Laundering and Terrorist Financing (Prevention) Act (abbreviation in Dutch: Wwft), the Sanctions Act 1977 (abbreviation in Dutch: Sw) and the Sustainable Finance Disclosure Regulation (SFDR). PGGM Investments aims to be well placed to demonstrate compliance with legislation and regulations from the perspective of market supervision.

With regard to security of information and (cyber) security, this continues to be a threat for companies/governants/civilians worldwide. The effectiveness of measures for ourselves and our stakeholders is a constant priority. On the basis of the PGGM Security Control Framework, we actively monitor the maturity and demonstrability of our security processes. In 2021, PGGM Investments implemented various measures to structurally strengthen security, such as various upgrades in hardware and software, performing penetration tests and keeping staff aware of cyber threats, such as phishing. Based on the PGGM Security control framework, we actively monitor the security level and the maturity and demonstrability of the security processes. With regard to cyber risk, we have a low risk appetite and this threat remains to be monitored constantly.

Reputation risk

PGGM Investments actively monitors the media exposure of PGGM Investments and its clients. Periodically, the reputational risks and opportunities are specifically discussed, as well as the measures to mitigate these risks and exploit opportunities. In order to manage reputation risk, PGGM Investments works closely with PFZW. This collaboration was further intensified in 2021. PGGM Investments also actively manages its stakeholders, constantly monitoring the client relationship and measuring client satisfaction.

Market risk

PGGM Investments' revenues are dependent on the agreements with the clients. In 2021, PFZW decided to organize the investments differently. The aim of this is to increase PFZW's agility and to enable PGGM Investments to respond more quickly to current developments, for example in the field of sustainable investments. Due to PFZW's decision to switch to a new investment structure, PGGM is unfortunately unable to continue to offer fund and asset management services to other clients on attractive terms through the joint PGGM funds. PGGM will make every effort to terminate and transfer these services in a proper and careful manner, in consultation with its customers. This is an impactful development for our customers, PGGM as an organization and the employees of PGGM.

Credit risk

The credit risk is defined as the risk that counterparties will be unable to fulfil their contractual obligations. This primarily concerns the receivable management fees contractually agreed with the clients. As PGGM Investments performs asset management activities for pension funds, the risk as a consequence of insolvency is low.

The maximum credit risk amounts to the book value of the financial fixed assets, receivables and the cash and cash equivalents. The book value of financial assets shown in the balance sheet is an approximation of their fair value. The cash position relates to credit balances which are held in Dutch credit institutions. All amounts are collectable on demand. The company's own cash and cash equivalents form part of the balance and interest set-off system within PGGM. As a result of participation in the interest set-off system, the company is jointly and severally liable for all obligations arising from this.

Liquidity risk

The cash balance of PGGM Investments was € 88.6mln as at 31 December 2021 (31 December 2020: € 88.3mln). In 2021, PGGM Investments'liquidity position was sufficient to cover all cash outflows from operating, investment and financing activities and there were no additional finances required. The liquidity risk is therefore perceived to be limited.

Capital requirement

For PGGM Investments, the threshold of the capital held is subject to requirements of the Internal Capital & Liquidity Adequacy Assessment Process (ICLAAP). To this end, PGGM Investments has drawn up a specific capital adequacy policy. The requirements set by DNB have been incorporated into this policy. It is important for the continuity of PGGM Investments that sufficient capital is held being able to deal with the possible financial consequences of the identified risks. The Finance & Control department monitored the adequacy of the capital held in 2021.

Company financial statements PGGM Vermogensbeheer B.V.

Company balance sheet as at 31 December 2021

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

	Ref	31 December 2021	31 December 2020
Assets			
Fixed assets			
Intangible fixed assets		1,009	852
Property, plant and equipment		19	15
Financial fixed assets	***22***	634	150
Total fixed assets		**1,662**	**1,017**
Current assets			
Receivables	***23***	**22,913**	28,756
Cash and cash equivalents		88.572	88,230
Total current assets		**111,485**	**116,986**
Total assets		**113,147**	**118,003**
Liabilities			
Equity	***24***		
Paid and called-up capital		100	100
Statutory reserve		5	5
Share premium reserve		34,400	34,400
Other reserves		48,455	33,075
Undistributed profit		19,854	30,380
Total equity		**102,814**	**97,960**
Current liabilities			
Current liabilities	***25***	10,333	20,043
Total current liabilities		**10,333**	**20,043**
Total liabilities		**113,147**	**118,003**

Company income statement for 2021

(amounts in thousands of euros)

	Ref	**2021**	**2020**
Result participating interests	***22***	84	13,140
Other result after taxes		19,770	17,240
Result after taxes		**19,854**	**30,380**

Notes to the company financial statements

21 General

The company financial statements have been prepared in accordance with the financial reporting requirements of Part 9, Book 2 of the Dutch Civil Code and distinct pronouncements from the financial reporting guidelines published by the Dutch Accounting Standards Board. The principles of valuations and to determine the result for the Company financial statements and the Consolidated financial statements are equal. Participating interests in group companies are valued based on the net asset value in accordance with the relevant paragraph of the Consolidated financial statements. For the principles of the valuation of assets and liabilities and to determine the result, please refer to the explanation included in note 1 and note 2 on the consolidated balance sheet and the income statement.

22 Financial fixed assets

	Participating interests
Balance as at 1 January 2021	**150**
Movements	
Investments	400
Disposals	0
Result participating interests	84
Balance as at 31 December 2021	**634**

At the end of the financial year, the participating interest concerns an interest of 25% in Design Authority which was acquired in 2020.

The participating interests concern the following companies:

Name Place of business capital	Share in issued	
PGGM Australia Nominees Pty Limited	Sydney, Australia	100%
Design Authority B.V.	Amsterdam, The Netherlands	25%

23 Receivables

	31 December 2021	31 December 2020
Accounts receivable	12,843	10,967
Receivables from group companies	1,012	6,994
Receivable from PGGM investment funds	2,263	3,363
Amounts to be invoiced	3,000	4,178
Prepayments and accrued income	3,796	3,254
Total	**22,913**	**28,756**

The receivables are of a short-term nature.

Receivables from group companies
The receivables from group companies concern:

	31 December 2021	31 December 2020
PGGM Pensioenbeheer B.V.	1,012	1.609
PGGM UFO B.V.	0	5.385
Total	**1,012**	**6,994**

No interest is charged on the balance of the current account relationships with group companies. The receivable from PGGM Pensioenbeheer B.V. as at 31 December 2021 concerns a settlement of the costs falling within activities of PGGM Pensioenbeheer B.V. and the fee charged on for the advisory services of PGGM Pensioenbeheer B.V.

The receivable from PGGM UFO B.V. in 2020 concerned the charging on of the fee for asset management services to institutional clients, which PGGM UFO B.V. charges these clients. In order to keep the net receivables from group companies as low as possible, the current account is settled monthly during the last week of the month (including an estimate of remaining entries based on previous periods). This settlement did not take place for PGGM UFO B.V. in 2020 and this resulted in the account balance amount of € 5.4mln. The balance consisted mainly of a receivable from PGGM UFO B.V. in connection with 2021 advance invoices for non-PFZW clients. In 2021 the settlement did take place leading to a account balance amount of € 0.0mln.

Receivables from PGGM investment funds

Of the receivables from PGGM funds at year end of 2021 an amount of € 1.7mln (2020: € 2.8mln) related to the Deferred Performance Interest (DPI) scheme and consisted of a receivable from the relevant Private Equity funds. An amount of € 1.1 million (2020: € 1.7 million) of this has a term of more than 1 year.

Prepayments and accrued income

The other prepayments and accrued income relate to prepaid expenses and have a remaining term of less than one year.

24 Equity

	Paid and called-up capital	Statutory reserve	Share premium reserve	Other reserves	Undistributed profit	Total
Balance as at 1 January 2020	**100**	**5**	**34,400**	**22,477**	**20,598**	**77,580**
Appropriation of profit for 2019	0	0	0	20,598	-20,598	0
Dividend paid	0	0	0	-10,000	0	-10,000
Result for 2020	0	0	0	0	30,380	30,380
Balance as at 31 December 2020	**100**	**5**	**34,400**	**33,075**	**30,380**	**97,960**
Appropriation of profit for 2020	0	0	0	30,380	-30,380	0
Dividend paid	0	0	0	-15,000	0	-15,000
Result for 2021	0	0	0	0	19,854	19,854
Balance as at 31 December 2021	**100**	**5**	**34.400**	**48,455**	**19,854**	**102,814**

The capital of PGGM Investments amounts to € 500,000 (2020: € 500,000), consisting of 500 shares, each with a nominal value of € 1,000. Of these, 100 shares have been issued and are paid up.

PGGM Investments determined the capital requirement for the prudential capital at year-end 2021 at € 70.2mln (2020: € 64.1mln). Consequently, the regulatory capital as at 31 December 2021 complies with the DNB's prudential capital requirements.

Undistributed profit
The total result after taxes in 2021 amounts to €19.8mln (2020: €30.4mln).

Proposal for profit appropriation
It is proposed to the General Meeting of Shareholders that the result after taxes for 2021 will be added to the other reserves.

25 Current liabilities

	31 December 2021	31 December 2020
Creditors	430	112
Amounts owed to group companies	6,632	5,962
Prepaid amounts institutional clients	1,298	5,014
Accruals and deferred income	1,973	8,955
Total	**10,333**	**20,043**

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

Amounts owed to group companies

The amounts owed to group companies concern:

	31 December 2021	31 December 2020
PGGM N.V.	4,205	3,220
PGGM Coöperatie U.A.	2,135	1,441
PGGM Strategic Advisory Services BV	278	1,301
PGGM UFO B.V.	14	0
Total	**6,632**	**5,962**

The amount owing to PGGM N.V. as at 31 December 2021 concerns costs charged on for supporting services, accommodation, telephony and ICT costs and the credit invoices paid on behalf of PGGM Investments by PGGM N.V. An amount of € 3.5mln (2020: € 2.8mln) relates to charged-on expenses. Of this, an amount of € 3.0mln relates to the increase in the charged-on depreciation/amortisation costs due to the depreciation in the appraised value of the property. The remaining amount of € 0.7mln relates mainly to liabilities that have been formed due to reorganizations within PGGM Investments of which the Topstructure Program amounts up to € 0.2mln. The most important estimates in the calculation concern the number of jobs that will disappear, the average lump sum payment according to the social plan and expected additional costs such as legal assistance and outplacement costs. The actual costs for the reorganization provision are held by PGGM N.V. and charged on to PGGM Investments through intercompany debts.

The amount owing to PGGM Coöperatie U.A. as at 31 December 2021 comprises the share of the corporation tax for 2021 still to be settled.

The amount owing to PGGM Strategic Advisory Services B.V. as at 31 December 2021 concerns a settlement of the costs falling within activities of PGGM Strategic Advisory Services B.V.

Accruals and deferred income

The accruals and deferred income are further explained in the notes to the balance sheet in the consolidated financial statements.

26 Transactions with related parties

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

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

27 Post-balance sheet date events

For the disclosure on post-balance sheet date events, see note 19 'Post-balance sheet date events' in the consolidated financial statements.

Zeist, 29 March 2022
The Management Board,

Geraldine Leegwater

Arjen Pasma

Frank Roeters van Lennep

Other information

Independent auditor's report

Independent auditor's report

To: the general meeting and the supervisory board of PGGM Vermogensbeheer B.V.

Report on the financial statements 2021

Our opinion

In our opinion, the financial statements of PGGM Vermogensbeheer B.V. ('the Company') give a true and fair view of the financial position of the Company and the Group (the company together with its subsidiaries) as at 31 December 2021, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2021 of PGGM Vermogensbeheer B.V., Zeist. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2021;
- the consolidated and company income statement for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

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

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

Independence

We are independent of PGGM Vermogensbeheer B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

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

- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2of the Dutch Civil Code.

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

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

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors and the supervisory board for the financial statements

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 29 March 2022
PricewaterhouseCoopers Accountants N.V.

J. IJspeert RA

Appendix to our auditor's report on the financial statements 2021 of PGGM Vermogensbeheer B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

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

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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

Provisions of the Articles of Association governing appropriation of the result

Profit appropriation takes place in accordance with Article 30 of the Articles of Association:

30.1 The General Meeting is authorised to appropriate the profit determined by the adoption of the financial statements and to determine the distribution of profits or the reserves, in as far as the equity exceeds the statutory reserves.

30.2 Distribution decisions are subject to the approval of the Management Board. The Management Board will refuse approval only if they know or could reasonably be expected to foresee that the company would not be able to continue payment of its due debts after the distribution.

30.3 When calculating each distribution, the shares which the company holds in its own share capital are not included.

30.4 A deficit may only be charged to the statutory reserves to the extent that this is permitted by law.

General

Address details

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www.pggm.nl
Commercial Register registration number 30228490

Management Board

Geraldine Leegwater
Arjen Pasma
Frank Roeters van Lennep

Supervisory Board

Edwin Velzel, chair
Willem Jan Brinkman
Roderick Munsters

Auditors

PricewaterhouseCoopers Accountants N.V.
PO Box 90357
1006 BJ Amsterdam

Thomas R. Malthusstraat 5, 1066 JR Amsterdam
Telephone +31 (0)88 - 792 00 20

Information

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

Appendices

Appendix 1 Retirement schedule

Retirement schedule for executive and supervisory positions.

Name	Date of appointment	End of term of appointment
Edwin Velzel	3 May 2018	3 May 2022
Roderick Munsters	15 May 2018	1 January 2022
Willem Jan Brinkman	27 January 2020	27 January 2024

Appendix 2 Ancillary positions held by members of the Supervisory Board

Ancillary positions held by Edwin Velzel (Chairman)
Date of Birth 29 January 1963
Nationality Dutch
Primary position Chief Executive Officer (CEO) PGGM N.V.

Management and supervisory positions:

Executive Board Chairman	PGGM N.V.
Member of Supervisory Board	PGGM Vermogensbeheer B.V.
Member of Supervisory Board	Klaverblad Verzekeringen
Member of Supervisory Council	Gelre hospitals (as of 1 September 2019)
Chairman	Expertteam Covid-zorg (as of December 2021)

Ancillary positions Willem Jan Brinkman (deputy chair)
Date of Birth 10 January 1973
Nationality Dutch
Main position Chief Financial & Risk Officer (CFRO) PGGM N.V.

Management and supervisory positions:

Member of Executive Board	PGGM N.V.
Member of Supervisory Board	PGGM Vermogensbeheer B.V. (started on 27 January 2020)
Member of investment advisory committee	FNV investment advisory committee

Ancillary positions R.M.S.M. Munsters
Date of birth 19 July 1963
Nationality Dutch and Canadian
Primary position R2MB Consultancy B.V.

Management and supervisory positions:

Chairman of the Supervisory Board	Athora Netherland (started October 2021)
Member of Supervisory Board	PGGM Vermogensbeheer B.V. (ended December 2021)
Member of Supervisory Board	Unibail-Rodamco-Westfield SE
Owner and director	R2MB Consultancy B.V.
Member of Monitoring Committee	Dutch Corporate Governance Code
Member of Financial Investments Strategy Committee	Capital Guidance
Member of Supervisory Council	Nationaal Fonds Kunstbezit (ended November 2021)
Member of Supervisory Board	Moody’s Investors Service-EU
Member of the Board	Stichting Administratiekantoor de Raekt
Board Member	BNY Mellon Bank SA/N.V.
Member of the board	Continuïteit ICT Group N.V. (ended December 2021)
Senior Advisor	Rothschild & Co. (ended December 2021)