



PGGM N.V. Annual Report

2017

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



Voor een waardevolle toekomst

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Foreword

As PGGM's new CEO, I am proud of the way in which our employees help people to realise a valuable future. I became acquainted with the company in 2017. I found a dynamic organisation well-prepared to respond to new developments in the markets in which we operate.

The ambitions are high, as are the challenges: PGGM wants to be ready for the upcoming renewal of the Dutch pension system, which may include a step towards more personal pension products. This requires a flexible and cost-efficient organisation, for which the foundation was laid down in a three-year programme that was successfully completed in 2017. In 2017, PGGM's business operations were also under pressure. In particular, by Pensioenbeheer, the combination of client needs and IT projects ensures that PGGM will be challenged to continue to improve its services.

PGGM also aims to be and continue to be the responsible pension investor of choice in the Netherlands and to support our clients in the steps they take towards establishing a responsible investment policy. It is excellent that our client Pensioenfonds Zorg en Welzijn (PFZW) was pronounced as the pension fund with the highest degree of sustainability by the Association of Investors for Sustainable Development for the eleventh time in a row. We will continue to develop initiatives that will enable all of our clients to make their assets more sustainable.

With our cooperative background, it is our mission to offer more than good pension products: PGGM is a socially-oriented company with a social agenda and an exceptional members' organisation. In 2017 we put various initiatives on the agenda, including 'Retiring with Vitality', because we observe that as the AOW state pension age gradually increases, a growing number of older employees are experiencing difficulty reaching retirement age in good health. Our members' organisation PGGM&CO is implementing initiatives to support employees in the health and social sector in this respect.

Thanks to the efforts of PGGM's employees we once again achieved a great deal in 2017. I would like to mention a few of the results we achieved this last year. PGGM invested heavily in IT in 2017. We implemented a second pension management system for new clients, which will be used by Stichting Algemeen Pensioenfonds Volo Pensioen (Volo Pensioen) and Stichting Pensioenfonds Personeelsdiensten (StiPP). PGGM's data centre was moved to an external site without any problems at the end of the year.

In relation to the development of software for Pensioenbeheer we have migrated from several large, centralised releases to more than one hundred small releases per year. We also invested a great deal in further improving our cyber security.

Several attractive asset management deals were completed. Private Real Estate created a platform for developing an office strategy in Berlin. The infrastructure transaction, in which we invested in a solar energy portfolio of SolarCity, also received a great deal of attention.

The sustainability of the portfolio of our client PFZW is increasingly taking shape: we made considerable progress in cutting the CO₂ footprint by half and in realising a portfolio with investments in solutions amounting to 20 billion euros by 2020.

In cooperation with other organisations, PGGM worked in 2017 on providing better supporting information for such impact investments. We developed a standard for impact indicators, making the results of such investments easier to compare. We also initiated promising projects with individual companies to improve the impact measurability.

We shared many of the above-referenced activities with a larger public on our website in a series of blogs posted by our experts. We will certainly continue to do this in 2018. Looking ahead to 2018, much focus will go on the implementation of the new strategy that we are in the process of establishing at the time of writing this report.

I would like to thank Else Bos for her efforts on behalf of PGGM as CEO over the last five years. Else has contributed a great deal to the development of PGGM. I am looking forward to writing PGGM's next chapter together with our employees.

Edwin Velzel
Chief Executive Officer PGGM N.V.

Should you have any questions or comments about this Annual Report, we would like to hear from you. You can contact us at www.pggm.nl/jaarverslag.

About PGGM

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

Providing pension fund services is our core business. Together with our subsidiaries we offer our clients excellent board advisory services, reliable and effective pension management services, and financially and socially responsible asset management services. In an ever more complex landscape characterised by increasing demands arising from the applicable laws and regulations, the expertise of a professional and reliable pension fund service provider helps achieve optimal implementation. We provide appropriate services and economies of scale, always tailored to the specific pension fund's own policy.

Board advisory services

We advise pension funds and Stichting Rabo PGGM Premiepensioeninstelling (PPI) on their pension scheme and the financing thereof. We do this by providing legal, tax and actuarial advice and recommendations about asset liability management (ALM), risk management, financing policy and current themes. We devote a great deal of attention to the practicability and understandability of the advice and to the pension and financing policy to be developed on this basis. We have the knowledge and competencies required to advise clients across the board.

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

Pension management

We help pension funds in implementing their pension scheme and in communicating with their participants. Our clients can count on us for reliable service using proven systems.

Our administrative system was developed from the perspective of providing efficient pension administration services and being able to quickly adjust to changing circumstances. In performing our services, our aim is to work with our clients to provide high-quality service at an appropriate cost level. Our clients have access to our knowledge, pension experience and experience communicating with participants.

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

Asset management

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

Fiduciary management and advice help our clients in their role as clients across the board. This means providing advisory services, the implementation thereof and the management activities relating to the implementation itself: risk management, the management of overlay portfolios and the selection and monitoring of external managers.

We have the in-house expertise required to invest our clients' assets in line with their wishes. In doing this, we work with leading managers worldwide and also have our own leading, award-winning investment teams (see table on page 20). These internal investment teams help keep the total asset management costs low and ensure better management for the completion of mandates. Our actions towards the financial markets are guided by values, conduct and a culture appropriate for the pension sector.

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

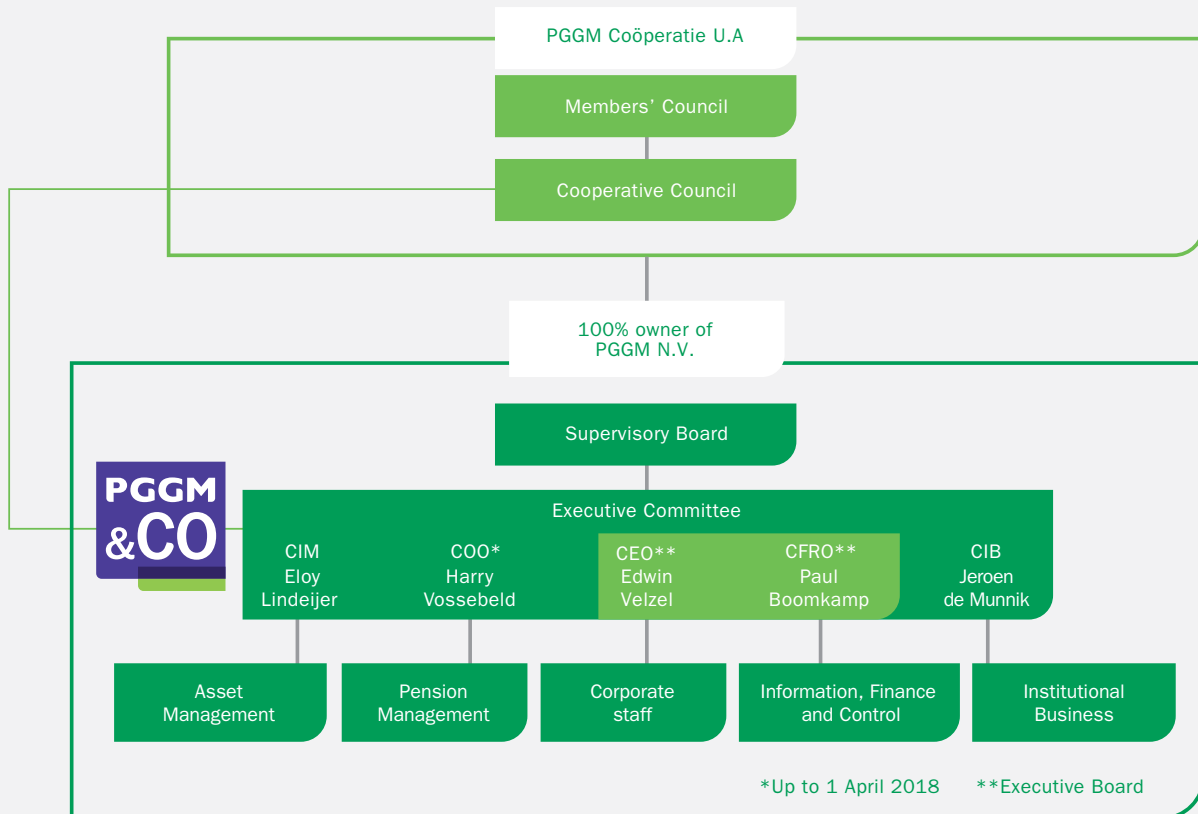
PGGM Clients at year-end 2017

	Services				
	Board Advisory Services	Pension Management	Asset Management	Approx. Number of Participants	Assets under Management
Stichting Pensioenfonds Zorg en Welzijn	✓	✓	✓	2,708,400	197,182
Stichting Pensioenfonds voor Huisartsen	✓	✓	✓	19,600	10,532
Stichting Bedrijfstakpensioenfonds voor het Schilders-, Afwerkings- en Glaszetbedrijf	✓	✓	✓	109,200	7,093
Stichting Rabo PGGM Premiepensioeninstelling	✓	✓		31,500	
Stichting Philips Pensioenfonds	✓	✓		100,200	
Stichting Pensioenfonds Smurfit Kappa Nederland	✓		✓		666
Stichting Beroepspensioenfonds Loodsen		✓		1,300	
Stichting Bedrijfstakpensioenfonds voor de Particuliere Beveiliging			✓		464
Stichting Pensioenfonds voor Architectenbureaus			✓		2,705
Stichting Pensioenfonds voor Personeelsdiensten	✓				
Stichting Algemeen Pensioenfonds Volo Pensioen	✓	✓	✓		

Organisational structure

The structure of our organisation is as follows:

PGGM Organisation Chart



PGGM Coöperatie

PGGM Coöperatie has two management bodies: the Members' Council and the Cooperative Council. The Members' Council is the most senior body of the Cooperative and consists of 45 members. The Members' Council represents the approximately 740,000 members of the Cooperative. The Cooperative Council is responsible for PGGM Coöperatie's identity, mission, vision and (financial) policy frameworks and is accountable for this to the Members' Council. PGGM Coöperatie is the sole shareholder of PGGM N.V.

Supervisory Board

PGGM has a six-member Supervisory Board. The Supervisory Board (SB) oversees the operation of the Executive Board (EB) of PGGM N.V. and the general affairs of the company. In addition, the Supervisory Board indirectly supervises the Executive Committee (EC). A member of the Executive Committee is present at every Supervisory Board meeting. The entire EC is present at the annual strategy session. The Remuneration Committee also holds annual meetings with EC members. Finally, the Supervisory Board is directly involved in the appointment, suspension and dismissal of EC members. The Supervisory Board has two committees: the Audit, Risk and Compliance Committee and the Remuneration, Selection and Appointments Committee.

Executive Committee / Executive Board

The EC is responsible for the day-to-day management of PGGM. The EC comprises five members, including two members of the Executive Board, namely the Chief Executive Officer (CEO) and the Chief Financial & Risk Officer (CFRO). Furthermore, the responsible officers from the business units for pension management, asset management and institutional client management also have seats on the EC. These are the Chief Operations Officer (COO), the Chief Investment Management (CIM) and the Chief Institutional Business (CIB). The Executive Board is ultimately responsible for PGGM. The Executive Board can be called to account by both the shareholder and the Supervisory Board. In 2010, PGGM chose to follow the EC model, because PGGM's management and business operations come together in a single team this way. The focus here is on the client and PGGM's key functions are represented.

PGGM&CO

PGGM&CO is the members' organisation of PGGM Coöperatie. PGGM&CO promotes ties between members and PGGM and among members themselves. For example, by creating online communities on topics that are relevant to members. In addition, PGGM&CO, in collaboration with partners, develops supplementary products and services in the areas of pension, healthcare, living and work for its members.

Client Council

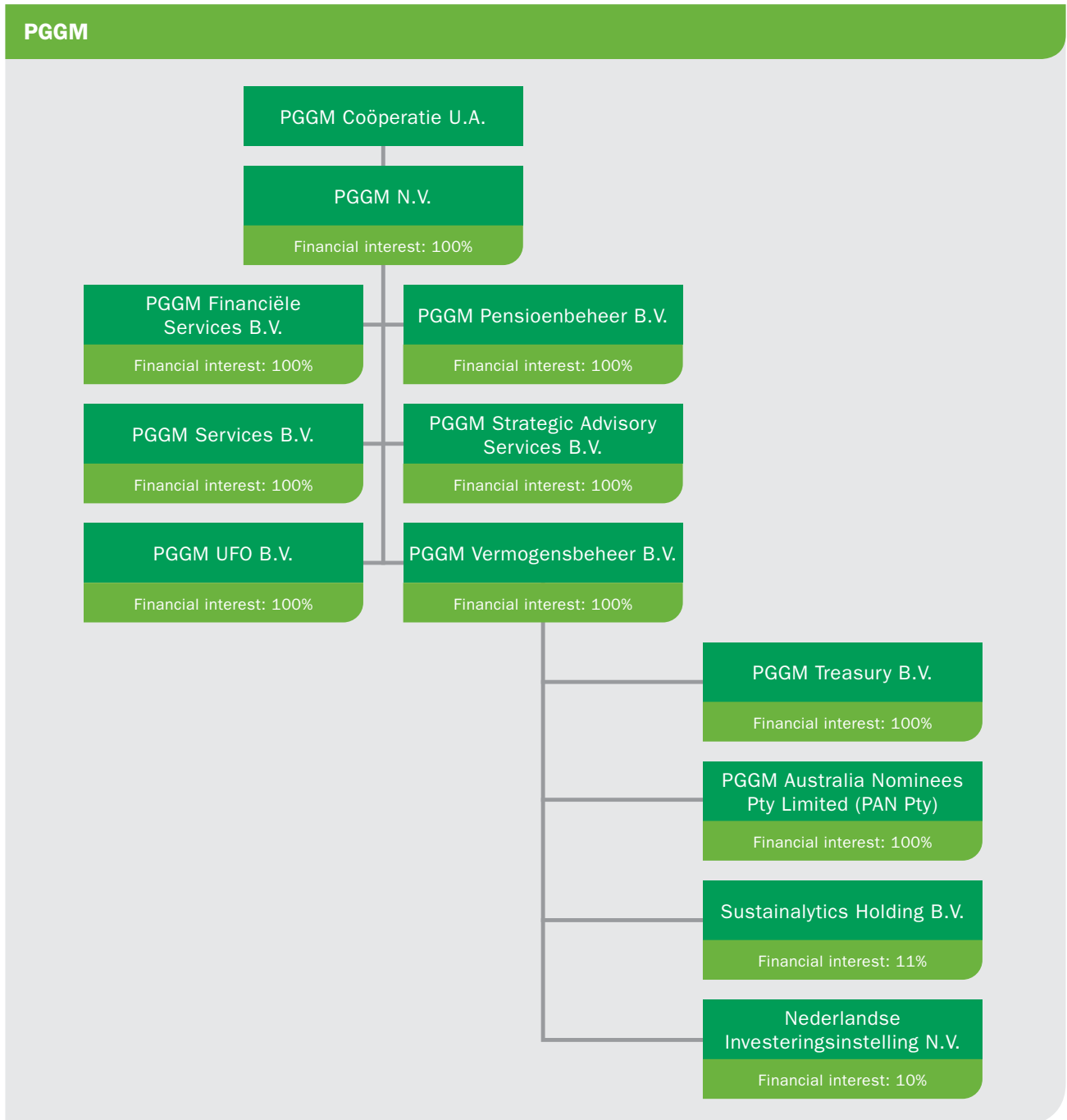
In 2013, we took the initiative of creating a Client Council. The Client Council responds to our ambition of translating the cooperative principles into service provision to and interaction with and among institutional clients. Representatives of our institutional clients are members of the Client Council. The chair of the Client Council is Ms C.M. van der Werf, chair of Stichting Bedrijfstak-pensioenfondsvoor het Schilders-, Afwerkings- en Glaszetbedrijf. The Client Council advises the EC on matters such as service provision, product development, strategy and the result appropriation. We act together with the Client Council on serious, contemporary pension issues, as well as on improving our client services. The EC also shares information with the Client Council about the direction the organisation is pursuing and how we face the future together with our clients.

Group structure

The pension fund service provider PGGM N.V. has a two-tier board and is the holding company of subsidiaries which together with its shareholder, PGGM Coöperatie, form the PGGM Group. A number of subsidiaries have a licence from the Netherlands Authority for the Financial Markets (AFM).

When the legal structure was set up, it was decided that the various licences should be linked to individual companies so that there was maximum clarity regarding the conditions associated with a particular licence and the supervision of these conditions.

The overview below shows the legal structure of PGGM Coöperatie, PGGM and its subsidiaries and participating interests (PGGM Group) as at 31 December 2017.



Codes of Conduct

We see it as our societal duty to act with care, transparency and integrity. As a result we have a code of conduct, a whistleblower's scheme, a PGGM Incidents Policy and a Social Integrity scheme.

The Corporate Governance Code contains rules of conduct to which listed companies must adhere. We are not a listed company. Nonetheless we voluntarily apply the Corporate Governance Code (2016) at the PGGM level. We do this because we subscribe to the thinking behind this code of conduct. We also believe it is important that the companies in which we invest on behalf of our clients adhere to the Corporate Governance Code. In this Directors' Report we account for our compliance with the Corporate Governance Code.

We want to implement our services in ethical ways. This is also expressed in the core values 'Open and Honest' and 'Respect for People and the Environment'. We use internal policy rules and procedures to safeguard compliance with the laws and regulations that apply to PGGM itself and to our clients. We want to be as transparent as possible for all our stakeholders and the parties with whom we do business.

In 2017, there were no significant incidents in the area of compliance and integrity. We were not involved in any noteworthy legal proceedings or sanctions relating to non-compliance with laws and regulations in 2017.

In addition to the rules of conduct of the Corporate Governance Code, we also adhere to the Principles for Responsible Investment, the Global Compact, the OECD guidelines for Multinational Enterprises, the IFC Performance Standards and the Human Rights Treaties in the Netherlands. We are also part of the Task Force on Climate-related Financial Disclosures (TCFD). We followed the GRI G4 (Core) international reporting guidelines, supplemented with the Financial Services Sector Supplement (FSSS), in preparing this integrated directors' report.

Key figures

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

Key figures			
	2017	2016	2015
Annual revenues (* € millions)	265.0	263.6	260.7
Net result (* € millions)	2.9	1.3	2.1
Number of clients	11	9	8
Number of participants (* millions)	3.0	2.9	2.7
Assets under management (* € billions)	218.6	205.8	183.3
Assets under management in NL (* € billions), excl. derivatives	23.3	20.8	19.9
Number of FTEs at year-end	1,372	1,322	1,311
Male/female distribution	62%/38%	61%/39%	59%/41%
Personnel expenses (* € millions) ¹⁾	156.8	153.5	150.2
Number of PGGM&CO members	Approx. 740,000	Approx. 710,000	Approx. 700,000

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

Directors' Report

2017



Voor een waardevolle toekomst

Our vision, mission and strategy

Vision

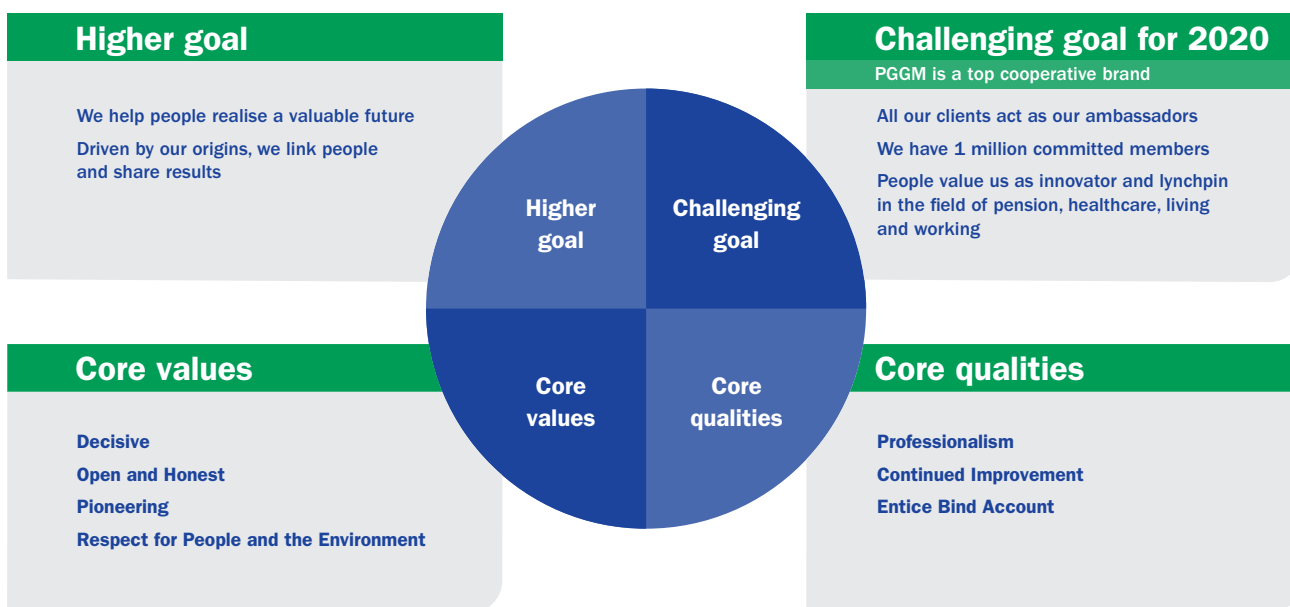
Anyone involved in pensions on a daily basis must keep an eye on the future. Our vision for the future concerns pensions, as well as the quality of living, working and healthcare. A future in which all of these things are well provided for is what we mean by a valuable future.

Mission and strategy

Our key focus is helping people realise a valuable future. That is our mission and our strategy is focused on this. This starts by providing excellent pension management, asset management and board advisory services through our Institutional pillar.

A good and reliable pension is a first and foremost prerequisite for our clients, pension funds and their participants and for our members. This must be in good order. All our employees are working on this. They are focused on today's pension, as well as the pension for the future. The needs of our clients and members are always the priority.

In addition to the Institutional pillar, our strategy also includes a Members pillar and a Social Agenda pillar. On the basis of these pillars we search for solutions for the future, together with our members and partners. This way, we offer people options that enable them to create a valuable future for themselves. In this respect, we base ourselves on our origins, the health and social sector, strengthened by our belief that principles such as collectivity, solidarity and sustainability create value.



Reorientation of our strategy

In 2017, the Executive Board initiated a reorientation of the company's strategy in close collaboration with the Supervisory Board.

External developments (change of the pension system, the pension fund services market and technological developments), as well as internal developments

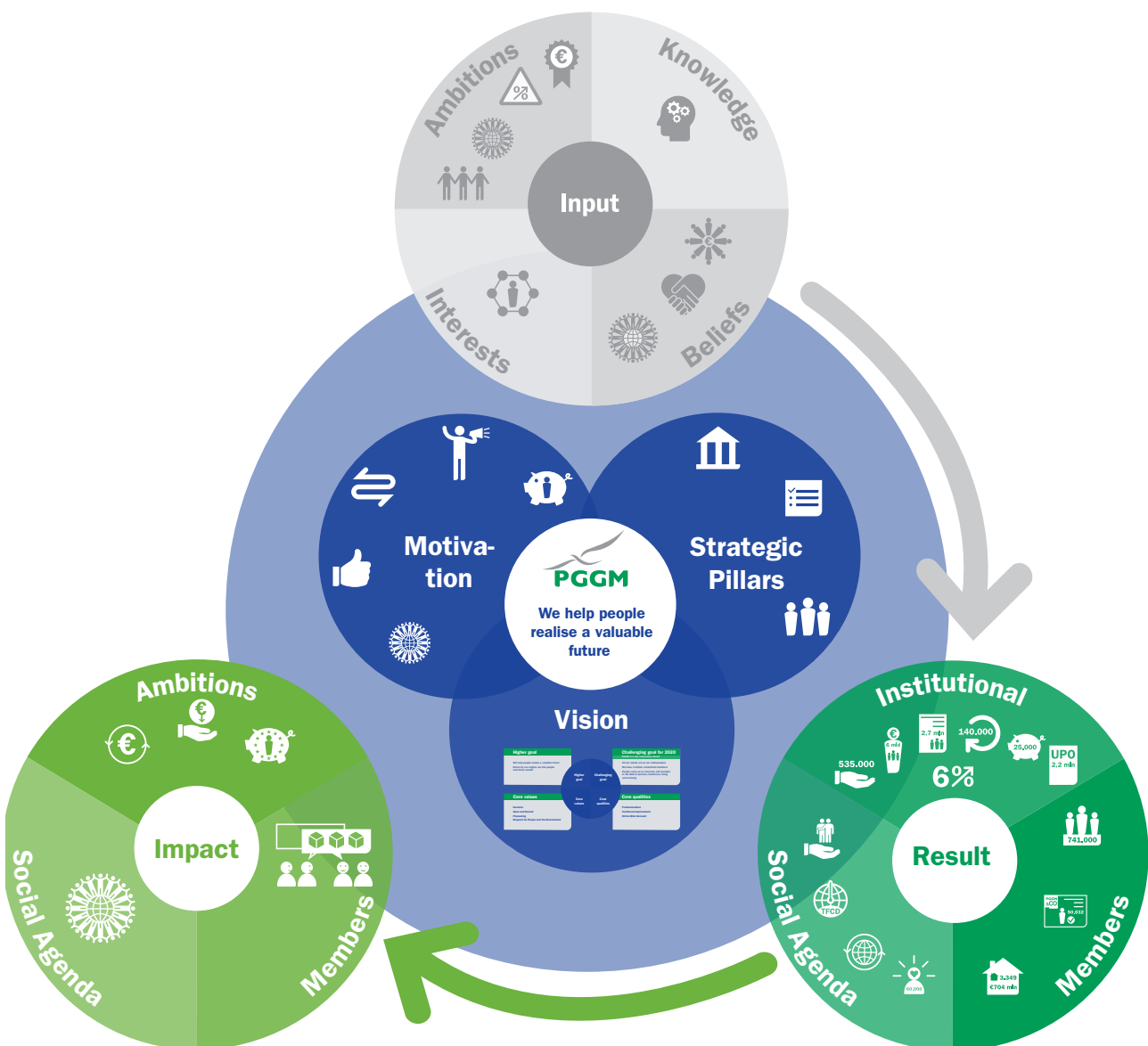
(experience with the implementation of the current multi-client strategy, the end of the three-year Daadkrachtig Vernieuwen (Decisive Innovation) change programme and the financial results that are under pressure) made a reorientation desirable. We are hard at work formulating and shaping a new strategy. The objective is to complete this strategy by the middle of 2018.

A valuable future

Value creation is about our unique contribution to our clients, their participants and our members. First and foremost is our core product a reliable old-age pension. But this is also about the context within which people receive their pension. This does not happen in isolation. We are convinced that a good pension is worth more in a liveable world. We therefore also add value by deploying our competencies, capabilities and our network to support this liveable world. It is important to strike a balance between financial and non-financial values, as well as for the long term. Because pension value creation is about the future: people in their twenties who are now paying their pension contributions expect to receive their old-age pension in 40 to 50 years' time.







But a liveable world also implies that is about the long term. For example, climate targets have a long-term perspective of up to 2050 and even up to 2100. Our value creation therefore is only relevant when it concerns long-term value creation.

In our value creation model we indicate how the ambitions, knowledge, interests and beliefs of our internal and external stakeholders together with our motivations, the three strategic pillars and vision, largely determine our strategy: realising our objectives and helping realise a valuable future. In the next chapters we explain how we achieved result and impact for each area of motivation.



PGGM

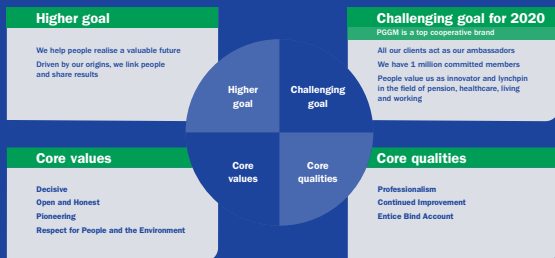
Motivation

-  The client as ambassador
-  Transition to a pension product with more individual characteristics
-  Higher versatility at a lower cost level
-  A strong and future-proof reputation
-  Green and committed
-  PGGM&CO Members' Organisation

Strategic Pillars







-  Institutional
-  Members
-  Social agenda

Vision






Result



Institutional

-  € 6 billion in premiums
-  Administration of 3 million participants
-  Return
-  2.2 million Uniform Pension Statements sent out
-  535,000 pension payments
-  Contribution to TFCD in support of global standards for transparent company climate data

Members





-  740,000 members
-  50,632 active members (who contributed to the website, communities, innovation lab, quantitative research and/or purchased a product in our shop)
-  Provided 3,349 mortgages amounting to € 704 million

Social Agenda


-  PGGM is an informal care-friendly organisation
-  Intensified mitigation of linear risks in the context of the circular economy

Input




Ambitions

-  Excellent risk-based return
-  Declining prices while maintaining quality
-  Strengthened bond between members and the Cooperative and among each other
-  Green and committed impact themes


Knowledge

-  Human capital: professionalism, competencies and skills

Beliefs




-  Investment beliefs and core values: decisive, respectful, pioneering, open and honest
-  Cooperative entrepreneur
-  Valuable future (more than just money)

Interests


-  1. Reliable pension fund services
- 2. Pension administration costs
- 3. Future pension system
- 4. Responsible investment
- 5. Investing in solutions
- 6. Pension awareness
- 7. Controlled growth
- 8. Members' organisation
- 9. Footprint reduction
- 10. Cost conscious and versatile
- 11. Top cooperative brand

Impact


Institutional

-  Transparent and cost-efficient investment
-  Active contribution to a modern pension system
-  Leading in the area of sustainable investment

Members

-  Affiliated members are heard, come into contact with like-minded persons, and find or conceive of products that suit them

Social Agenda

-  PGGM's commitment to a valuable future relating to retiring with vitality, a circular economy, climate and the fight against dementia.

Multi-client strategy

Over the past 20 years, the number of pension funds in the Netherlands has declined from more than 1,000 to fewer than 300. The pension market is consolidating, especially among company pension funds. We aspire to have a role in this consolidation. With our institutional multi-client strategy we want to be able to offer our clients continuity, quality and innovation and divide the implementation costs over a larger number of clients. This improves service delivery and reduces implementation costs.

Our ambition is controlled growth. Pension funds can join the pension schemes of our existing clients and/or as new clients acquire PGGM's services independently. In 2017, we were able to welcome StiPP as a client. The transition of Volo Pensioen took place in 2017. Two pension funds will move their pension administration to Volo Pensioen in 2018.

Green and committed

A valuable future is unthinkable without respect for people, the environment and society. We believe that sustainability means you must invest today for a valuable future tomorrow. By focusing our efforts on a valuable future we contribute to a sustainable society for current and future generations. This means that we responsibly manage the funds entrusted to us by our clients. We must also critically assess the impact of our own actions on the environment and society. That means reducing our own footprint, adopting responsible procurement practices and demonstrating our social commitment and assuming responsibility for this.

Read more about our mission and strategy at www.pggm.nl/missie.



Pension funds are our clients. We work on high-quality services by implementing a durable partnership together with them. And by being a front-runner in realising client-specific wishes. We continue to be innovative in our advisory services, online service concepts and responsible investment in all parts of our portfolio. We aspire to controlled growth of our client portfolio. We expect this to result in economies of scale and lower costs for our clients in terms of our pension management, as well as our asset management services. Our goal is that by 2020, all of our clients will be PGGM ambassadors due to our reliable pension fund services and distinctive services.

Reliable pension fund services

We understand that for our clients' participants it is of primary importance that they receive the right information and the right pension payments, and that we provide effective pension and investment administration services and pay on time. Participants must be able to rely on this. We aim to provide excellent pension administration services: accurate, timely and complete collections and payments, data registration and provision of information. We agree on investment mandates with clients that set out the investment policy. This provides the framework within which PGGM provides the required services.

Our goal is to achieve excellent and stable multi-year returns for our clients.

Service level reporting and client satisfaction

We have formulated agreements with our clients concerning the quality of our services. We report on this every quarter in Service Level Reports (SLRs).

In terms of board advisory, pension management and asset management services, the reports show a varied picture over 2017. The agreements set out in the SLRs were largely achieved in 2017. On balance, the average client satisfaction score rose slightly in comparison to 2016. The response for board advisory services was positive. Expert and thorough are the key words here. Client satisfaction for Pension Management was under pressure in spite of the high level of appreciation for client communication. The increase in the client satisfaction score was in part limited due to Pension Management service incidents and the difficulty in realising client wishes due to the many ongoing IT projects. We will come back to this further on in this chapter. There is a slightly rising trend in the client satisfaction scores for Asset Management, although here too there were challenges in realising the full (IT) change agenda and in developing a new leading implementation policy together with the client.

Intensively cooperating with our clients

In view of the many challenges and uncertainties in the pension sector, it is of vital importance to closely work together with our clients. There were further improvements last year in the way in which we communicate with clients about their wishes and expectations.

We are transparent about our successes and in what we are able and not able to do. But we also provide clear insight into incidents and the improvement processes that are underway to elevate service provision to a higher quality level.

This development applies to all of our clients, but a good example of the new intensive way of cooperating with our clients is the Rabo PGGM PPI partnership. This year we adopted a new approach to implementing the desired service provision innovations. Instead of large, often complex projects with extended elapsed times, we adopted an agile approach. Each quarter, realistic sub-results were agreed upon and delivered, with which the client was clearly satisfied. With a dedicated team for Rabo PGGM PPI, which frequently interacted with the client, expectations were exceeded. In addition to the implementation of a new investments proposition, the implementation processes were also improved. A new participant portal was also implemented.

In addition to realising new ambitions and desired innovations, performance improvement initiatives can be a motivation for an agile way of intensively working together. With our clients we have set up and implemented processes in which previously agreed upon quality aspects were key. By listening well to the client's perception and underlying wishes, minor and major changes were implemented in the area of client reporting, participant communications, project management and pension fund services.

Focus in 2018

Intensive cooperation in a rapidly changing environment continues to be essential for providing reliable pension fund services. Cooperation with our clients is important for discussing joint priorities and making decisions. A sound relationship with our clients is a prerequisite for effectively aligning expectations with each other. This is one of the key objectives set for our client teams for 2018.

Distinctive service

Given our cooperative background, we are a not-for-profit organisation. Our clients are our key stakeholders. We want to offer them distinctive services and innovation. With a client team for every client we ensure that the interests of our clients are well taken care of within PGGM.

Thanks to our years of experience providing pension fund services with a proven system capable of handling large volumes, we are a reliable partner with a long-term vision. We have knowledge of and experience with investments, as well as commitments. Furthermore, we continue to innovate focused on providing excellent pension and asset management services.

In 2017, our service provision was recognised through various awards, including the Gouden Oor nomination for the best feedback management service provided by the PFZW client contact organisation. In addition, PFZW, for the eleventh year in a row, was ranked first by the Vereniging Beleggers voor Duurzame Ontwikkeling (the Association for Sustainable Development). We are proud of the above-referenced awards that we won together with PFZW.

In the partnership relationship with PFZW we want to guarantee excellent execution in the area of pension management, board advisory and asset management services. Now and in the future.

Controlled growth

In 2017 a second system was set up for providing pension administration services that uses a standard pension administration solution. This enables us to more easily serve new clients and reduces the load on the existing pension administration system.

Service expansion

Together with the Rabobank we introduced a contemporary premium pension scheme product, Rabo PGGM PPI, to the market as a means of anticipating changes in the pension landscape. As at 1 January 2018, Rabo PGGM PPI provides a personal pension to over 33,000 participants with the Rabo Bedrijven Pensioen product.

In 2018, two pension funds will move their pension administration to our client Volo Pensioen. Volo Pensioen is a not-for-profit Algemeen Pensioen Fonds (APF) where pension funds and employers can accommodate their pension scheme. An APF offers the flexibility needed to anticipate new developments relating to pension products and a further liberalising pension market. Volo Pensioen provides investment solutions including through private markets for additional returns that generally are not available to smaller pension funds and participants, such as private equity and infrastructure. Volo Pensioen has outsourced the provision of board advisory, pension management, asset management and fiduciary advisory services to PGGM.

The transition of StiPP was largely completed in 2017. We have been providing the board support services on behalf of StiPP since 1 July 2017. As from 1 January 2018 we will provide pension administration services for StiPP.

Dental Technology sector affiliation

Stichting Pensioenfondsvoor de Tandtechniek and PFZW signed a collective value transfer agreement in July 2017. Tandtechniek will join PFZW in the autumn of 2018 and will transfer all claims and rights. The original plan was for this to happen on 1 January 2018. This proved to be too ambitious for a good quality transition of all claims.

Focus in 2018

It is our aim to continue to build a stable, reliable, high-quality pension and investments administration service in 2018. Our focus is on further improving the relationship with our clients.

Digitisation and innovation are high priorities for Pensioenbeheer with a view to further optimising pension management processes and communication with participants and employers.

Innovation within Pensioenbeheer

In 2017, we made key steps forward in the area of digitisation and innovation through the use of data science. By making use of data science, process mining and robotisation we are able to configure our pension management processes even more effectively. Digitising mandatory pension communications enables us to provide participants fast and easy insight into their pension information.

Pension awareness

We realise that increased pension awareness is important to everyone involved in pension schemes. However, at the same time we are also seeing that the interest in and the knowledge of pensions is still relatively low. Pension awareness appears to be especially low among the large group of participants younger than 40 years of age. We are attempting to draw the attention of this group to their pension information at an earlier stage. We carried out a number of pilots for this purpose in 2016. For example, a modified digital welcome package for participants who are new to the pension fund. In addition we have developed a low-threshold version of the mandatory Uniform Pension Overview (UPO) that better matches the participant's daily experience. Because both initiatives proved to be successful (reach and appreciation among participants showed a significant increase), we expanded these initiatives in 2017.

Digital dispatch

From 1 January 2017, we have been providing the uniforme pensioenaangifte (UPA) (uniform pension statement) to employers. This means that the pension information is constantly available to participants in current and digital form. For employers, the UPA lowers the administrative burden and the chance of errors by linking pension information to their salary administration system.

Digital communications with participants

Up until 2016, mandatory pension communication, such as the uniform pensioenoverzicht (UPO) (uniform pension overview), was provided to participants in paper form, unless the participant him/herself indicated he/she wanted to receive it digitally. Effective from 2016, the Pension Communication Act makes it possible to inform participants digitally, unless the participant indicates otherwise through an opt-out request.

Because in 2016, the majority of participants were reached with an opt-out mailing, we were able to provide the larger part of the mandatory pension communications, such as UPOs, digitally in 2017. To be able to reach participants whose e-mail address is unknown to us, an interface with the Message Box of MijnOverheid.nl was implemented.

Client journeys

Key life and organisation events take place during the extended pension journey made by the participant and employer together with the pension fund. These are transformed into client journeys. Pension Management creates integral client journeys for this purpose so as to ensure that communications for the individual participant and the employer are relevant, the online service becomes increasingly more intuitive and self-sufficiency becomes possible. Client journeys form the starting point for communication between the fund and participants and employers. The optimisation of client journeys has a positive impact on client satisfaction and on the fund's image. In addition, this makes it possible to lower administrative costs by increasing the self-sufficiency of participants and employers.

Service incidents

At the end of September 2016, we started using a new invoicing application for our client PFZW. Our other clients were already making use of this application. In spite of the in-depth preparations, this resulted in erroneous calculations in PFZW invoices for some of our affiliated employers and a deferral of invoices based on UPO data. Effective from October 2017, we invoice monthly on the basis of UPO messages for PFZW.

In addition, in 2017, there were multiple incidents in the mandatory pension communications for two of our clients. These errors have been corrected and in accordance with our advice, the relevant clients have reported these incidents to the regulatory authority. They subsequently thoroughly investigated the root causes of these incidents.

Further digitalisation and innovation continue to be a high priority for Pensioenbeheer. We will continue to improve our service provision in 2018. Pensioenbeheer will optimise several client journeys. Specific tooling will be implemented to be able to support employer and participant service provision. The use and management of data is relevant in this respect. The General Data Protection Regulation (GDPR) plays a key role in protecting personal data. PGGM will ensure that the administration will comply with these new regulations.

Vermogensbeheer is divided into two domains, public and private markets. The largest part of the portfolio of PGGM's clients is taken up by public markets. Within public markets, there are both actively and passively managed portfolios. Within the private markets platform we invest in non-listed investment categories, such as infrastructure, real estate and private equity, on behalf of our clients. By definition, private markets pursue an active investment policy with a clear focus on seeking out the best possible investments for our clients.

Market developments and risks

In 2017, the improving world economy and low inflation were key themes for investors. Other key investment themes were the careful phase-out of the extensive monetary policy by central banks and the defeat of European populists in various elections. Investors were faced with rising geopolitical tensions, although these never exercised permanent influence on financial markets. The year closed off on a strong note thanks to a package of income tax reductions in the United States. On the capital market, the low interest rates moved sideways in Europe. Because the European Central Bank is only very gradually phasing out the extensive monetary policy and the balance sheet continues to increase, interest rates remain low. In this environment of high growth, low inflation and low interest rates, equity markets flourished.

Private investments

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

The private markets platform enables us to help our clients make an impact by investing in, for example, rental care homes, wind farms, food producers and drinking water facilities.

Fewer external managers for private investments

We are improving the comprehensibility and manageability of private investments by increasingly investing ourselves instead of via external managers or funds. A good example of this is our growing infrastructure team which, together with other long-term investors, directly invests in infrastructure companies.

In addition, this year we successfully gave substance to the growth and optimisation of the risk return profile of the private real estate investments portfolio. By increasingly investing with strategic partners instead of on the basis of the traditional fund model, our control over investments has increased, costs were reduced and it was easier to implement specific client wishes, such as the implementation of CO₂-reducing measures.

Investment transactions

One of the most high-profile real estate investments was launched in Berlin this year – Charly Berlin. Anticipating the strong economic and demographic trends in the German capital, this office strategy responds to the high demand for creative work spaces in the fast growing technology sector. By buying up ageing office buildings at strategic locations and by enlarging and renovating them, the targeted quality boost of the working environment and a reduction in energy consumption are achieved for tenants. Higher rents combined with higher valuation results in an attractive financial return.

On behalf of our clients, PGGM Private Equity in 2017 invested in Grand Frais together with its investments partner Ardian. Grand Frais is the French market leader in the sale of fresh products to consumers. In addition, the Private Equity team invested in the Adelis Equity Partners Fund II. This is a Swedish private equity fund that focuses on majority investments in companies in Sweden, Denmark, Finland and to a lesser extent in Norway.

In February 2017 we expanded our cooperation with American Tower Corporation to include FPS Towers. This increases the opportunity of investing pension capital in the real economy on behalf of our clients. The FPS Towers telecom towers form part of an essential infrastructure for mobile communications and this long-term investment contributes to creating a strong European economy.

In addition, in May 2017 we signed an agreement with SolarCity concerning an investment in a portfolio with 38,000 solar power systems installed in 21 states in the US. The combined installed capacity of these systems is approximately 275 megawatts. This transaction is consistent with PGGM's ambition as pension investor to make more long-term investments in sustainable energy projects and companies. This transaction supports SolarCity's contribution to a more sustainable world by producing clean energy.

The investment in SolarCity's portfolio for us is the first investment in the fast growing market of decentralised renewable energy generation. This makes it a perfect addition to our existing investments in the energy transition, such as offshore wind, district heating and smart meters.

Focus in 2018

In 2018, the focus is on developing best-in-class investment teams and processes, which must be demonstrated by internal as well as external reviews. Our clients are setting the bar high in this respect, so we must continuously improve in order to continue to meet this standard. Aside from properly implementing client investment plans, Asset Management works on the continuous improvement and scaling of IT systems and processes as a means of making our services and business operations more agile. With regard to product management we are working on preparing investment solutions for a pension world with more individual choices and characteristics. In 2019, we are going to open up the PGGM Infrastructuur Fonds to other Dutch pension funds and we will also be improving the multi-client proposition.

Investment awards received by PGGM in 2017

Peer-to-Peer Awards from the Alternative Investment Institute:
Best Use of Infrastructure 2017

PFZW was awarded first place in the sustainability ranking of the Vereniging Beleggers voor Duurzame Ontwikkeling

Top 20 position in the most responsible asset managers rankings of the Bretton Woods II Responsible Asset Allocator Initiative

IPE Award: Best Listed Strategy

IPE Award: Best Sustainable Investment

IPE Award: Best Real Estate Investor Netherlands

IPE Award: Best In-house Investments Team

IPE Award: Best Special Investment Manager

TOTAL ASSETS UNDER MANAGEMENT

Total assets under management at year-end 2017



Total assets under management at year-end 2016



AREA OF FOCUS

Climate change pollution & emissions



Water scarcity



Food security



Healthcare



Safeguarding human rights



Corporate governance



Stable financial system



INSTRUMENTS

INVESTING IN SOLUTIONS



Mandate: at least € 20 billion invested in solutions by 2020¹

13.7 billion

Progress: € 13.7 billion of € 20 billion²

New in 2017: € 3,3 billion

Area of Focus	Euro's invested	New in 2017	Impact in 2016 ³
Climate change, pollution & emissions	€ 6.4 billion	€ 2.9 billion	Produced 7.8 million MWh of renewable energy. Avoided 4 million tonnes CO₂ .
Water scarcity	€ 0.9 billion	€ 0 billion	6 million m³ water saved Treated 350 million m³ of wastewater.
Food security	€ 2.8 billion	€ 0.2 billion	85.000 tonnes/hectare improvement in return 3560 trucks filled with food.
Healthcare	€ 3.5 billion	€ 0.2 billion	225.000 people provided with access to good healthcare. 54.000 treatments avoided.
Other	€ 0.1 billion	€ 0 billion	Impact not measured.

ESG-INTEGRATION



Mandate: CO₂ footprint of the investment portfolio halved by 2020⁴

Baseline measurement of the equity portfolio as at 31-12-2014:

relative CO₂ footprint = **339** tonnes of CO₂ per million dollars of company turnover.

As at 31-12-2017 the relative CO₂ footprint = **244** tonnes of CO₂ per million dollars of company turnover



ENGAGEMENT



Dialogue with **361 companies** and **8 market parties**:

46 results achieved among companies
4 results achieved among market parties

VOTING



Voted at **3.524 shareholder meetings**.

41.304 votes cast.

LEGAL PROCEEDINGS



€ **3.1 million** in investment losses recovered.

EXCLUSIONS



Total: **113 companies** and government bonds of **13 countries**.

New in 2017: **Venezuela** added to the list of excluded government bonds after EU arms embargo.

1 Commissioned by our largest client.

2 For all clients, both in funds and in separate mandates. The amounts concern the invested assets and outstanding commitments.

3 The impact has been measured in relation to the investments as at year-end 2016. Of the € 11.3 billion invested in Investments in Solutions, the impact of € 7.8 billion in investments has been calculated. This represents 68% of the total Investments in Solutions.

4 Commissioned by our largest client

Investing in the Netherlands

A strong and sustainable Dutch economy contributes to a valuable future for pension participants. This is why our clients believe it is important to invest in the Netherlands. These are investments in regular real estate and infrastructure, as well as other investments.

Growth in invested capital in the Netherlands

In 2017, the assets under management in the Netherlands increased to € 23.3 billion. This is primarily due to increased investments in Dutch government bonds and mortgages. On behalf of our clients we hold a minority interest in LeasePlan, a global market leader in operational car leasing domiciled in the Netherlands. With our investment in the heating company Ennatuurlijk in 2014, we gave substance to our long-term vision with which we aim to combine earning excellent, stable financial returns for pensions with contributing to climate solutions. The joint venture between PGGM and Royal BAM Group is currently involved in the construction of a new sea lock complex at IJmuiden (NL).

Responsible investment

Commissioned by our clients, we work on investment solutions that, in addition to realising the pension ambition, also contribute to a sustainable, liveable world. We use five instruments in support of the implementation of responsible investment activities (see table on page 20). We apply these instruments for the purpose of promoting social solutions, considering Economic, Social and Governance risks (ESG risks) in investment decisions, encouraging companies to make sustainability improvements, and excluding companies if they carry out activities that we do not wish to support.

We were actively involved in promoting and further developing Responsible Investment in 2017. We want to motivate others to improve and in the meantime we are working on developing guidelines and reporting standards. As a member of the Platform Carbon Accounting Financials (PCAF), we contributed to the development of reporting standards for the CO₂ footprint of investments. We also participate in the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB), which published its recommendations concerning transparency about the financial aspects of climate change in June.

To give substance to the focused contribution that we as asset manager and administrator of investment funds (the PGGM funds) want to make to a sustainable world, we formulated seven social areas of focus in consultation with our clients (see table on page 20).

Investing in Solutions

We want to achieve good financial returns for our clients by Investing in Solutions and at the same time have a tangible impact on creating a sustainable world. Our mission is to contribute to a valuable future for the pension participants of our clients. The mandate from our largest client is to increase the investments in solutions from € 4.7 billion at the end of 2014 to at least € 20 billion by 2020. At the end of 2017, a total of € 13.7 billion had been invested in solutions. In 2017, we invested € 3.3 billion in these solutions.

On behalf of our clients, we invest in solutions in the areas of climate change, pollution and emissions, water scarcity, food security and healthcare. We do this through private markets as well as public equity. An example of an investment in water solutions is the purchase of the green bond in Nordic Investment Bank. Approximately one fifth of the proceeds of this green bond will be invested in wastewater treatment and it is expected to reduce the overflow of wastewater into the Mälaren Lake in Sweden from an estimated 185,000 m³ per year to less than 10,000 m³.

In addition to Investing in Solutions, in 2017, we worked together with the Sustainable Development Goals Impact Measurement working group as part of the Platform for Sustainable Financing of De Nederlandsche Bank (DNB) on an impact measurement guideline. In this partnership, we have proposed a limited number of positive impact indicators for each Sustainable Development Goal that are relevant and practicable for large institutional investors. In 2017, together with pension fund service provider APG, we published the Sustainable Development Investment methodology with the objective of achieving clear reporting within the international institutional investments market.

Engagement

Via our engagement activities we hold companies and market parties to account for their policy and activities. Through this dialogue, we attempt to achieve ESG-related improvements, such as changes in behaviour or activities.

In 2017, we spoke among others with the large mining companies Glencore and Freeport McMoran about human rights. We are observing improvement in both companies concerning the assessment of potential human rights violations. Reporting on these risks has also improved.

We also held discussions with Tyson. With its slaughterhouses and (largely) intensive livestock farming operations, Tyson Foods is one of the largest water polluters in the US. The talks with Tyson Foods Inc. have resulted in improvements in the management of water risks by this food and meat producer.

In 2017, we engaged a large number of pharmaceutical companies in dialogue on potential improvements concerning access to healthcare. We also spoke with these companies in 2017 about introducing Pay-for-Performance structures with providers of healthcare. Initial steps in this area have been taken.

Voting

By voting on shareholder proposals, we attempt, on behalf of our clients, to exercise influence on companies to encourage them to adopt more sustainable policies. In 2017, we voted on 3,524 shareholder proposals.

In 2017, on behalf of our clients, we voted at various shareholders' meetings, including at the ExxonMobil shareholders' meeting on a proposal that would oblige ExxonMobil to provide insight into the climate resilience of its portfolio effective from 2018. This proposal was adopted.

In June 2017 we wrote a public letter to co-shareholders of the pharmaceutical company Mylan to appeal to them to vote against the remuneration proposal and the appointment of a number of directors. This appeal to co-shareholders resulted in an 83 percent vote against Mylan's remuneration policy during the shareholders' meeting. The new remuneration policy will be published in 2018.

ESG Integration

In 2017, with the help of an external consultant we quantified the potential change in the value of investments subject to the impact of a number of climate scenarios. The analyses show that climate change is a material financial risk, that, while it still appears to have a limited impact on the portfolio as a whole, can significantly impact various components. As such, managing climate-related risks is a fiduciary responsibility. Where relevant, the investment teams (first line) include this risk in the assessment of investment proposals, which are subsequently checked accordingly by Risk (second line).

The climate change risk analyses were discussed with clients this last year. An internal Climate Working Group has made a number of recommendations designed to even better understand and manage climate-related risks and to exploit the opportunities arising from the energy transition. The recommendations were discussed in the Board meeting for Vermogensbeheer and Treasury.

In 2017, we continued working on reducing the CO₂ footprint of the equity portfolio. As a result, the CO₂ footprint has been reduced from 339 tonnes of CO₂ per million dollars of company turnover to 244 tonnes of CO₂ per million dollars of company turnover at the end of 2017. We are engaged in discussion with the most polluting companies whose equity we purchase.

Many companies state that they have started down the path towards cleaner energy and see our message as supportive for them to continue to move in this direction.

Effective from 2015, the investment and advisory teams in PGGM's investment chain have been given full ownership of responsible investment. We put the finishing touches on this project in 2017.

Various investment teams have developed and published their own responsible investment guidelines on PGGM's website. This year, for private equity, infrastructure and private real estate, we acquired greater insight into the ESG performance of the external parties with which we work or in which we invest. This provides key input for the monitoring discussions with these parties. ESG has also been incorporated into our investment proposals in private markets and the screening by managing partners of ESG implementation has improved.

We encourage funds and companies in the real estate portfolios to reduce their CO₂ emissions. The real estate funds in which we invest once again outperformed the Global Real Estate Sustainability Benchmark (GRESB) that compares funds in terms of sustainability.

Legal proceedings

When necessary, as shareholder we institute legal proceedings against companies on behalf of our clients to recover investment losses or to enforce good corporate conduct. In 2017, there were various proceedings, including the class action suit against the Brazilian state company Petroleo Brasileiro S.A. pursuant to a corruption scandal, which reduced the market value of this oil conglomerate by half. The US class action suit concerning Petrobras is being concluded and we will claim damages via this settlement.

Exclusions

We want to avoid making investments that are deemed unacceptable to our clients. This is why, in accordance with the PGGM Exclusion Implementation Guideline, we exclude companies that are involved in controversial products, such as weapons and tobacco. We may also exclude companies with an adverse risk profile, for example because they violated the Global Compact Principles of the United Nations. In such instances, we first attempt to realise improvements by engaging the company in dialogue. In addition, we do not invest in the government bonds of countries subjected to sanctions by the UN Security Council and/or the European Union (EU). In 2017, Venezuela was added to the list of excluded government bonds following a weapons embargo by the EU.

To read more about our activities, results and focus in the area of responsible investment consult our Annual Responsible Investment Report. Visit www.pggm.nl/jaarverslag.

Transition to pension products with more individual characteristics



Building on the work of the Social and Economic Council (SER), the cabinet aims to reform the pension system. The cabinet plans call for the elimination of the average pension contribution system leading to freedom of choice. This makes the pension assets more personal with collective risk sharing. The cabinet hereby maintains the robust components of the current system: mandatory participation, collective implementation, risk sharing and fiscal support. This is consistent with our conviction that principles, such as collectivity, solidarity and sustainability create value. The cabinet has assigned responsibility to the social partners in SER to reach agreement in principle about the main features of the new system. This legislative process is to be completed by 2020. This will be followed by implementation. We are adapting our service provision, client servicing and therefore also the underlying system landscape and the associated processes so that we can facilitate this development for our clients.

Adjustment of administrative systems

We are focusing on making adjustments to our administrative systems and to our organisation in order to facilitate the transition to a pension product with more individual characteristics. We are investing in the modernisation of the unit administration of our pension administration platform MAP. In 2017, we added additional functionality to MAP for administering individual pension assets.

With the introduction of profile investing in 2017, we modified our systems thus enabling Rabo PGGM PPI to offer its participants the possibility of making individual choices in setting the risk profile of their investments. Participants are guided in the selection process through an entirely renovated interactive portal. The system's flexibility makes it possible for the participant to adjust his/her profile at any time to fit his/her own personal situation. In 2018, Rabo PGGM PPI will continue to increase its interaction with participants.

Our new client, StiPP also offers a pension scheme with more individual characteristics. We adjusted our administration accordingly in 2017, so that in 2018 the provision of services for Pensioenbeheer can be initiated.

The department Vermogensbeheer has also prepared its systems for the upcoming transition. In 2017, we worked on improving data management with the objective of increasing the data's quality. Last year was characterised by the design, start-up and initial analysis of a new structure for PGGM's investments administration system.

Focus in 2018

In 2018, we will continue to develop the more personal pension schemes as part of the administration of our pension platform.

Involved in laws and regulations

Together with our clients, we operate within a strict regulatory framework in which laws and regulations are changing on many fronts. Monitoring these developments and anticipating these changes is essential.

Seeking engagement

We aim to actively exert influence on changes that are in the interests of our clients and their participants. As a stakeholder and large party, we feel we have a responsibility, acting with and for our clients, to seek engagement with regulatory parties so as to encourage the formulation of balanced laws and regulations in the interest of employers and employees. In 2017, in the context of a new pension system, a PGGM delegation to the Pension Federation spent a great deal of time and attention contributing ideas and working on input for the SER recommendations. On behalf of our clients we made an active and intensive contribution to the research conducted by the Pension Federation. Theoretical SER scenarios were tested in terms of practical dimensions, such as communications, implementation, jurisdiction and finance. In this respect together with other pension fund service providers we have provided key input to the SER process.

Future pension system

In 2017, together with other parties such as the Pension Federation, we regularly spoke with the ministries of Finance and Social Affairs and Employment about numerous pension topics.

The larger issues we discussed included topics such as taxation, abolishing the average pension contribution system and implementing existing rights into a pension system with more individual assets. We will maintain these contacts in 2018.

MiFID II

The European MiFID II regulation for investment firms has an impact on many aspects of our asset management chain. Over the past year end a half we have incorporated the relevant changes in these laws and regulations into our business operations. As at 3 January 2018, MiFID II went into effect and the PGGM asset management chain is in compliance with the applicable requirements.

European Capital Market Union

During 2017, PGGM intensified its activities in the context of the Capital Market Union (CMU). As a long-term investor, we invest a great deal of our managed pension assets in the European economy on behalf of our clients. The European Union wants to reduce its dependence on bank financing to finance the economy. The Union consequently wants to increase the possibilities for investors for this purpose, which in turn creates opportunities to demonstrate where and how we invest for our clients.

Examples of enhancing these possibilities include: eliminating the unequal treatment of pension funds in terms of taxation, introducing an ambitious sustainable financing policy and working on sustainable EMIR solutions for pension funds, so that pension funds can optimally invest their capital over the long term. Finally, there is a proposal for a Pan European Personal Pension Product (PEPP) to make pension saving in the third pillar, additional individual pension insurances, more attractive to EU citizens. From a Dutch perspective, the interaction with the Dutch second pillar, additional pension accrual via the employer, is a point for consideration in this respect. In our leadership role, we had the opportunity to speak at numerous meetings and were able to have an impact on the CMU policy agenda through discussions and publications.

Higher versatility at a lower cost level



Pension administration costs are becoming increasingly important for our clients. We must also be able to adapt more quickly to changes in our environment. That is why we initiated the Daadkrachtig Vernieuwen (Decisive Innovation) change programme three years ago. In 2017, the objectives of achieving a 20 percent reduction in costs and greater versatility were achieved. The reduction in structural costs has created room for investing in our organisation and systems. We are investing in changes to our system landscape and our organisation. And we are investing in our people. We encourage and facilitate employee development, both in the employee's specific field and in relation to our core qualities. Thus we can increase our versatility.

Financially healthy business operations

We strive for financially healthy and sustainable business operations that give substance to our cooperative ideology. This means that we want to achieve a healthy return on our activities in order to safeguard the continuity of the services we provide to our clients. We also use the results in the interest of the future of PGGM, PGGM Coöperatie and its members.

Positive operating result

We achieved a positive result of € 2.9 million after tax over 2017 (2016: € 1.3 million). The result before tax is positive € 3.9 million (2016: € 1.9 million). Turnover rose by € 1.3 million in 2017 in comparison to 2016. The profit before tax in 2017 increased by € 2.0 million in comparison to 2016. The 2017 profit was in line with our expectations; the increase compared to 2016 was primarily due to the incidental higher charges in 2016.

Solvency

PGGM's solvency as at 31 December 2017 was strong and amounted to 82.8% (2016: 72.4%). Solvency is calculated as the ratio of equity and the balance sheet total.

Solvency improved thanks to a decrease in current liabilities. This decreased the balance sheet total, while equity increased slightly.

Liquidity

Liquidity decreased by € 5.6 million in 2017. The decrease on the one hand was due to the delayed receipts of advance client invoices and on the other to an improvement in the cash flow from operating activities. The balance of cash and cash equivalents as at 31 December 2017 was € 78.2 million (31 December 2016: € 83.8 million).

Daadkrachtig Vernieuwen (Decisive Innovation)

The three-year Daadkrachtig Vernieuwen programme is focused on the topics of cost savings, versatility and behaviour in order to achieve our goal of greater versatility at structurally lower costs. In concrete terms, 'structurally lower costs' means realising cost savings of € 50 million by the end of 2017. The objective of achieving 20% savings on the total investment chain for PFZW has also been achieved. The programme closely monitors the realisation of these initiatives on the basis of scheduled milestones. We expect that constant attention to cost savings will continue to be necessary after 2017 as well. Versatility and behaviour are explained on page 28.

The Financial Statements chapter contains additional information about our financial situation.

Investing in future business operations

At PGGM we closely monitor the balance between efficiency in our current business operations and investing in our future business operations. Saving on costs gives us room to invest. We used a considerable share of our turnover for innovation in 2017. We did this in various ways, for example by further improving client service with innovative concepts, such as climate investments, a broader deployment of private market platforms for Asset Management, IT roadmaps, making processes multi-client and developing digital client journeys for Pensioenbeheer.

We will also continue to invest in the future pension system. We are technologically (IT) preparing ourselves for that system. We are also prominently deploying our expertise for our clients so that they can determine their policy by influencing national decision-making.

Experimenting with Blockchain

Blockchain is a new technology with a great deal of potential and possibly a major impact within the financial world. At the same time there is still a lack of clarity and a great deal to be investigated. We initiated three experiments to be able to form a proper opinion ourselves and to become familiar with the technology and develop competencies in this area. We are doing this together with pension fund service provider APG as a means of sharing knowledge and the cost of investment. As part of the Pensions Infrastructure project a working blockchain prototype of a scalable pension administration system was developed within a few months that demonstrated the potential of the technology.

Data services and platform

In 2017, we continued to experiment with data services. The emphasis was on improving processes using internal data. An example is predicting the number of client participants that are expected to contact us by phone over a specific period. The workforce and information can then be adjusted accordingly.

In addition, we started work on developing a digital service designed to help participants deal pro-actively with their pension. By providing the best possible online insight and oversight of the full financial pension situation in the event of reduced working hours, early retirement and a fixed pension date, the participant and his/her partner (if any) are provided with better insight. This is done by combining private banking planners with new technologies relating to data collection. As a result, savings, mortgage loans and other income are incorporated into the overall picture. With this experiment we build up knowledge concerning the acquisition of data and we are building a platform that can be more broadly deployed.

Innovating together

In 2017, we opted for a new approach to innovation.

A company-wide implementation in which PGGM employees are as much as possible involved. The central point here is the new Innovation & Research department. This department experiments and encourages innovation and is building an innovation ecosystem.

We are aware that you cannot innovate on your own.

The new world demands an open approach to innovation with a mindset in which cooperation and information sharing are key themes. This is why PGGM is consciously electing to enter into a partnership with parties such as Startup-bootcamp and Techruption. These partnerships make it possible for us to develop a network with other companies and national and international start-ups, that entirely have their own way of looking at the future of the financial services sector. This way we create direct access to a valuable innovative ecosystem with the latest insights into and forms of technology.

In 2017, multiple experiments of various scopes and varying timelines were conducted, including the application of HoloLens technology to the pension triangle and the My Investments Tool. Key in this respect were the innovation themes Artificial Intelligence, Blockchain and Data Platform. PGGM worked intensively together with the members' association PGGM&CO on these experiments. This association has the knowledge and a good infrastructure for executing these experiments. In the field of Artificial Intelligence, we worked together with Techruption partners on a program for recognising emotions by the client contact centre and on robo-advisory tooling for Vermogensbeheer. In addition, multiple start-up pilots were implemented in the area of Artificial Intelligence.

Modernising IT systems

A great deal of attention is being devoted to realising further process and IT improvements for Pensioenbeheer and Vermogensbeheer. In 2017, Pensioenbeheer made significant progress in modernising the pension management system. Due to the allocation of capacity to implementing changed legislation and other priorities, this modernisation was not fully completed in 2017.

The close cooperation within Pensioenbeheer of the user organisation and the IT department has further improved software development. Making test environments available has been automated and small software releases were frequently transferred to production by the development teams.

With the adoption of a target system architecture a start has been made on realising a robust and scalable IT Vermogensbeheer landscape for the Vermogensbeheer department. In this respect, a start was made in 2017 to implement a system for supporting a large portion of the private investment categories. This software package replaces a number of partial solutions.

In addition, a major renovation of the back-office system was initiated. The renovation will make use of new functionality developed by the software package supplier over the years. The renovation must also prepare the back-office system to make it suitable for the individualisation of the pension product.

PGGM has initiated work on the development of a Toekomstvaste Enterprise Architectuur (Future-proof Enterprise Architecture). Examples include a personal client journey for participants, the possibility of working easily and securely with external partners and improvements in the use of data that optimally support client service and efficient business operations.

The Toekomstvast Vermogensbeheer project contributes to the goal of being a leading pension investor that with its investment products and services is able to quickly and successfully anticipate changing client wishes and market conditions. This is achieved through versatile and efficient business processes supported by a well-organised, manageable and adaptable system landscape and a well-designed data management regime.

Information security

Information security takes an increasing significance in our daily lives. Protecting the information of participants and employers, as well as the information relating to, for example asset management activities, is of great importance. The General Data Protection Regulation (GDPR) plays a key role in protecting privacy.

Companies are required to demonstrably comply with this legislation by May 2018. PGGM made the necessary preparations in 2017 to be able to comply with this legislation in 2018. Technological developments, as well as the increased threats, make it necessary to be extremely alert. Privacy is a socially relevant subject. Cooperation with other service providers and professional parties is necessary to effectively maintain the required security level. A decision has been taken in the area of IT infrastructure to outsource various infrastructure components on a phased basis over a period of three to four years.

Aside from the required flexibility, this means we will also achieve our objective of being able to make use of high quality services 24/7, thus further increasing our level of security.

Internally, we will further invest in the quality of the pension fund service processes in support of our clients. We are going to further improve IT support for our business. In line with our asset management ambition, we will maintain a high quality standard in the area of responsible investment.

Focus in 2018

In 2018, we will continue to go down the path we have taken, whereby Artificial Intelligence, Blockchain and the Data Platform will continue to be key themes. We will continue to make focused investments, innovate and build an ecosystem with innovative parties. We will combine our own competencies with external expertise so as also to be ready for the world of tomorrow.

In 2018, we expect to complete the pension management system improvements, the back-office system implementations and the system for private investment categories for the Vermogensbeheer department. The long-term plans for the Toekomstvaste Enterprise Architectuur, information security and IT infrastructure will be implemented with results in the areas of client journeys, compliance with GDPR legislation and the outsourcing of a number of infrastructure components. The year will start off by going live with the Tweede Straat (second line) for the pension administration.

Versatility and behaviour

In addition to a good technical preparation, it is essential to be versatile and to be capable of change in a changing pension landscape. That means having the right employee in the right place, with the right competences and the right behaviour, which is also consistent with the rules of the Corporate Governance Code. As part of the Daadkrachtig Vernieuwen programme, we have devoted attention to staffing and culture in recent years. This has resulted in an organisation with structurally lower costs without compromising quality and with a greater results-oriented culture.

Behavioural change

A versatile organisation is an organisation that can implement changes efficiently and innovate and experiment strategically. In a versatile organisation, employees move in the direction that the situation requires of them. Behaviour is a very important part of becoming more client-oriented, versatile and operating at lower costs. Major steps were taken in this area in 2017. The Daadkrachtig Vernieuwen programme has set things in motion. We are seeing a change in behavioural patterns. More knowledge is being shared, cooperation beyond departmental boundaries is improving and more attention is being devoted to personal development.

Employees in motion

We are actively focusing on staffing, which enables us to put the right people with the right competences and the right behaviour in the right place. We encourage staff inflow, advancement and outflow. In doing so, we pay attention to the further development of professionalism and healthy business operations. In 2017, we once again compared our organisation's current workforce with the desired situation over a period of a few years. Qualitatively as well as quantitatively. This provides us with a picture of the difference between the current and the desired staffing: the gap analysis. We have prepared action plans on this basis to serve as a guide for managing this aspect over the coming years. Naturally in discussion with employees.

Employee development

We would like our clients to recognise and appreciate the core values and core qualities in the behaviour and performance of our employees. This demands employees who, on the basis of strength and with energy, work together on PGGM's and our clients' objectives. And this requires employees to not only understand their profession, it also requires them to work on their ability to change and to remain decisive in their profession. In 2017, we devoted a great deal of attention to the Fit for the Future programme. In this programme, employees are encouraged to think about their fit with their work. How to monitor and retain this fit in spite of changes in personal circumstances at work or in the job market.

The PGGM Academy offers, designs, advises and coordinates education and training programmes that contribute to the professional growth of employees. This can help employees continue to effectively carry out their jobs, as well as to advance to another position internally or external to PGGM.

The courses provided by the Academy are based on employee needs and our strategic objectives. We work together with renowned trainers in this area, but we also regularly use internal employees to share knowledge and to make use of the knowledge we already have in-house.

PGGM has a two-year trainee programme. As well as a personal development process, the trainees acquire a great deal of work experience during these two years. They work on various projects that along the way increasingly match up with personal competencies and ambitions. This enables trainees to discover the best place for themselves within PGGM.

In 2017, there were almost two thousand applications from employees for enrolling in courses offered by the PGGM Academy. The highest need was for training courses concerning agile and personal leadership.

Focus in 2018

In 2018, we will be further integrating versatility into our day-to-day operations. We will also continue to focus on behavioural change in order to become more versatile as a company.

PGGM employees – key figures

Employees and training costs				
	2017		2016	
Distribution of employees by department	Number	FTEs	Number	FTEs
Institutional Business	153	148	144	138
Pensioenbeheer	448	405	441	397
Vermogensbeheer	344	347	321	329
PGGM&CO Members' Organisation	19	19	13	13
Information Technology, Finance, Control	371	363	357	349
Corporate Staff Services	93	90	99	96
Total	1,428	1,372	1,375	1,322
Full-time/part-time distribution				
Full-time	1,055		988	
Part-time	373		387	
Total	1,428		1,375	
Male/female distribution				
Male	879		832	
Female	549		543	
Total	1,428		1,375	
Male/female ratio at management level	69%/31%		68%/32%	
Male/female ratio directly reporting to the EC	63%/38%		65%/35%	
Age distribution				
Younger than 25	26		22	
25-34	279		249	
35-44	404		410	
45-54	475		467	
55 and older	244		227	
Total	1,428		1,375	
Staff turnover				
Opening balance	1,375		1,363	
Joined PGGM	209		131	
Left PGGM	-156		-119	
Status at year-end	1,428		1,375	
PGGM absence due to illness				
	3.1%		3.2%	
Education/training expenses				
	€ 2,615,206		€ 2,717,291	

Diversity

We are convinced that teams with a diverse composition produce better results and contribute more to the realisation of our mission, vision and strategy.

We consider diversity within our organisation important. 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 decisive. This is why we promote diversity in culture, age, training and education, work experience and gender.

Last year we once again focused on providing people at a disadvantage in the job market with a job offer. We do this in various ways, including on the basis of the Make It Possible programme. At year-end 2017, fourteen people were employed pursuant to this programme. In addition to the Make It Possible programme we contribute to creating social employment, for example by incorporating agreements as part of the procurement process about work places for people at a disadvantage in the job market and by offering internships to students enrolled in special education.

In 2017, twenty four female employees completed the internal Stratego training programme. The objective of this programme is to provide insight into the unwritten rules of the business game.

With the departure of Else Bos as chair of the Executive Board and the Executive Committee, effective from 1 November 2017 there were no longer any women on the Executive Board and the Executive Committee. As such, the current composition does not meet the requirement for a balanced distribution of seats pursuant to the Governance Code (minimum of 30 percent occupied by women and a minimum of 30 percent by men). In future changes a balanced distribution of seats will be taken into account. The ratio of women on the Supervisory Board is more than 30 percent. The same applies to the management positions at PGGM.

Focus in 2018

In 2018, we will continue to make efforts on behalf of people at a disadvantage in the job market and we are aiming for 20 placements pursuant to the Make It Possible programme. In addition, we will continue to focus attention on the inflow, advancement and outflow of employees, promoting diversity in culture, age, training and education, work experience and gender.

Employee participation

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

In 2017, the Works Council, in part due to the Daadkrachtig Vernieuwen programme, handled a great deal of business. Complex issues were provided with sound advice through the effort and involvement of the Works Council and employees. By accepting supplementary and sometimes differing recommendations from the Works Council, decisions have been improved. Even when a recommendation was not accepted, the Works Council remained involved in the implementation and evaluation of the relevant matter.

In 2017, elections were held for a new Works Council. The 18 candidates for 10 seats and a response of more than 75 percent underline the importance and the appreciation of sound employee participation at PGGM.

We use an employee participation model based on a modern and proactive view: we aim for the optimal involvement of all our employees in the employee participation process. Aside from the 10 members, there is room for special members who become members of one of the monitoring committees. In addition, the Works Council likes to make use of relevant specific employee knowledge. Many employees are closely involved in requests for consent and advice. While formal employee participation occurs between the Works Council and the executive director, actual employee participation lies in the daily contact between employee, manager, unit and Management Board.

Focus in 2018

We still expect a number of requests for advice and consent in the coming year. Not only in the completion of the Daadkrachtig Vernieuwen programme and its continuation in our business operations, but also in the desire and commitment to make PGGM a more versatile organisation. The participation of our employees in support of the Works Council remains of key importance in this respect. The involvement and feedback of employees in dealing with requests for advice and consent, as well as in the daily decision-making process over and above these requests, is essential for effective, successful and transparent employee participation.

Remuneration policy

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

Performance-related pay

We aim for a transparent and responsible remuneration policy: fair remuneration for measurable performance. The way in which performance is achieved (competences and values) is also taken into account in evaluations and consequently in the remuneration. In terms of policy and implementation, our remuneration policy is consistent with PGGM's culture, its values and competences. All of this gives rise to Performance-related Pay. This policy applies to PGGM and its subsidiaries. For the total remuneration at PGGM, we use the median of the appropriate reference markets as a guide. This is tested externally periodically. For the remuneration of the members of the Executive Board, see the appendix 'Report on the Remuneration of the Executive Board' (see page 104).

Variable remuneration

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

Deferred Variable Income

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

department and must be at least 50 percent based on non-financial criteria.

Deferred Performance Interest

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

Year-end bonus and gratuity

The collective labour agreement (CLA) states that PGGM can increase the year-end bonus by a flexible portion of a maximum of 2 percentage points. The increase is only paid out if the operating result after tax in a given year is higher than zero and depending in part on client satisfaction. The EC decides whether this additional payment is granted. In 2017, no flexible year-end bonus was paid out for 2016.

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

Publication requirements

Our website contains the publication requirements according to the Restrained Remuneration Policy Regulations (Financial Supervision Act) 2014. For additional information visit www.pggm.nl/jaarverslagen.

Focus in 2018

Clients value a remuneration system that promotes team retention and alignment. The plan therefore is to introduce a fund-linked DVI in 2018. Employees working in teams or mandates and who meet the conditions in the request qualify for this scheme. It is expressly not the intent to structurally increase the total remuneration of the affected employees. Our overall remuneration policy is and remains based on the principles of our Performance-related Pay.

Variable remuneration paid out (x € 1000)		
Distribution of variable remuneration by type	2017	2016
One-year variable remuneration investment chain paid out*	3,126	2,810
DVI paid out**	834	869
DPI paid out	-	-
Gratuity paid out	363	282
Flexible year-end bonus paid out	-	-
Total variable remuneration paid out***	4,323	3,961

Number of beneficiaries		
Distribution of number of employees per variable remuneration paid out	2017	2016
One-year variable remuneration investment chain	179	165
DVI	29	28
DPI	-	-
Gratuity	131	117
Flexible year-end bonus	-	-
Total number of beneficiaries	339	310

* One-year variable remuneration paid out in relation to the previous financial year. One-year variable remuneration paid out in 2017 therefore relates to the 2016 performance year and one-year variable remuneration paid out in 2016 relates to the 2015 performance year.

** DVI paid out in 2017 and 2016 relates to the DVI granted in 2014-2016 and the DVI granted in 2013-2015, respectively.

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

A strong and future-proof reputation



Our reputation is founded on our excellent pension fund service. We position ourselves as the cooperative pension fund service provider of choice that champions a valuable future. We enrich our pension proposition by being green and committed. This ambition requires a good relationship with our stakeholders. This is how we will become recognised and acknowledged as a top cooperative brand.

Top cooperative brand

The challenging goal we have set for ourselves is to become a top cooperative brand. This goal is about how we want to conduct our business. And we want to excel in this. In addition, this is not something we only believe ourselves but those around us must also share that opinion. This is why it is important to do this together with our environment. An ambition of this nature first and foremost requires us to be in constant contact with our stakeholders. This way we can assess how they evaluate

our performance, what they expect from us and how they can inspire us to be innovative. In a pension environment there is a selection and diversity of relevant stakeholders.

The cooperative aspect provides direction for defining our reputation. This can be summarised as follows:

- members: member interests are leading;
- cooperation: we focus on cooperation with like-minded partners;
- social responsibility: we are inclined to focus on social issues; and
- long-term: we are focused on the long-term.

In contact with our stakeholders

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

Overview of PGGM's stakeholders

Internal stakeholders

Members' Council
Cooperative Council
Supervisory Board
Management and employees
Works Council

Client Council

External stakeholders

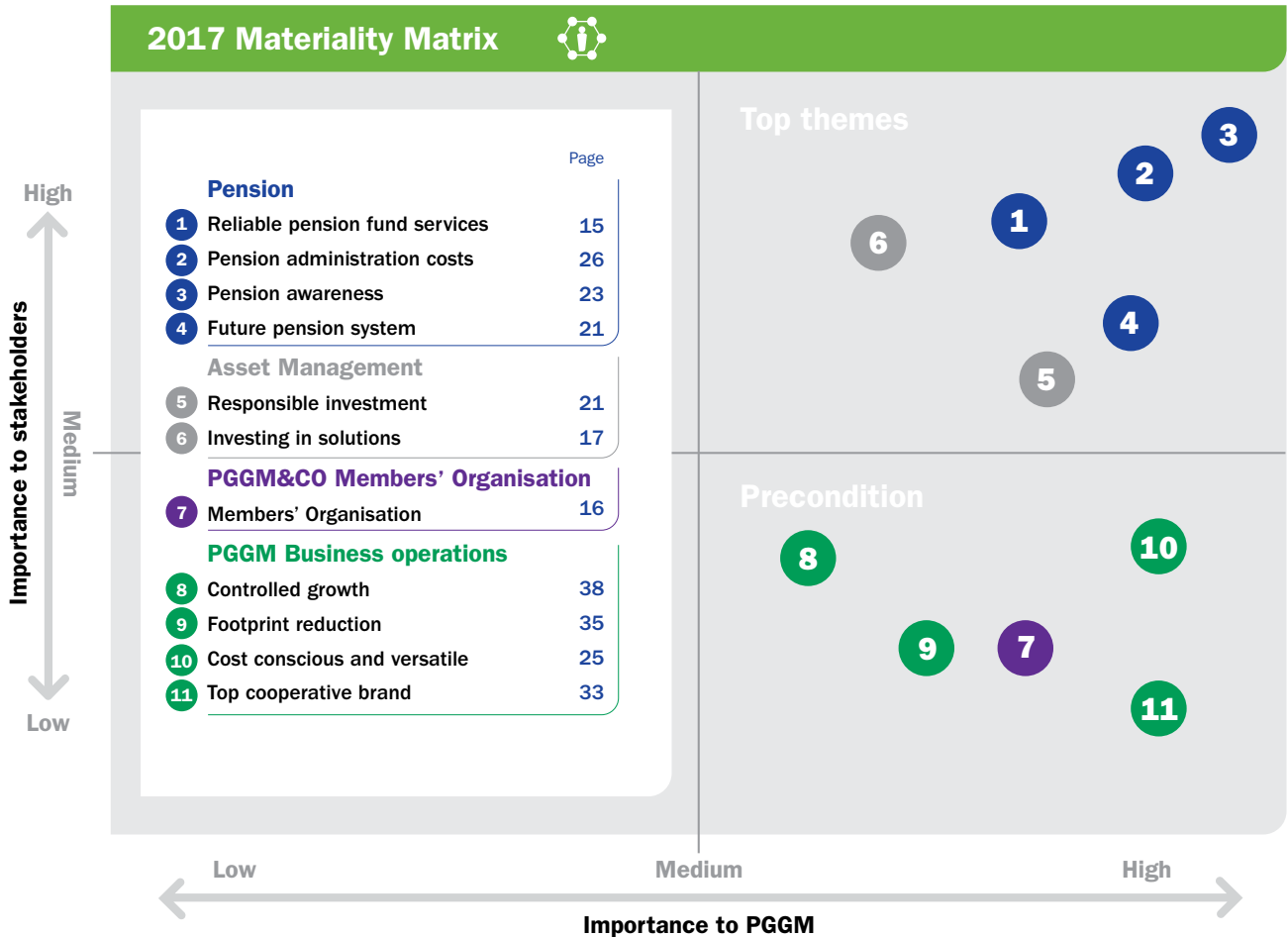
Clients
Participants and employers
Prospects
Members
Social partners
Financial sector
Suppliers
Public administration
Regulatory and supervisory bodies
Social organisations
Media
(International) partnerships
Focus groups

From stakeholders to materiality matrix

Since 2014, we have prepared an annual overview of the key themes that are relevant to these stakeholders. We do this on the basis of discussions with our internal and external stakeholders and from results from surveys. We 'plot' these themes in a matrix: the materiality matrix. The materiality matrix identifies the relevance of the themes for stakeholders, as well as for our own organisation.

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

The key themes in the materiality matrix are the themes that are of major importance to our stakeholders, as well as ourselves. These themes are plotted in the top right of the materiality matrix.





We are a business that assumes its responsibility, engages in dialogue with its stakeholders and which has sustainable business at its core. In addition, we play an active role for society. Up until 2020, we will be working on four themes: climate, circular economy, retiring with vitality and the fight against dementia. This way we aim for a valuable future that, in addition to a good pension, is concerned with the long term and quality of life.

Climate

We measure the impact of our business operations on the environment, expressed in the form of CO₂, with our CO₂ footprint. Our objective is to lower our CO₂ emissions. In addition, we will continue to pursue a sustainable mobility policy.

Our CO₂ emissions in 2017 totalled 5,825 tonnes. This represents an increase of 9 percent in relation to 2016. This increase is primarily due to an increase in the use of paper and our gas consumption, as a result of a rise in the number of employees at PGGM. Furthermore, more direct investments have resulted in an increase in our business flights. We therefore have our work cut out for us in order to achieve our CO₂ reduction objectives.

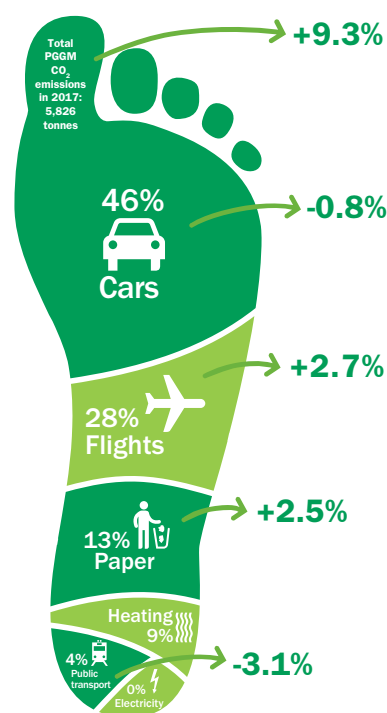
Compensation of CO₂ emissions

We compensate any CO₂ emissions we cause. We do this for the CO₂ emissions caused by our gas consumption, our business trips by car, our use of public transportation, business flights and our paper consumption. In 2017, we compensated our emissions via the Gold Standard CookStoves Uganda Paradigm Project. Special wood ovens have been developed for this project in Uganda that provide an alternative to traditional cooking on open fires, which causes significant CO₂ emissions. We also actively contribute to making aviation more sustainable by supporting the KLM Corporate BioFuel Programme. In 2017, we achieved a reduction of 61.25 metric tonnes of CO₂ emissions on flights taken by employees thanks to our participation in the BioFuel Programme.

Sustainable mobility policy

In 2017, we implemented a number of new measures designed to encourage sustainable transportation. When they deviate from the fuel standard, lease car drivers are required to offset the costs themselves. In addition, they were given Dutch National Railways (NS) business cards in order to make the use of public transportation more attractive. The emission standards for lease cars were once again reduced in 2017. Employees are encouraged to travel by bike.

2017 CO₂ footprint



For example, e-bikes are available to employees, who can make use of them for a small fee.

Focus in 2018

We will be further reducing our own footprint. We aim to realise this ambition by pursuing reductions in the area of energy consumption, paper and mobility.

Clients have a right to expect us to provide insight into climate change risks and opportunities, and to provide advice about its integration into policy and implementation. Furthermore, clients have a right to expect us to challenge and inspire them. Our clients differ from each other and make their own assessments. We want to support them in a way that is consistent with their profile, investment and other convictions and opportunities.

We will continue to be part of the Task Force on Climate-related Financial Disclosures (TCFD) in 2018. In June 2017, TCFD published its final report with recommendations for transparency concerning the financial aspects of climate change. PGGM will devote attention to this in 2018, including more intensively monitoring climate trends and investing in models and expertise that enable it to measure climate-related risks more precisely.

Circular economy

We live in a throw-away economy. With a view to the growth of the middle class (from 1.9 billion in 2010 to 4.9 billion by 2030) and the depletion of critical materials, this form of value destruction is unsustainable.

Our economy must increasingly be based on circular principles. The transition to a circular economy demands systematic change. Money and financing play an important role in this respect. Not only in terms of investments, but also in relation to changes in the financing of companies and consumers.

Link to financing and regulations

In 2014, we created the international FinanCE working group. Sixteen financial institutions from 9 countries have since joined this working group. In 2016, we published the 'Money Makes the World Go Round' report; the first report to link the circular economy to financing issues. In 2017, we joined the Expert Panel of the European Commission, a two-year platform with 25 experts that will make recommendations to the Commission concerning financing and regulations designed to promote the transition to a circular economy. Finally, at year-end 2017 we partnered with Ex'Tax to assess the extent to which the tax system can contribute to a more sustainable world.

Focus in 2018

In 2018, the circular economy will continue to be an item on the partnership agenda of our largest client. The FinanCE working group is completing a report focused on the differences in finances between linear and circular enterprise, as well as making a start on analysing the risks of an economy that stays predominantly linear. In addition, we will make an active contribution to the Expert Panel of the European Commission. Together with Ex'Tax we will start working on a specific research topic in 2018.

Circular procurement

PGGM pursues a socially responsible procurement policy. This way we assume our chain responsibility as a company. We want to effectively work together in the chain from production to end use. This is why we are devoting increasing attention to circular procurement. We have made specific agreements with suppliers about the return of resources and materials such as mobile devices, project tables and multi-functionals, so as to give them a new life or have them removed as a raw material. In addition, every year we organise a round table in which we engage suppliers in a discussion on social themes, so that we can make a difference within the chain as well. For example, this year we organised a successful round table on the deployment of people with a disadvantage in the labour market.

Retiring with vitality

Vitality in the labour market means remaining both physically and mentally fit until retirement age and concerns the vital position of people in the labour market. Due to the increasing retirement age, the greying of the sector and the increasing pressure on healthcare organisations, the vitality issue is of increasing concern. In 2000, on average one in six employees in the health and social sector was in his/her fifties. Today this is almost one in three. This means working longer and in practice higher rates of absence, more occupational disability and on average lower work capacity. This has consequences with human and social costs. This is why we started the 'Retiring with Vitality' programme.

Together with PFZW and our members' organisation PGGM&CO we are assessing how to tackle the vitality issue in the health and social sector. In 2017, we developed potential propositions and presented these to employees in the health and social sector. On the basis of these discussions and with the commitment of the Cooperative's and PFZW's executive management, two propositions were developed in detail at the end of 2017. These propositions focus on increasing insight into absence in organisations and on the sectoral exchange of best practices. In addition, we are working on the Retiring with Vitality objective in various ways. For example, by focusing the attention of participants on the possibilities of a part-time pension and through efforts relating to informal care in member communities.

Health Impact Bond

The Health Impact Bond (HIB) initiated in 2016 continues to be active. Through the Social Hospital (Fix-it), understandable care is provided for complicated households. In the context of the 'Retiring with Vitality' programme, we are going to investigate whether the HIB methodology can contribute to focused solutions.

Focus in 2018

In 2018, we aim to have an even greater impact on the complex vitality issue. In addition, the above-referenced propositions, focused on the exchange of best practices and enlarging insight into absence rates will be further developed.

Focus in 2018

We continue to be active on the administrative as well as practical level in the fight against dementia and in supporting informal care givers. We continue to be administratively responsible for the Dementia Delta Plan, the Dutch national plan in the fight against dementia. We will continue to devote efforts to increasing awareness and knowledge of dementia by contributing to the management of the Samen Dementievriendelijk programme. We do this together with Alzheimer Nederland and the Ministry of Public Health, Welfare and Sport. Our goal is a total number of 150,000 participants by 2018. In addition, we support WeHelpen in developing a new form of service designed to assist informal care givers and ease their burden.

The fight against dementia

We aim to increase awareness of dementia. We help by devoting and asking for attention to be devoted to dementia and informal care. In addition, we donate money for research. In 2017, we were involved in the executive management of the Dementia Delta Plan, the Dutch national plan in the fight against dementia. We devoted efforts to increasing awareness and knowledge of dementia by contributing to the Samen Dementievriendelijk (Dementia-friendly Together) programme. With Alzheimer Netherlands and the Ministry of Health, Welfare and Sport (VWS) we recruited and trained 60,000 volunteers in the context of the Samen Dementievriendelijk campaign, including a number of our employees.

Informal care-friendly company

We also devoted efforts within PGGM to creating dementia-related awareness and knowledge by distributing vouchers on World Alzheimer's Day as a way of drawing employee attention to the possibility of completing the Samen Dementievriendelijk training programme. Last year we worked on being an informal care-friendly employer. As a result we were awarded the 'Informal Care-friendly Company' certificate in November 2017.

The PGGM&CO Members' Organisation connects people in the health and social sector. This is where we have our roots, as do our over 740,000 members. They work in this sector on the basis of their passion for their fellow man. In a fast changing world they sometimes face considerable challenges: How can I do my work in a way that meets my beliefs? How do I manage to keep on working until my 67th birthday? Inspired by the Members' Council, PGGM&CO connects its members in their search for answers and solutions. Through an interactive digital platform we make it easier for members to meet colleagues, obtain information, ask questions and share knowledge. We believe in a members' organisation supported by affiliated members; members that on the basis of reciprocity help build on the larger social interest in different ways. We improve the health and social sector together.

Transition of members' organisation

In recent years, PGGM&CO has evolved from a classic marketing organisation to a facilitating members' organisation that gives priority to member value. The focus here was on creating a solid, versatile and affordable members' environment. In 2017, we continued to invest in IT systems, improving client contact, a mobile communications app, renewed and innovative work processes and a new online members' platform for our communities. We engaged in discussion through our communities, newsletters and our members' magazine. In addition, we expanded our members' shop with various additional products, including accredited workshops and innovative propositions. Furthermore, we have selected partners that enable us to work flexibly, with agility and in the cloud. When developing new services, our member shop must always be financially self-sufficient.

Connecting members together

We regularly quantitatively and qualitatively measure the extent to which members identify with PGGM&CO's direction. For example, in the fourth quarter, we conducted an NPS survey among 50,000 members. The results clearly show that our members appreciate our new direction. Throughout the year, we conducted several major surveys among our members, each time resulting in thousands of responses. For example, the e-Health survey generated more than 30,000 responses and the job satisfaction survey generated more than 17,000 responses. Finally, in cooperation with the Raad voor Volksgezondheid en Samenleving (RVS) (Council for Public Health and Society), we questioned our members about the National Healthcare agenda. The RVS will submit the results to the new Cabinet.

Relevant products and services

Through our ideas community &CO-lab we created an online meeting place for sharing, creating and developing good ideas. In 2017, the &CO-lab largely devoted its efforts to the Vitaal met Pensioen (Retiring with Vitality) theme which has produced various ideas.

Innovation through PGGM&CO

PFZW has indicated that it would also like to make use of our &CO-lab. Through a cooperative alliance with the PGGM Verkennen & Onderzoeken (Exploring & Investigating) service, PGGM&CO supplies work spaces, tooling and expertise. This way we are able to use PGGM&CO for innovation within PGGM and PFZW.

The Attens member mortgage

The member mortgage introduced in 2015 has closed more than three thousand mortgages with an average mortgage principal amount of € 210,000. This result shows that this product meets the needs of our members. In addition, our members have indicated they are interested in opportunities to capitalise on the value of their home. More than 7,000 members expressed their opinion on this topic in an extensive survey. We will assess how we can further respond to this wish in the coming year.

Focus in 2018

In 2018, in partnership with PGGM, we will concentrate on the Retiring with Vitality programme. Together with the Members' Council we have selected three career-wide themes: encouraging students and starters to opt for the health and social sector, lowering work pressure and a balanced work-life up to retirement.

Risk Management

PGGM risk framework

For the implementation of Enterprise 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 (COSO ERM) methodology, which was updated in 2017 and is accepted as the international standard. Applying the PGGM risk framework ensures that the risks within our organisation are clearly controlled in the most efficient and effective way possible. The generally accepted 'three lines of defence model' forms part of the governance. In this model, the line management (first line), the Finance & Control and Risk & Compliance departments (second line) and Internal Audit (third line) all have their own risk management-related tasks and responsibilities. The Chief Financial & Risk Officer, who is a member of PGGM's Executive Board, has final responsibility for risk management in our organisation.

Risk appetite

To realise our objectives it is necessary to take risks. The degree to which we are willing to take risks is expressed in our risk appetite. The risk appetite serves as a guideline for determining whether any additional control measures are required to keep a specific risk within the risk policy's boundaries. In this context, we use a qualitative scale of Low (L), Low-Medium (L/M), Medium-High (M/H) and High (H) and have defined a quantitative risk tolerance for the financial impact resulting from incidents. The risk appetite is regularly recalibrated and adopted annually by the Executive Committee (EC).

In order to unequivocally identify and classify risks, the PGGM Risk Language was adopted, divided into four clusters. Each cluster contains multiple (principal) risks. An L/M risk appetite applies to the Strategic, Governance and Financial clusters. For the second and third quarter 2017, the EC temporarily accepted a higher M/H risk appetite for the Operational cluster. The L/M risk appetite once again applied to the Operational cluster from the fourth quarter onwards.

Risk culture

Effective risk management cannot be achieved without the right behaviour from our employees, whereby the 'tone at the top' is essential for a broadly-supported risk culture. Soft controls are necessary for achieving our organisational objectives and form part of the PGGM Risk Framework. The risk culture we strive for is focused on risk-aware behaviour in an open and honest environment in which we are accountable to each other for our behaviour. PGGM stands for a risk culture in which employees act on a risk-aware basis, take responsibility and where incidents – no matter how uncomfortable – are reported. We can learn from this and as quickly as possible mitigate the impact. To establish clarity about how we wish to deal with our stakeholders and to safeguard confidence in our services, we maintain various instruments, including a PGGM Code of Conduct and pursue a prudent, restrained and sustainable remuneration policy. In addition to the annual audit of compliance with the Code of Conduct and the annual risk analysis of the remuneration policy by the Risk & Compliance department, the conduct component is explicitly included in the handling of any incidents.

Risk management process

To implement risk management, we use a clear method that applies for all our business units. Enterprise Risk Management is a continual process at all levels of our organisation. The Risk & Compliance department is responsible for coordinating the risk management process and quarterly draws up a risk report for each business unit.

This risk report presents the risk profile for each cluster of risks and compares it to the risk appetite adopted by the EC. The risk profile is based on risk factors supplied from various sources, including from Risk (Self) Assessments, incidents, risk control, compliance monitoring, key risk indicators and audit observations. The content of the risk report is discussed and confirmed in the Unit Risk Committee of the particular business unit. In addition to the risks that actually manifested themselves, we specifically review the risks that could manifest themselves over time or over the short term.

Based on the risk profile and risk report, each business unit issues an In Control Statement (ICS). With the ICS, the business unit's management team (first line) declares that the internal control measures were properly implemented and functioned effectively, and provide a reasonable degree of assurance that business operations were conducted in an ethical and controlled manner. In the ICS, the management team also states that the risk profile provided fairly presents the risks faced by the business unit. This statement is furthermore endorsed by the second line through the co-signature of the ICS by the Manager Enterprise Risk Management.

The relevant risks from the confirmed risk reports for our business units are incorporated into the PGGM risk report. This report reflects the total risk profile of our organisation. Following the discussion of the PGGM risk report in the Corporate Risk & Compliance Committee (CRC Committee), the risk profile is discussed and adopted in the EC. The risk profile, supplemented with decisions taken by the EC, is then reported to and discussed by the Audit, Risk and Compliance Committee and the Supervisory Board.

Aside from the meetings to discuss the risk reports, the CRC Committee specifically meets four times per year to identify the prospective risks to which PGGM should devote attention and to more extensively review PGGM's strategic risks.

Risk management developments in 2017

In 2017, the PGGM Risk Framework was updated and brought into line with the update published by COSO in 2017 and with the ERM Integrated Framework published in 2004. The development of risk management from a standalone process into its full integration into the formation of the business strategy, the execution of this strategy and performance management have been incorporated into the new version.

The renovated COSO-ERM methodology combined with the centralisation of the Risk & Compliance department last year, furthermore provided the motivation for designing a 2020 future vision in 2017 for the further development of Enterprise Risk Management for our organisation. A roadmap was prepared for the implementation of this vision and the implementation of new tooling in support of the governance, audit, risk and compliance activities was initiated. This tooling was put into use in 2018.

Furthermore, in 2017, the capacity of Risk & Compliance was expanded to include specific attention for IT risk,

cyber risk and privacy. To improve and manage the model risk, the EC has decided to introduce an integrated IT Risk and Model Risk policy PGGM-wide and to create a specific model validation team for this purpose.

Key risks and uncertainties

The key risks and uncertainties, the developments in 2017 and the measures for controlling risk are briefly discussed for each cluster below.

Strategic risk (risk appetite: Low/Medium)

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

We are explicitly monitoring and actively participating in the social debate currently taking place on the changes to the pension system. The transition to a more individual pension system has a far-reaching impact on the proposition and business operations, and is a significant strategic uncertainty for us. With the Daadkrachtig Vernieuwen programme completed in 2017, we have taken steps to make our organisation and systems more decisive and versatile. Follow-up steps are being taken with specific projects and we are preparing ourselves for a more individualised pension system.

In 2017, we started working on the planned reorientation of our adopted strategy. External developments (change of the pension system, the pension fund services market and technological developments), as well as internal developments (experience with the implementation of the current multi-client strategy, the end of the Daadkrachtig Vernieuwen programme and the financial results that are under pressure) made a reorientation desirable.

The measures specifically taken in 2017 to improve client satisfaction were successfully implemented and are having a noticeable positive impact on client satisfaction. However, several service-related incidents put client satisfaction under pressure. In 2018, additional attention will be devoted to excellence in execution in order to bring client satisfaction up to the desired level.

To manage reputation risk, we are actively engaged in stakeholder management, in which the client relationship is continuously monitored and client satisfaction is measured yearly. In addition, in 2017, a Reputation Board was created responsible for identifying reputation risks and opportunities, mitigating risks and exploiting opportunities PGGM-wide.

Governance risk (risk appetite: Low/Medium)

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

There are many projects and initiatives simultaneously ongoing to continue to comply with changing laws and regulations, client wishes, the need to make our organisation more flexible and efficient and for implementing new clients and products. A relevant governance risk in this context is the failure to properly align these various projects with our vision and strategy, the cohesion among the various projects and their feasibility. To mitigate this risk, frameworks for the implementation of change activities within our organisation have been adopted that focus on appropriate, balanced, effective and transparent project and portfolio management. A supporting governance structure was also created for this purpose, with a separate Domain Portfolio Consultative Body for each domain and an overarching Corporate Portfolio Board, of which the EC is a member.

In 2017, we established a PGGM-wide Data Governance Board. This board facilitates data management initiatives (it links the units and sets out an organically growing standard for PGGM), creates structure for and insight into the status of data management within PGGM and enables PGGM to effectively identify, manage and resolve data quality issues at the right level within the organisation.

The challenges concerning cyber risks and security are expected to continue to grow and play an increasingly larger role. In 2016, we appointed a Director IT Policy, Innovation & Services. A Security & Quality Office (SQO) has been created and organised under his responsibility and a Chief Information Security Officer (CISO) has been appointed. This has significantly improved the security organisation's governance. In 2017, this security organisation was further developed and fine-tuned and a Computer Emergency Response Team was set up. In addition, the digital 'crown jewels' were identified to further shape policy and organise the information security function. The governance structure that has been created will also help us respond adequately to cyber threats in the years to come.

Operational risk (risk appetite: Low/Medium)

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

Several projects were initiated to be able to implement the changes required to make PGGM more versatile, and comply with changing market demands and the ever increasing laws and regulations (including the General Data Protection Regulation (GDPR) and MiFID II). In view of the scope and impact of these projects on the organisation, the organisation's capacity for change is under pressure, which increases the operational risk. This risk is monitored by means of the corporate portfolio management process which was refined in 2016.

In 2017, there was an incident relating to the invoicing process for the pension premiums to be collected from employers for one of our clients. Following the implementation of a new invoicing system, certain invoices submitted to employers proved to contain errors. These defects were corrected under the direction of a taskforce created for this purpose and the relevant invoicing process is once again running smoothly. In accordance with our advice, the relevant client has reported this incident to the regulatory authority. An investigation into the incident's underlying fundamental causes was conducted and measures have been implemented to prevent reoccurrence.

In addition, in 2017, there were multiple incidents in the mandatory pension communications for various clients. These errors have been corrected and in accordance with our advice, the relevant clients have reported these incidents to the regulatory authority.

In 2017, we successfully appointed a new principal banker for our asset management activities and we adjusted or implemented the required processes. The transfer to a new principal banker was necessary because the former principal banker terminated its services for Continuous Linked Settlements (CLS). Access to CLS ensures that currency transactions are settled efficiently, inexpensively and without any counterparty risk (netted). The lack of access to CLS would have resulted in a higher operational risk for ourselves and our customers.

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

Being able to attract, develop and retain talent is of strategic importance for PGGM. The Fit for the Future campaign to enable employees to work long, in good health and with satisfaction was initiated in 2017. The campaign stimulates and supports employees to take control of their own career development. In addition, the Sturen op Bezetting (Managing Staffing Levels) programme was implemented PGGM-wide. Under this programme the growth potential of every employee is determined, discussed and monitored.

The remuneration policy is evaluated annually to ascertain its market conformity and effectiveness and to subject it to a risk analysis. In 2017, a great deal of attention was also devoted to the culture in our organisation and to employee behaviour deemed consistent with a versatile organisation. Satisfaction, commitment and enthusiasm are measured annually and discussed with the people via an employee survey conducted by the firm Effectory.

In 2017, we updated the systematic identification and analysis of our integrity risks for our clients on the basis of the systematic integrity risk analysis (SIRA) developed by De Nederlandsche Bank (DNB). This enabled us to demonstrate to our clients that the integrity risks are effectively managed and that we satisfy the applicable laws and regulations.

Performing the mandates of our clients involves a degree of operational risk. To mitigate this risk, we have set up our processes in such a way that we are demonstrably 'in control'. For assurance purposes, we have Standard 3402 and Standard 3000 reports. The above-referenced incidents resulted in a qualified auditor's opinion for the Standard reports relating to the service provided by Pensioenbeheer to the affected clients. There are no such qualifications for the Standard reports relating to the service provided by Vermogensbeheer.

The Standard 3402 reports focus on the processes that have an impact on the financial reporting for our clients. The Standard 3000 reports provide assurance for processes that do not have a direct impact on the financial reporting for our clients.

Financial risk (risk appetite: Low/Medium)

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

The financial results of our organisation are under pressure, the margins on our services are declining and new products do not yet contribute substantially to the result. As such, the result over 2017 is slightly positive.

The Daadkrachtig Vernieuwen Programme was completed in 2017. The identified savings have been largely realised and the remaining targeted savings will be implemented in 2018. In 2018, alongside cost savings, we will also specifically investigate what possibilities there are for increasing our revenues.

In 2017, the Equity policy was reviewed in combination with our organisation's liability and exit regulations as agreed upon with our institutional clients. With the renewed agreements the financial risks for our organisation have declined which means that the equity we need to maintain to be able to carry these risks has reduced. In addition, during the annual evaluation of the insurance portfolio, the CRC Committee established that it is sufficient.

The investment portfolios which our clients have entrusted to us for management are managed for the account and risk of our clients. This means that the financial risks arising from these investment portfolios do not have a direct impact on our organisation's financial position.

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

Required capital

It is essential for the continuity of our organisation that we maintain enough capital to accommodate the potential financial consequences of the identified risks. We have adopted a specific Equity policy for this purpose. The requirements stipulated by DNB have been incorporated in this. The Finance & Control department monitored the adequacy of the capital maintained in 2017.

For PGGM Vermogensbeheer B.V. and PGGM Treasury B.V., the adequacy of the capital maintained is specifically determined using the Internal Capital Adequacy Assessment Process (ICAAP). The 2017 annual discussion of the ICAAP with DNB did not give rise to any noteworthy observations. DNB considers the capital maintained by the aforementioned companies sufficiently prudent to manage the risks assessed under ICAAP

A shortage amounting to € 58,000 was identified for PGGM Strategic Advisory Services B.V., which was immediately replenished by means of a share premium transfer.

The trust we receive from all stakeholders and the parties with which we do business is founded on integrity, soft controls and the demonstrable compliance with legislation and regulations. We pursue an active and proactive compliance and integrity policy that ensures we comply with these integrity standards, laws and regulations and the conditions set by the regulatory authorities. PGGM Compliance carried out activities for this purpose in 2017 focused on framework development, consulting, monitoring and reporting, training and awareness.

Integrity

We want to implement our services in an ethical manner. This is also expressed in the core values 'Open and Honest' and 'Respect for People and the Environment'. Sincerity and integrity, internally, as well as externally are of major importance to us. We use various instruments to safeguard this, including a Code of Conduct, a whistleblower scheme and a screening policy.

We are aware that culture plays an increasingly important role in controlling risks. Therefore in controlling risks and achieving objectives we focus on soft controls in addition to hard controls (demonstrable measures embedded in processes and systems). The intangible but behaviour-influencing factors do not replace the rules, protocols or procedures. Hard and soft controls together influence people's behaviour.

Compliance audits a number of integrity-related aspects: auditing private security transactions by employees on the basis of the provisions of the Code of Conduct, preventing and if necessary, transparently managing conflicts of interest and protecting confidential information. In addition, Compliance increases and maintains awareness in the area of regulations, compliance procedures and fraud and anti-corruption measures.

Compliance with laws and regulations

We use internal policy rules and procedures to safeguard compliance with laws and regulations that apply to ourselves and to our clients. We proactively monitor changes in legislation and regulations. We do this by identifying changes early, carrying out an impact analysis of these changes and by subsequently implementing the changes in documentation, processes and/or systems and verifying the correctness, completeness and timeliness of the implementation.

To transparently account for the way in which we process changes in laws and regulations, the process of implementing changes in laws and regulations has been incorporated as a control measure in ISAE3402.

In 2017, there were no significant incidents in the area of compliance and integrity. We were not involved in any noteworthy legal proceedings or sanctions worthy of mention relating to non-compliance with laws and regulations in 2017.

Protection of personal data

We process a great deal of personal data on behalf of our clients. It is our task to treat this information with the utmost care. On 25 May 2018 the General Data Protection Regulation (GDPR) will go into effect. It replaces the currently applicable Wet Bescherming Persoonsgegevens (Personal Data Protection Act). We are preparing our clients and PGGM itself for the provisions of the GDPR, under the coordination of Compliance. In addition, we have taken various measures by reason of information security in order to effectively protect personal data.

Investigations by regulatory authorities

Together with our clients we are regulated by various regulatory authorities. In 2017, the regulatory authorities conducted a large number of investigations, with which the various departments readily cooperated. This is a satisfying development, as well as a sign that the increased supervisory activities will place an increasingly heavier burden on the organisation. Pursuant to these investigations, improvements were identified and implemented where necessary.

Internal organisation

The Compliance department has opted for a team of professionals, each with an account responsibility and/or a specialism. The person responsible for the account carries out the compliance tasks relating to the chain (including the associated legal entities). The specialists within the compliance team advise and/or support the persons responsible for the account in performing their task.

Compliance has a regular meeting structure and organises knowledge sessions within the team. The meetings and the knowledge sessions serve as a platform for discussing policy, strategic and compliance-related topics. Compliance is involved in almost all planned and approved changes that impact the internal PGGM organisation and processes.

Report of the External Reporting Officer

In addition to the two internal reporting officers, an external reporting officer has also been appointed in the context of the PGGM whistleblower scheme. Any potential misunderstandings in the context of this scheme can be submitted here. The external reporting officer has informed us that no reports were received in this context during the year under review.

In Control Statement

Objective

The Executive Board, on the basis of the In Control Statement, makes an explicit statement about the quality of the internal risk management and control systems. This reflects the importance we attach to ethical and controlled business operations and transparent reporting on this. In the In Control Statement we focus on the financial reporting risks and on the non-financial risks. As such, PGGM is in compliance with the Dutch Corporate Governance Code.

Responsibility

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

Activities

To execute our responsibilities, we have – during the reporting year – independently and systematically analysed and assessed the risks related to the achievement of our objectives and the applicable internal risk management and control systems of our organisation. We used various instruments for this purpose, including the PGGM Risk Framework which is based on the COSO Enterprise Risk Management methodology which was updated in 2017. The significant strategic, governance, operational and financial risks for each business unit were identified.

Subsequently, the management of each business unit independently analysed and assessed these risks as well as the applicable internal risk management and control systems; and submitted a report to us in this respect. We evaluated these reports, together with the findings of internal and external audits. We regularly discuss all the work related to risk control with the Audit, Risk and Compliance Committee and the Supervisory Board.

For a more detailed explanation of our work in this context, see the previous chapter on Risk Management.

Statement

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

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

Zeist, the Netherlands, 17 April 2018

The Executive Board
Mr E. (Edwin) Velzel
Dr P.A.M. (Paul) Boomkamp

Report of the Supervisory Board

In this Annual Report, the Supervisory Board explains how it carried out its supervisory role and how it supported the Executive Board by providing advice over the past year.

The report also discusses the most important substantive issues in which the Board was involved this year.

In performing their duties, the supervisory directors are guided by the interests of the company and the businesses affiliated with it. The Supervisory Board supervises the Executive Board's policy and the general affairs of the company and its subsidiaries.

The Supervisory Board has two committees: the Audit, Risk and Compliance Committee and the Remuneration, Selection and Appointments Committee.

The Supervisory Board looks back on a special year where the focus was on a number of key areas:

- Client and market developments
- Business operations and incidents
- Changes to the Executive Board and Executive Committee
- Composition of the Supervisory Board
- Reorientation of PGGM strategy.

2017 Highlights

The service we provide to our clients is a key area of attention for the Supervisory Board and is regularly discussed with the Executive Board during meetings and on other occasions. The renewal of the pension system, which potentially may include a transition to more individualised pension products, was a key theme over the past year and will also require the Executive Board's attention over the coming year. The Supervisory Board, together with the Executive Board, noted that there is a great deal of pressure on business operations due to changing laws and regulations, client wishes, new client implementations, Daadkrachtig Vernieuwen and ongoing (IT) programmes designed to make business operations future-proof. A great deal of attention was devoted to the interrelationships of projects within PGGM, and the alignment and feasibility and design of control measures.

Last year there were several incidents in the company's business operations that caused client satisfaction to come under pressure. The Supervisory Board expressed its concerns about this and closely monitored progress. The action plan as well as the interim progress and the results were discussed in several (additional) meetings of the Audit Committee and the Supervisory Board. The organisation, the Executive Board and the Supervisory Board devoted a great deal of effort to this.

The Supervisory Board was specifically involved in the Daadkrachtig Vernieuwen programme and is satisfied with its completion in 2017. The completion of this programme means that the planned steps to make the organisation more versatile and cost-efficient were implemented. Follow-up steps will be taken in this area in 2018. The Supervisory Board will see to it that the required focus in execution and the associated soft controls will continue to be high on the agenda.

In 2017, the Executive Board initiated a reorientation of the company's strategy in close collaboration with the Supervisory Board. External developments (change of the pension system, the pension fund services market and technological developments), as well as internal developments (experience with the implementation of the current multi-client strategy, the end of the Daadkrachtig Vernieuwen programme and the financial results that are under pressure) made a reorientation desirable. Due to the appointment of a new CEO, a new strategy has not yet been adopted and the process will continue into 2018.

In May 2017, Else Bos announced her departure from PGGM. The Supervisory Board then started the recruitment process for a new CEO. During the recruitment process, the Board asked its recently appointed chair to make himself available as a candidate. His competencies and qualifications, vision and decisiveness are consistent with the job profile. In addition, he is a proven executive director in the area of operating in partnerships, internally and externally. The decision to ask the recently appointed chair of the Supervisory Board to make himself available as a candidate created a difficult administrative dilemma. The fact that he only functioned as a Supervisory Board member for a few months (17 May 2018 to 13 September 2018) was taken into consideration. Furthermore, it was explicitly decided to use a selection procedure involving multiple candidates and the support of an external recruitment firm. From the time of his candidature, Edwin Velzel was not involved in the recruitment and selection of the CEO. Following a meticulous process, he joined PGGM on 1 November 2017, and on 14 December, following approval by the regulatory authorities, was appointed chair of the Executive Board of PGGM.

Composition of the Supervisory Board

All members of the Supervisory Board are independent in the sense of the Dutch Corporate Governance Code. When appointing its members, the Board endeavours to achieve a complementary Board composition as indicated in the Supervisory Board's profile. The Board hereby stimulates diversity in culture, age, training and education, work experience and gender. Effective from 1 January 2018, the percentage women on the Supervisory Board is more than the required 30%.

On 17 May 2017, the chair of the Supervisory Board, Herman de Boon, retired from the Supervisory Board. The Board is very grateful to Herman for his efforts and contribution during the past 10 years. On 17 May 2017, Edwin Velzel was appointed chair of the Supervisory Board and retired from the Board on 13 September 2017 when the decision was taken to appoint him as CEO. The Vice-chair, Wim de Weijer, was appointed acting chair effective from 13 September 2017.

To safeguard continuity within the Board, he remained on the Board until the new chair was appointed. Wim retired from the Supervisory Board on 1 April 2018. The Board is very grateful to Wim for his efforts and contribution during the past 10 years. Marjanne Sint was appointed chair of the Supervisory Board effective on 1 April 2018. The Board is delighted with its new Chair. Jan van Rutte joined the Supervisory Board on 17 May 2017, filling the vacancy created due to the departure of Maarten Dijkshoorn (1 January 2017). Miriam van Dongen was reappointed for a four-year term effective 13 June 2017. Micky Adriaansens joined the Supervisory Board effective 1 January 2018.

Attendance at regular meetings

The Supervisory Board held five regular meetings and four special meetings in 2017. Due to the recruitment of the CEO, the changes in the composition of the Supervisory Board and the incidents in business operations, many subjects that normally are handled by the Audit, Risk and Compliance Committee and/or the Remuneration, Selection and Appointments Committee were discussed with the full Supervisory Board. In this context, there were eight separate closed Supervisory Board meetings, without the presence of the Executive Board. In addition, many discussions were held in the context of the recruitment of the CEO and the recruitment of members of the Supervisory Board. Prior to the regular meetings, the Supervisory Board holds a closed meeting for preparation purposes. The Supervisory Board's regular meetings are held in the presence of the members of the Executive Board. The relationship with the Executive Board is considered good and transparent.

No supervisory director was frequently absent from Board meetings. Whenever members were absent, they provided their input prior to the meeting.

Supervisory Board meetings								
Attendance at regular meetings	Total	Herman de Boon (to 17/5)	Wim de Weijer	Miriam van Dongen	Wanda van kerkvoorden	Eric de Macker	Jan van Rutte (from 17/5)	Edwin Velzel (17/5-13/9)
SB Regular	9	2	9	9	9	9	7	2
SB Closed*	13	2	13	13	13	13	9	3
Audit, Risk and Compliance Committee	5	-	5	4	-	-	3	-
Remuneration, Selection and Appointments Committee	4	1	-	-	4	4	-	1

(*) of which five times prior to a regular meeting

Topics on the agenda of regular meetings in 2017

Fixed agenda items at each regular meeting are external influences, business operations, the state of affairs concerning clients, the relationship with Pensioenfondszorg en Welzijn (PFZW), PGGM's strategy, innovation and its capacity for change.

In addition to the annual discussions and approval of the directors' report, a review of the financial results and the key risks associated with business operations is conducted every quarter on the basis of the performance and audit reports.

The Supervisory Board is also regularly informed about developments on the asset management market. This provides the Board with timely insight into relevant developments that could potentially influence PGGM's business operations and reputation. Following extensive discussions, the Supervisory Board agreed with the planned introduction of the PGGM Infrastructuur Fonds in the market in 2019. The Board also indicated the need for evaluating the governance structure of Vermogensbeheer in relation to its responsibilities with due consideration to the wishes of the regulatory authorities. In preparation for this it was agreed that at every meeting of the Supervisory Board of PGGM Vermogensbeheer B.V., a member of the Supervisory Board will be present.

On 21 November, the Supervisory Board approved the anchoring of the revised Corporate Governance Code 2016 into the regulations of the Executive Committee (EC), the Executive Board, the Supervisory Board and its committees. PGGM voluntarily applies the Code.

Organisational developments

In May 2017, Else Bos announced she was leaving PGGM. In July 2017, it was announced that she would be joining De Nederlandsche Bank as a member of the Board of Management and regulatory chair on 1 July 2018. In consultation with the Supervisory Board, Else stepped down as CEO on 1 November. Immediately after this she took a sabbatical up to 1 May 2018, which she had been granted in 2012 following the cessation of her variable compensation.

The Supervisory Board is extremely grateful to Else for the 15 years she has worked for PGGM including the last 5 years she has been CEO. She has made an important contribution to PGGM's development following the demerger with PFZW and has led PGGM in the area of sustainable investment. The Supervisory Board is delighted with the appointment of Edwin Velzel as her

successor. The Supervisory Board believes he will play an excellent role in PGGM's further development as an excellent service provider and in the implementation of a valuable future.

Harry Vossebeld, Director Pension Management and COO, member of the EC, decided to leave PGGM on 1 April 2018. The Supervisory Board expresses its respect and gratitude for his effort and performance. The Supervisory Board is closely involved in recruiting a new EC member.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee comprises Miriam van Dongen (Chair), Wanda van Kerkvoorden and Jan van Rutte.

In 2017, the Audit, Risk and Compliance Committee held five regular meetings, two of which were closed in part. In its closed meetings, the Committee discussed the assessment of the internal auditor, the performance of the Internal Audit department and the contract with the external auditor. The meetings were attended by the CFRO and the CEO, the Director of Internal Audit and the external auditor.

The discussions of the quarterly reports were attended by the directors Finance & Control and Risk & Compliance. During the discussions about the annual report, the Committee spoke to the auditor separately. The conclusion of this meeting was that there were no significant events that could not be shared with members of the Executive Board.

The Committee discussed the findings of the regular performance reports (including risk and compliance), as well as the audit reports. The actions pursuant to various findings were monitored and where necessary adjusted. During the discussion of the management letter with the auditor, it was concluded that the overall controls are sound. At the beginning of 2017, the soft controls, the full (IT) portfolio, the business operations and the control framework for new clients were specifically reviewed. The Daadkrachtig Vernieuwen programme was a regular agenda item. The Audit Committee has indicated that it is important to complete the programme as such in 2017, but that cost awareness and versatility must continue to play a prominent role in the organisation in the future. PGGM's Internal Audit (IA) department is audited every five years by the Institute of Internal Auditors (IIA). The Audit Committee was pleased with the findings indicating that the internal system of quality control measures used by PGGM's Internal Audit department complies with the generally accepted standards of professional conduct in the Netherlands. In addition, the development of a future-proof enterprise architecture, information security

and IT infrastructure was discussed. Client profitability and management are key topics, because PGGM's financial result is determined by the degree to which PGGM is able to provide institutional clients with suitable services.

These services must also be in line with the estimated costs included in proposals and the margins that can be generated on this basis. PGGM's risk appetite was also discussed, and it was agreed that it would be updated in 2018. During the discussion of the 2018 budget estimates, the Audit Committee indicated that a well-founded and future-oriented budget has been developed. It was also determined that strategic choices are required to maintain a stable result in the future.

Individual members of the Audit Committee attended meetings of the Audit, Risk and Compliance Committee, as well as Vermogensbeheer's Investment Committee, as observers to gain further insight into various topics.

The Supervisory Board receives the reports of the Audit, Risk and Compliance Committee and the committee chair provides verbal feedback about discussions during Supervisory Board meetings. Members of the Supervisory Board have a standing invitation to attend the meetings. The CFRO and the chair of the Audit, Risk and Compliance Committee also had regular contact outside the meetings in 2017 to discuss current topics and the preparation of meeting agendas.

Remuneration, Selection and Appointments Committee

The Remuneration, Selection and Appointments Committee comprises Eric de Macker, Marjanne Sint (from 1 April 2018) and Micky Adriaansens (from 1 January 2018).

The Remuneration, Selection and Appointments Committee held four regular meetings in 2017. In January 2017, the Committee held 360-degree feedback sessions with the members of the Executive Committee, the shareholder and the Works Council. The Committee also reflected on the objectives for 2017. The Committee subsequently formulated recommendations for the Supervisory Board about the performance and remuneration of the Executive Board over 2016.

The Supervisory Board is responsible for the group-wide implementation of the remuneration policy and the audit of the general remuneration policy principles. Each year, a central and independent internal evaluation is conducted to verify the implementation of this policy in terms of compliance and procedures. On the basis of this information the Committee concluded that there were no apparent deviations from the current policy and procedures and informed the Board accordingly. At least one member of the Committee must have in-depth knowledge of and experience with remuneration policy of a nature similar to that applied within the company. Eric de Macker satisfies this requirement. The Committee also reflected on the findings of the staff review.

The quality and the potential of the personnel within PGGM was discussed on the basis of the findings of the staff review. The Committee has asked the Executive Board to develop a more structured approach to employee inflow, advancement and outflow, as well as talent development in 2018.

The Supervisory Board receives the reports of the Remuneration, Selection and Appointments Committee and the committee chair provides verbal feedback about discussions during Supervisory Board meetings. Members of the Supervisory Board have a standing invitation to attend the meetings.

Miscellaneous

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

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

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

Evaluation and permanent education

In January 2018, the Board evaluated its performance. With a view to the changes to the Board's composition, it was decided to conduct the evaluation on the basis of a questionnaire and a joint discussion, facilitated by the acting chair. During 2017, many discussions took place concerning the composition of the Board and the desired profile. These insights were shared and the Board looked forward to the arrival of a new chair. It was an exceptionally intensive year for the Board on which it looks back with satisfaction. The appointment of the CEO was an exceptional and difficult situation. Thanks to attentive and meticulous work in a good atmosphere, the Supervisory Board can look back on this with satisfaction. A key area for attention in the coming year is the Board's composition given the number of departing and new members. The role perception and the role distribution within the Supervisory Board and the various committees will be specific agenda items. In this respect the Board realises that another challenging period is starting under the leadership of a new chair, together with the recently appointed CEO, and the recalibration of the strategy.

The Supervisory Board believes that permanent education is of significant value to the Board's own performance and has developed its own long-term training and education plan. In 2017, a great deal of attention was also devoted to the previously mentioned central themes, the in-depth exploration of these themes took place around the regular meetings. In 2017, a number of topics were explored in greater depth, for example through fraud risk, portfolio management, and pension and asset management workshops. In addition, the Board's new members went through an extensive familiarisation process. A number of Board members also made working visits. During these working visits, they spoke with management and employees about IT, agile ways of working and innovation. Among others, three experiments were reviewed, including the working blockchain prototype of a scalable pension administration system. Supervisory directors, together with executive directors of the Cooperatives' Executive Board and Pensioenfond's Zorg en Welzijn also take part in the governance modules organised by PGGM four times each year. These modules focus on current developments relating to clients, participants or the internal organisation within a PGGM business unit, such as communication with participants, the development of UPA or responsible investment.

Relations with the shareholder

The Supervisory Board's contact with the shareholder is primarily through shareholder meetings. In 2017, in addition to the annual general meeting, an additional shareholders' meeting took place to appoint a supervisory director. The Remuneration, Selection and Appointments Committee also speaks to (a delegation representing) the shareholders at least twice a year regarding developments at PGGM and the Executive Board's remuneration policy.

Relations with the Works Council

The Supervisory Board considers having a good relationship with the Works Council extremely important. At least once a year, every member of the Board attends a consultative meeting of the Works Council. In addition, a member of the Supervisory Board attends a general state of affairs meeting and the supervisory director appointed on the nomination of the Works Council (Miriam van Dongen) speaks with the Works Council informally several times each year. In mid-2017, the Board bade farewell to the Works Council members and followed the outcome of the Works Council elections. The Board was introduced to the new Works Council members through means of 'speed dating sessions'. There was intensive collaboration with (a delegation of) the Works Council on a number of files (appointment of the CEO and supervisory directors). The Supervisory Board also participates in the three-board consultation annually. In the three-board consultation, the Executive Board, the Works Council and the Supervisory Board exchange ideas about current topics.

Relations with the external auditor

The Supervisory Board and the Audit, Risk and Compliance Committee perceive the cooperation with KPMG to be positive. Proper use was made of a process-based and internal audit-based approach for the activities carried out in support of the audit of the financial statements. The KPMG's professional competence and the associated communication in relation to the recognition of the pension-related items and the associated processes was experienced as positive and as an added value for PGGM. The quality of the reports provided was good. The external auditor also attended the meetings of the Audit, Risk and Compliance Committee. The external auditor's input during these meetings was also perceived to be positive.

Relations with Internal Audit

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

Outlook for 2018

2018 will be another challenging year for PGGM. The strategy will be revised and the associated consequences will be worked out under the leadership of Edwin Velzel. External developments relating to the pension system and the services provided to clients will continue to be of key importance to PGGM's strategy and execution. Increasing digitisation and automation are certain to have an impact on PGGM's way of working and services. Furthermore, there is persistent pressure on the versatility and administration costs of pension providers. For PGGM as Cooperative with a social agenda and an active members' organisation, it is an exceptional mandate on the path towards a valuable future. The Supervisory Board is fully confident that PGGM's Executive Board, management and employees will be there for our clients with a great deal of commitment and devotion in 2018.

The Supervisory Board would like to sincerely thank the members of the EC, the Works Council and PGGM's employees for all their efforts during the 2017 reporting year.

Zeist, the Netherlands, 17 April 2018

Ms M. (Marjanne) Sint (Chair)
Ms M.A.M. (Micky) Adriaansens, LMM
Ms M.R. (Miriam) van Dongen
Mr J.C.M. (Jan) van Rutte
Ms W.E.L. (Wanda) van Kerkvoorden, LLM
Mr H.M.L.M. (Eric) de Macker, LLM

Financial Statements

2017

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



Voor een waardevolle toekomst

Consolidated balance sheet as at 31 December 2017

(before profit appropriation)

(amounts in thousands of euros)

	Ref.	31 December 2017	31 December 2016
Assets			
Fixed assets			
Intangible fixed assets	3	31,886	47,151
Tangible fixed assets	4	86,675	91,613
Financial fixed assets	5	19,244	19,250
Total fixed assets		137,805	158,014
Current assets			
Receivables	6	37,111	43,760
Cash	7	78,270	83,837
Total current assets		115,381	127,597
Total assets		253,186	285,611
Liabilities			
Equity			
	8		
Paid and called-up capital		200	200
Statutory reserve		5,664	5,664
Share premium reserve		158,712	158,712
Other reserves		42,274	40,947
Undistributed profit		2,913	1,327
Total equity		209,763	206,850
Provisions			
Taxes		-	13
Other provisions	9	12,009	12,723
Total provisions		12,009	12,736
Current liabilities	10	31,414	66,025
Total current liabilities		31,414	66,025
Total liabilities		253,186	285,611

Consolidated income statement for 2017

(amounts in thousands of euros)

	Ref.	2017	2016
Management fees		264,131	263,069
Other revenue		825	542
Total operating income	12	264,956	263,611
Costs of outsourced work and other external expenses	13	42,001	43,813
Personnel expenses	14	156,830	153,485
Depreciation/amortisation of tangible and intangible fixed assets	15	22,102	21,948
Other operating expenses	16	39,779	42,390
Total operating expenses		260,712	261,636
		4,244	1,975
Investment results		-	135
Financial income		3	-
Financial expenses		-318	-239
Profit before taxes		3,929	1,871
Taxes	17	1,016	544
Profit after taxes		2,913	1,327

Consolidated cash flow statement for 2017

(amounts in thousands of euros)

	Ref.	2017	2016
Cash flow from operating activities			
Operating result		4,244	1,975
Adjusted for:			
Depreciation and impairments	3, 4, 15	22,102	21,948
Changes in tangible fixed assets	4	156	-
Changes in financial fixed assets	5	6	1,348
Changes in other provisions	9	-727	3,570
Changes in working capital	6.10	-27,962	13,046
Cash flow from business operations		-2,181	41,887
Investment results received		-	142
Interest paid		-315	-239
Income tax paid	17	-1,016	-544
		-1,331	-641
Total cash flow from operating activities		-3,512	41,246
Cash flow from investment activities			
Additions and acquisitions of:			
Intangible fixed assets	3	-614	-33,485
Tangible fixed assets	4	-1,463	-1,679
Disposals and sale of:			
Tangible fixed assets	4	22	-
Investments and advances for investments		-	311
Total cash flow from investment activities		-2,055	-34,853
Cash flow from financing activities			
Withdrawal from credit facility		-	-12,000
Provided loan	5	-	-2,340
Total cash flow from financing activities		-	-14,340
Net cash flow		-5,567	-7,947
Changes in cash			
Cash at the beginning of the period		83,837	91,784
Cash at the end of the period		78,270	83,837
Changes in cash		-5,567	-7,947

Notes to the Consolidated Financial Statements

2017



Voor een waardevolle toekomst

1 General Notes

Information about PGGM N.V.

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

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

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

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

Statement of compliance

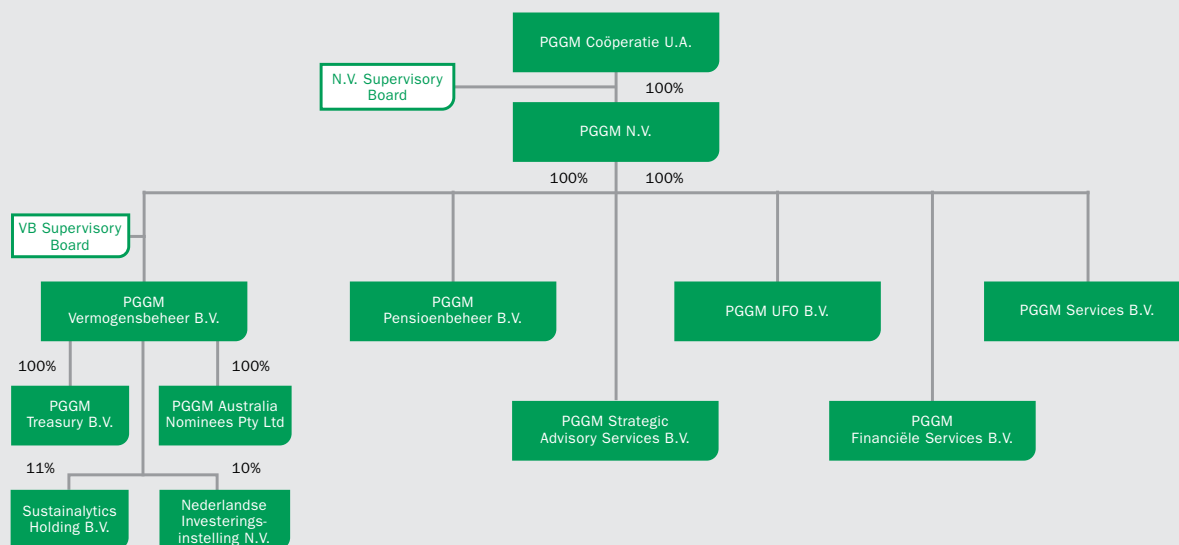
The annual financial statements have been prepared in accordance with the financial reporting requirements of Part 9, Book 2 of the Dutch Civil Code and the Dutch Financial Reporting Guidelines.

Group structure

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

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

The following overview shows the legal structure of PGGM Coöperatie U.A., PGGM N.V. and its subsidiaries and participating interests ('PGGM Group') as at 31 December 2017



PGGM Vermogensbeheer B.V.

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

AIFM Licence

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

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

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

PGGM Treasury B.V.

PGGM Vermogensbeheer established Treasury B.V. on 6 March 2009. Treasury is a 100% subsidiary of PGGM Vermogensbeheer. For that reason, the assets and liabilities, as well as the result, are fully incorporated into the consolidated financial statements of PGGM Vermogensbeheer. Due to changing legislation resulting from the AIFM Directive, a single entity is legally prevented

from holding both an AIFM and an MiFID licence. Treasury therefore owns the MiFID license pursuant to Section 2:96, part b of the Wft since 5 April 2014.

PGGM Australia Nominees Pty Limited

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

PGGM Pensioenbeheer B.V.

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

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

PGGM Strategic Advisory Services B.V.

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

At the end of 2014, PSAS requested the AFM to withdraw the licence for investment service b and c. Effective from 21 January 2015, PSAS has a licence pursuant to Section 2:96 of the Wft, to provide investment services in the Netherlands as defined in Section 1:1 of the Wft, part d of the definition of providing an investment service.

PGGM UFO B.V.

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

PGGM Financiële Services B.V.

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

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

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

PGGM Services B.V.

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

Other participating interests

Sustainalytics Holding B.V.

PGGM Vermogensbeheer holds an 11% interest (2016: 13%) in Sustainalytics Holding B.V. This participating interest has not been consolidated, given that no significant influence can be exercised.

Nederlandse Investeringsinstelling N.V.

PGGM Vermogensbeheer holds a 10% interest (2016: 10%) in the Nederlandse Investeringsinstelling N.V. (hereinafter: NII). The NII was founded by thirteen pension funds, pension fund service providers and insurance companies. The NII will make Dutch investment projects in infrastructure, education, healthcare, residential building, SMEs and sustainable energy more attractive to institutional investors. This will enable them to increase their investment in the Dutch economy. This participating

interest has not been consolidated given that no significant influence can be exercised.

Reporting period

These financial statements relate to the 2017 financial year, which ended on the balance sheet date of 31 December 2017.

Accounting standards

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

Application of Section 402 Book 2 of the Dutch Civil Code

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

Continuity

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

Related parties

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

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

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

General

Recognition of an asset or liability

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

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

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

Assets and liabilities in general are stated at the acquisition price or production cost, or their current value. If no specific valuation principle is stated, valuation is on the basis of the acquisition price.

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 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 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.

Foreign currency

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

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

Use of estimates

The preparation of the annual financial statements in accordance with Part 9 Book 2 of the Dutch Civil Code requires the Executive Board to make judgements, estimates and assumptions which affect the application of the accounting principles and the reported value of assets and liabilities and of income and expenses. The actual results may differ from these estimates. The estimates and underlying assumptions are continuously assessed. Revisions of estimates are applied in the period during which the estimate is revised and in the future periods for which the revision has consequences.

Basis of consolidation

The consolidated financial statements comprise the financial data of PGGM N.V. and its group companies and other legal entities in which it can exercise dominant control or over which it has central management. Group companies are participating interests in which PGGM N.V.

has a controlling interest, or in which policy making influence can be exercised in some other way.

The assessment of whether policy-making influence can be exercised involves financial instruments which potentially contain voting rights and can be exercised directly. Participating interests acquired for the sole purpose of disposal within the foreseeable future are not consolidated.

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

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

The following companies are included in the consolidation:

Companies		
<i>Name</i>	<i>Place of Business</i>	<i>Share in Subscribed Capital</i>
PGGM Financiële Services B.V.	Zeist, the Netherlands	100%
PGGM Strategic Advisory Services B.V.	Zeist, the Netherlands	100%
PGGM Services B.V.	Zeist, the Netherlands	100%
PGGM Pensioenbeheer B.V.	Zeist, the Netherlands	100%
PGGM UFO B.V.	Zeist, the Netherlands	100%
PGGM Vermogensbeheer B.V.	Zeist, the Netherlands	100%
PGGM Treasury B.V.	Zeist, the Netherlands	100%
PGGM AUSTRALIA NOMINEES PTY LIMITED	Sydney, Australia	100%

Acquisition and disposal of group companies

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

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

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

Financial instruments

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

Intangible fixed assets

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

Intangible fixed assets are stated at their acquisition price on initial recognition.

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

Goodwill

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

Software

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

Tangible fixed assets

Land and buildings

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

Buildings are subject to straight-line depreciation over their estimated economic life with a residual value of 20% of the current purchase price. The buildings are subdivided into the categories shells, completions and installations; and are depreciated to the aforementioned residual value in 40, 25 and 15 years respectively.

Land is not subject to depreciation.

The fair value is reviewed once every three years by means of an appraisal carried out by a certified external appraiser.

The appreciation of tangible fixed assets is directly accounted for in a revaluation reserve item under equity. However, the appreciation should be accounted for in the income statement to the extent it is a reversal of a downward value adjustment of the same asset previously accounted for as an expense in the income statement. Revaluations are formed and held for each asset. Downward value adjustments are recognised directly in the income statement to the extent they cannot be charged to a previously formed revaluation reserve. A downward value adjustment occurs when the current value of a tangible fixed asset is lower than the original acquisition price or production cost (net of depreciation).

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

Plant and equipment

Plant and equipment are stated at the acquisition price net of cumulative depreciation. These assets are subject to straight-line depreciation over their estimated 5 to 10-year economic life, taking account of the potential contract duration. The residual value is zero.

Other operating assets

The other operating assets comprise furniture and equipment, computer hardware, artworks and other operating assets. The other operating assets are stated at their acquisition price net of cumulative depreciation. These assets are subject to straight-line depreciation over their estimated 5 to 10-year economic life. The residual value is zero. Artworks are not subject to depreciation.

Financial fixed assets

Participating interests in which significant influence is exercised

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

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

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

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

Participating interests in which there is no significant influence

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

Investments

The investments consist of loans that are valued at amortised value. Differences between the purchase price and redemption value, both positive and negative, are amortised pro rata the remaining term and accounted for in the income statement. Realised exchange rate gains and losses are entirely accounted for in the result.

Impairment of 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 the individual asset, the realisable value of the cash-generating unit to which the asset belongs (the asset's cash-generating unit) is determined.

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

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

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 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 added to the income statement. Provisions for bad debt are deducted from the book value of the receivable.

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

Cash

Cash is stated at its face value.

Provisions

General

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

Restructuring provision

A restructuring provision is made if, on the balance sheet date, a detailed reorganisation is to be formalised which will – by the date of finalisation of the financial statements at the latest – cause legitimate expectations of the plan being implemented to have been generated among those for whom the reorganisation has consequences. There are deemed to be legitimate expectations if the implementation of the reorganisation has started, or if the main points have been made known to those for whom the reorganisation has consequences. The restructuring provision includes the costs that are deemed necessary as a result of the reorganisation, but that are not related to the company's ongoing activities.

Provision for anniversaries

The provision for anniversaries relates to a provision for future anniversary payments. The provision is made on the basis of an actuarial calculation, with due consideration to the following elements:

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

Provision for onerous contracts

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

Other provisions

The other provisions are stated at face value.

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).

Institutional management fees

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

Costs of outsourced work and other external expenses

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

Personnel expenses

The personnel benefits are recognised in the income statement in the period in which the professional performance is effected and, insofar as it is not yet paid, as a liability on the balance sheet. If the amounts paid exceed the benefits owed, the excess is recognised as prepayment and accrued income insofar as the personnel is expected to repay this amount or the amount will be offset against future payments by the company.

If a benefit is paid for which no entitlements have been accrued (for example, continued payment in case of illness or occupational disability), the expected expenses are recognised in the period in which the benefit is owed. A provision is made for liabilities existing on the balance sheet date for the continued future payment of benefits (including severance pay) to employees who on the balance sheet date are expected to be fully or partially unable to perform work due to illness or occupational disability. The liability is recognised as the best estimate of the amounts that will be needed to settle the relevant liability on the balance sheet date. Additions to and the release of liabilities are charged to or debited from the income statement, respectively.

Investment results

Investment results consist of the direct investment income of investments.

Financial income and expenses

Interest income and expenses

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

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

Share in the result of participating interests

The share in the result of participating interests consists of the Group's share in these participating interests, determined on the basis of the Group's accounting policies. Results on transactions, involving a transfer of assets and liabilities between the Group and the non-consolidated participating interests and between non-consolidated participating interests themselves are not recorded to the extent these can be deemed unrealised. The results of participating interests which are acquired or disposed of during the financial year are recorded in the Group's results from the moment of acquisition until the moment of disposal.

Pension scheme

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

Leasing

PGGM N.V. and its subsidiaries may conclude financial and operational lease contracts. Lease agreements whereby the advantages and disadvantages of ownership of the lease object are wholly, or almost wholly, borne by the lessee are classified as financial leases.

All other lease agreements are classified as operational leases. When classifying a lease, the determining factor is the economic reality, not necessarily the legal form.

Taxes

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

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

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

A deferred tax asset is recorded for offsettable temporary differences, available losses carried forward and netting opportunities not yet utilised, but only to the extent that it is probable that future taxable profits will be available for netting or compensation. Deferred tax assets are reviewed on every reporting date and are reduced insofar as it is no longer likely that the corresponding tax benefit will be realised.

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

A deferred tax asset is recognised for offsettable temporary differences concerning group companies and participating interests, but only to the extent that it is probable that the temporary difference will expire in the foreseeable future and that taxable profit will be available to compensate for the temporary difference. Deferred tax assets and liabilities are valued at face value.

Within the PGGM Group, corporation tax over the taxable result is calculated for each entity. Ultimately, PGGM Coöperatie U.A. settles with the Tax and Customs Administration.

Cash flow statement

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

3 Intangible fixed assets

	Goodwill	Software	Total
Balance as at 1 January 2016			
Cost price	139,871	48,358	188,229
Accumulated amortisation and impairment	-80,290	-45,683	-125,973
Carrying amount as at 1 January 2016	59,581	2,675	62,256
Changes in 2016			
Investments	-	914	914
Amortisation	-14,895	-1,124	-16,019
Balance	-14,895	-210	-15,105
Balance as at 31 December 2016			
Cost price	139,871	49,272	189,143
Accumulated amortisation and impairment	-95,185	-46,807	-141,992
Carrying amount as at 31 December 2016	44,686	2,465	47,151
Changes in 2017			
Investments	-	614	614
Amortisation	-14,895	-984	-15,879
Balance	-14,895	-370	-15,265
Balance as at 31 December 2017			
Cost price	139,871	49,886	189,757
Accumulated amortisation and impairment	-110,080	-47,791	-157,871
Carrying amount as at 31 December 2017	29,791	2,095	31,886
Amortisation period	5-7 years	5 years	

Goodwill

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

Software

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

4 Tangible fixed assets

	<i>Land and Buildings</i>	<i>Plant and Equipment</i>	<i>Other Operating Assets</i>	<i>Total</i>
Balance as at 1 January 2016				
Cost price	86,007	3,211	20,504	109,722
Accumulated depreciation and impairment	-3,507	-2,176	-14,791	-20,474
Carrying amount as at 1 January 2016	82,500	1,035	5,713	89,248
Changes in 2016				
Investments	-	-	1,679	1,679
Disposals	-	-	-29	-29
Depreciation	-3,515	-224	-2,190	-5,929
Depreciation of disposals	-	-	29	29
Impairment – revaluations	6,615	-	-	6,615
Adjustment of gross value - revaluations	588	-	-	588
Depreciation – revaluations	-588	-	-	-588
Balance	3,100	-224	-511	2,365
Balance as at 31 December 2016				
Cost price	93,210	3,211	22,154	118,575
Accumulated depreciation and impairment	-7,610	-2,400	-16,952	-26,962
Carrying amount as at 31 December 2016	85,600	811	5,202	91,613
Changes in 2017				
Investments	262	70	1,131	1,463
Disposals	-	-	-741	-741
Depreciation	-3,968	-188	-2,067	-6,223
Depreciation of disposals	-	-	563	563
Balance	-3,706	-118	-1,114	-4,938
Balance as at 31 December 2017				
Cost price	93,472	3,281	22,544	119,297
Accumulated depreciation and impairment	-11,578	-2,588	-18,456	-32,622
Carrying amount as at 31 December 2017	81,894	693	4,088	86,675

Depreciation period

Land and site:	not subject to depreciation
Buildings - shells:	40 years
Buildings - completed:	25 years
Buildings - building-related systems:	15 years
Plant and equipment:	5-10 years
Other operating assets:	5-10 years

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

At the beginning of 2017, the external appraiser completed an appraisal to determine the current cost price. The current purchase price takes market developments and technical economic downward value adjustments (depreciation) into account. In 2017, there were no changes to the basic principles originally set out in the 2016 appraisal report. At the end of 2017, on the basis of the input provided by the external appraiser, it was established that there was no impairment.

5 Financial fixed assets

	<i>Participating interests</i>	<i>Deferred Taxes</i>	<i>Volo Pensioen Loan</i>	<i>Total</i>
Balance as at 1 January 2016	1,699	16,559	-	18,258
Changes in 2016				
Investments	-	-	2,340	2,340
Value changes	-	-1,348	-	-1,348
Balance as at 31 December 2016	1,699	15,211	2,340	19,250
Changes in 2017				
Value changes	-100	94	-	-6
Balance as at 31 December 2017	1,599	15,305	2,340	19,244

As at financial year-end, the participating interests consist of 11% (2016: 13%) interest in Sustainalytics Holding B.V. and 10% (2016: 10%) interest in the Nederlandse Investeringsinstelling N.V. (NII). These are participating interests in which there is no significant influence.

NII's financial position deteriorated in 2017 and the outlook for the coming years does not provide any prospects for the improvement of these financial positions. The valuation was decreased to nil at year-end 2017.

PGGM Vermogensbeheer B.V.'s capital interest in Sustainalytics Holding B.V. decreased due to a dilution of Sustainalytics Holding B.V. on 21 July 2017.

The deferred tax asset is entirely related to the temporary fiscal and commercial valuation differences. Of this, an amount of € 13.4 million (2016: € 14.9 million) has a remaining term of more than 1 year.

The Stichting Algemeen Pensioenfonds Volo Pensioen (hereinafter: Volo Pensioen) was created at the beginning of 2016. Volo Pensioen is a general pension fund as defined in and regulated by the Pension Act. PGGM N.V. will serve as Volo Pensioen's implementation partner. PGGM N.V. and its subsidiaries have been contracted by Volo Pensioen as its pension fund service provider. PGGM N.V. has made additional capital available in the form of a subordinated loan with an indefinite term to finance Volo Pensioen's start-up costs. The amount of the subordinated loan is € 2,340,000. Volo Pensioen pays interest equal to the EURIBOR rate with a 50 basis point mark-up. The interest is owed quarterly in arrears on the last day of each quarter and is calculated on the basis of a 30-day month and a 360-day year.

6 Receivables

	31 December 2017	31 December 2016
Accounts receivable	20,704	35,343
Still to be invoiced	4,809	2,534
Receivables from group companies	3,084	749
Prepayments and accrued income	8,514	5,134
Total	37,111	43,760

Of this, an amount of € 2.6 million (2016: € 0.5 million) has a remaining term of more than 1 year.

Accounts receivable

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

Still to be invoiced

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

Receivables from group companies

The receivable from PGGM Coöperatie U.A. consists of the offset corporation tax which PGGM Coöperatie U.A. settles with the Dutch Tax Authority. No interest is charged on the balance of the current account relationships with group companies.

Prepayments and accrued income

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

7 Cash

Cash relates to credit balances which are held in Dutch credit institutions. An amount of € 8.2 million of the cash is not freely available (year-end 2016: € 8.2 million). This concerns the balance of a blocked account retained in relation to the sale of the life insurance activities.

PGGM Vermogensbeheer is the asset manager for external clients and for the PGGM investment funds. To carry out the joint management and to create netting advantages or, as the case may be, interest set-off, Treasury receives orders from PGGM Vermogensbeheer to hold bank accounts and money market instruments and undertake derivative transactions for the account and risk of PGGM Vermogensbeheer's clients, who have provided the requisite mandates. As a consequence of this, the economic ownership of the bank accounts and money market instruments referred to belongs to those instructing PGGM Vermogensbeheer and the legal ownership belongs to Treasury. Consequently, the balance of these bank accounts is not accounted for in the financial statements of Treasury. Holding a joint bank account and other money market instruments for the benefit of those instructing it does not imply any credit or bankruptcy risks for Treasury.

8 Equity

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

9 Provisions

	<i>Restructuring</i>	<i>Anniversaries</i>	<i>Other</i>	<i>Total</i>
Balance as at 1 January 2016	3,891	1,623	3,599	9,113
Changes in 2016				
Contributions	4,643	2,622	1,913	9,178
Withdrawals	-3,836	-52	-970	-4,858
Release	-375	-102	-273	-750
Balance as at 31 December 2016	4,323	4,091	4,309	12,723
Changes in 2017				
Contributions	4,039	548	1,291	5,878
Withdrawals	-3,240	-49	-834	-4,123
Release	-333	-880	-1,256	-2,469
Balance as at 31 December 2017	4,789	3,710	3,510	12,009

These provisions are predominantly long-term, with the exception of the restructuring provision.

Restructuring provision

As a result of the Daadkrachtig Vernieuwen programme, multiple restructuring plans were initiated in 2015, 2016 and 2017. On the basis of these plans a provision for severance pay in support of collective and several individual initiatives was included in the restructuring provision.

Anniversary provision

At year-end 2017, the anniversary provision was recalibrated on the basis of an actuarial calculation. The effect of the change to the method of calculating the estimate relating to the chances of dismissal is € 0.4 million.

Other provisions

The other provisions consist of provisions relating to Deferred Variable Income (DVI) and other liabilities.

For the sale of the life insurance portfolio of PGGM Levensverzekeringen N.V., a provision was made for settling the sale in relation to the provided guarantees. PGGM assessed this provision at year-end 2017. This has resulted in the full release of this provision in the amount of € 1.2 million (2016: release of € 0.1 million).

10 Current liabilities

	31 December 2017	31 December 2016
Fees from institutional clients received in advance	2,209	32,567
Accounts payable	6,234	14,870
Taxes and social security contributions	3,927	4,547
Outstanding pension payments	93	296
Accruals and deferred income	18,951	13,745
Total	31,414	66,025

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

Fees from institutional clients received in advance

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

Taxes and social security contributions

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

Accruals and deferred income

The item accruals and deferred income primarily consists of amounts payable, reserves for holiday days, bonuses for personnel and interest payments.

11 Off-balance sheet assets and liabilities

Claims

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

Credit facility PFZW

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

Liability of a tax entity

Together with its subsidiaries and single shareholder, PGGM Coöperatie U.A., PGGM N.V. forms a tax entity for corporation tax and, for that reason, is jointly and severally liable for all the ensuing liabilities. In addition, together with its subsidiaries, PGGM N.V. forms part of a tax entity for value added tax, as a result of which it is jointly and severally liable for any VAT liabilities of the entities belonging to the tax entity.

Operational lease liability

The operational lease liability relates to lease cars provided to personnel. The liability runs until 2022.

The total liability amounted to € 4.5 million as at 31 December 2017 (2016: € 5.2 million). An amount of € 1.6 million is payable within one year.

Buildings liability

The total liability amounted to € 3.1 million as at 31 December 2017 (2016: € 3.0 million). The liability runs until 2018.

Hardware and software liability

The total liability amounted to € 8.0 million as at 31 December 2017 (2016: € 10.1 million). The liability runs until 2023. An amount of € 4.8 million (2016: € 4.7 million) is payable within one year.

Issued guarantee Rabo PGGM PPI

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

Issued guarantee Volo Pensioen

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

Issued guarantee PGGM Levensverzekeringen N.V.

PGGM N.V. has issued specific guarantees for the sale of PGGM Levensverzekeringen N.V. The guarantees issued run until 2023.

12 Revenue

Management fees

	2017	2016
Management fees for asset management	119,042	115,983
Management fees for pension management	111,015	110,054
Management fees for policy advice and board support	34,074	37,032
Total	264,131	263,069

Management fees for asset management

The fees for asset management relate to the asset management activities for institutional clients and PGGM funds. A management fee is charged for these services. These fees are renegotiated each year.

Management fees for pension management

The fees for this service are primarily based on the cost plus rate agreements with the goal of lowering the costs per participant.

Management fees for policy advice and board support

The fees for policy advice and board support relate to the advisory services and board support activities provided to institutional clients. This also includes advisory services relating to investment policy and fiduciary advice.

Other revenue

	2017	2016
Revenue from members	571	498
Other revenue	254	44
Total	825	542

Revenue from members

The revenue from members' activities consists of payments for organising paid activities for PGGM Coöperatie U.A. members.

13 Cost of outsourced work and other external expenses

	2017	2016
External personnel	36,492	35,911
Consultancy fees	3,356	5,801
Outsourcing of administration	1,091	1,295
Other service bureaus	1,062	806
Total	42,001	43,813

14 Personnel expenses

	2017	2016
Salaries	117,064	111,871
Pension costs	13,481	12,945
Social security costs	12,541	11,733
Other employee expenses	13,744	16,936
Total	156,830	153,485

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

	2017	2016
Institutional Business	148	138
Pensioenbeheer	405	397
Vermogensbeheer	347	329
PGGM&CO members' organisation	19	13
Information, Finance, Control	363	349
Corporate Staff Services	90	96
Total	1,372	1,322

Employee pension scheme of PGGM N.V.

The employee pension scheme of PGGM N.V. is incorporated into the PFZW industry-wide pension fund.

The retirement pension is a defined benefit plan on the basis of the (conditionally) indexed average salary. Indexation of the retirement benefits depends on the financial position of the pension fund. The premium due to the pension fund is recognised in the income statement as an expense, and, if this premium has not yet been paid to the pension fund, it is accounted for as a liability in the balance sheet.

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

Remuneration of executive and supervisory directors

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

2017

	Periodically Paid Remuneration		Remuneration Payable in the Future	
	Gross Salary and Holiday Allowance	Pension Costs	Sabbatical	Total
Else Bos*	406	23	265	694
Edwin Velzel**	81	5	-	86
Paul Boomkamp	425	27	-	452
Total	912	55	265	1,232

* CEO up to and including 31 October 2017.

** CEO from 1 November 2017.

2016

	Periodically Paid Remuneration		Remuneration Payable in the Future	
	Fixed Remuneration	Pension Costs		Total
Else Bos	482	26		508
Edwin Velzel	-	-		-
Paul Boomkamp	421	26		447
Total	903	52		955

In May 2017, Else Bos announced her departure from PGGM.

Else left employment on 30 April 2018. In consultation with the Supervisory Board, it was agreed that she would step down as chair of the Executive Board on 1 November 2017 and immediately after this she would make use of her paid sabbatical up to 1 May 2018, which had been granted in 2012 following the cessation of her variable compensation. The charges relating to this sabbatical are fully recognised in 2017 and included in the balance sheet as a reserve.

Edwin Velzel joined PGGM on 1 November 2017 and on 14 December 2017 – following approval by the regulatory authorities, AFM and DNB – was appointed chair of the Executive Board of PGGM by the Supervisory Board.

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

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

Each member of the Supervisory Board receives an annual fee of € 28,676 (2016: € 28,392). The chair receives a fee of € 33,169 (2016: € 32,840). These fees include travel expenses and work undertaken for the Audit, Risk and Compliance Committee and the Remuneration, Selection and Appointments Committee and are exclusive of VAT. In 2017, the total remuneration of the Supervisory Board was € 159,054, exclusive of VAT (2016: € 171,718). In 2017, the fees paid to the Supervisory Board were indexed by 1% effective as at 1 January 2017.

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

15 Depreciation/amortisation of tangible and intangible fixed assets

	2017	2016
Amortisation of intangible fixed assets	15,879	16,019
Depreciation of tangible fixed assets	6,223	5,929
Total	22,102	21,948

16 Other operating expenses

	2017	2016
Accommodation costs	3,908	4,051
IT costs	25,209	18,829
Marketing expenses	4,843	5,671
Other expenses	5,819	13,839
Total	39,779	42,390

17 Taxes

	2017	2016
Tax expense	1,122	935
Change in deferred tax assets	-94	-351
Change in deferred tax liabilities	-12	-40
Total	1,016	544
Nominal tax liability	25.00%	25.00%
Non-taxable revenue and expenses	0.86%	4.08%
Effective tax liability	25.86%	29.08%

18 Transactions with related parties

Transactions with related parties are said to exist when there is a relationship between the company, its participating interests and their board members and management. There were no transactions with related parties which were not conducted at arm's length. See Note 14 for the remuneration of board members.

19 Auditor's fees

Pursuant to Book 2, Section 382a sub 3 of the Dutch Civil Code, reference is made to the financial statements of PGGM Coöperatie U.A. for an explanation of the auditor's fees.

20 Events after the balance sheet date

No relevant events occurred after the balance sheet date.

21 Risk Management

For the implementation of Enterprise Risk Management, the PGGM Risk Framework is used to structurally provide insight into, monitor and report on risks. PGGM's Risk Framework is based on the COSO Enterprise Risk Management (COSO ERM) methodology, which was updated in 2017 and is accepted as the international standard. In order to unequivocally identify and classify risks, the PGGM Risk Language was adopted, in which the various risks that can arise are divided into four clusters: strategic, governance, operational and financial risk. Applying the PGGM Risk Framework in combination with the PGGM Risk Language ensures that the risks within our organisation are clearly controlled in the most efficient and effective way possible. The generally accepted 'three lines of defence model' forms part of the governance. In this model, the line management (first line), the Finance & Control and Risk & Compliance departments (second line) and Internal Audit (third line) all have their own risk management-related tasks and responsibility. The Chief Financial & Risk Officer, who is a member of PGGM's Executive Board, has final responsibility for risk management in our organisation.

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

Solvency risk

PGGM is subject to the provisions of the Financial Supervision Act (Wft). PGGM and its subsidiaries that qualify as financial companies as defined in the Wft are designated as the guideline group. This means that they are subject to prudential supervision by DNB. Under this act, requirements are stipulated for capital adequacy. PGGM has opted to use the method whereby the capital adequacy is calculated on the basis of the difference between the equity of the group and the sum of the solvency requirements of the group divisions. On this basis, PGGM complies with the statutory requirements.

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

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

Solvency	31 December 2017	31 December 2016
Total equity	209,763	206,850
Statutory requirement	49,985	35,607
Surplus	159,778	171,243

Market risk

The market risk is the price risk of a fall in the value of the investments due to a change in market factors. Since PGGM does not hold any investments, the market risk is negligible.

Currency risk

The currency risk is the risk that the value of an investment will fall as a result of changes in exchange rates. Since PGGM does not hold any investments, the currency risk is negligible.

Interest rate risk

The interest rate risk is the risk that the balance of the value of bonds, debentures and loans changes as a result of changes in market rates. Since PGGM does not hold any bonds, debentures and/or loans, the interest rate risk is negligible.

Credit risk

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

The maximum credit risk is equal to the carrying value of the financial fixed assets, receivables and cash.

The carrying value of the financial assets included in the balance sheet approaches the fair value.

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

Liquidity risk

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

Concentration risk

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

Company Financial Statements

2017



Voor een waardevolle toekomst

Company balance sheet as at 31 December 2017

(before profit appropriation)

(amounts in thousands of euros)

	Ref.	31 december 2017	31 december 2016
Assets			
Fixed assets			
Intangible fixed assets	22	30,211	45,308
Tangible fixed assets	23	86,622	91,557
Financial fixed assets	24	103,077	121,976
Total fixed assets		219,910	258,841
Current assets			
Receivables	25	11,476	38,824
Cash	26	55,916	9,080
Total current assets		67,392	47,904
Total assets		287,302	306,745
Liabilities			
Equity			
Paid and called-up capital	27	200	200
Statutory reserve		5,664	5,664
Share premium reserve		158,712	158,712
Other reserves		42,274	40,947
Undistributed profit		2,913	1,327
Total equity		209,763	206,850
Provisions	9	12,009	12,723
Total provisions		12,009	12,723
Current liabilities	28	65,530	87,172
Total liabilities		287,302	306,745

Company income statement for 2017

(amounts in thousands of euros)

	Ref.	2017	2016
Result of participating interests		13,667	15,261
Other results after taxes	30	-10,754	-13,934
Result after taxes		2,913	1,327

Notes to the Company Financial Statements

2017



Voor een waardevolle toekomst

The company financial statements form part of PGGM N.V.'s 2017 Consolidated Financial Statements. In respect of the company's separate income statement use is made of the exemption by virtue of Book 2, section 402, of the Dutch Civil Code. Please refer to the notes to the consolidated balance sheet and consolidated income statement for items in the company balance sheet and the company income statement not specifically addressed below.

22 Intangible fixed assets

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

23 Tangible fixed assets

	<i>Land and Buildings</i>	<i>Plant and Equipment</i>	<i>Other Operating Assets</i>	<i>Total</i>
Balance as at 1 January 2016				
Cost price	96,602	3,211	18,146	117,959
Accumulated depreciation and impairment	-3,783	-2,176	-12,496	-18,455
Carrying amount as at 1 January 2016	92,819	1,035	5,650	99,504
Changes in 2016				
Investments	-	-	1,666	1,666
Disposals	-3,436	-	-29	-3,465
Depreciation	-3,783	-224	-2,170	-6,177
Depreciation of disposals	-	-	29	29
Balance	-7,219	-224	-504	-7,947
Balance as at 31 December 2016				
Cost price	93,166	3,211	19,783	116,160
Accumulated depreciation and impairment	-7,566	-2,400	-14,637	-24,603
Carrying amount as at 31 December 2016	85,600	811	5,146	91,557
Changes in 2017				
Investments	262	70	1,112	1,444
Disposals	-	-	-741	-741
Depreciation	-3,968	-188	-2,045	-6,201
Depreciation of disposals	-	-	563	563
Balance	-3,706	-118	-1,111	-4,935
Balance as at 31 December 2017				
Cost price	93,428	3,281	20,154	116,863
Accumulated depreciation and impairment	-11,534	-2,588	-16,119	-30,241
Carrying amount as at 31 December 2017	81,894	693	4,035	86,622

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

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

24 Financial fixed assets

	31 december 2017	31 december 2016
Participating interests	86,092	104,425
Deferred tax assets	14,645	15,211
APF subordinated loan	2,340	2,340
	103,077	121,976

Participating interests	2017	2016
Balance as at 1 January	104,425	124,003
Legal merger of PGGM Levensverzekeringen N.V. and A&O Services B.V.	-	-38,839
Share premium payment	10,000	4,000
Dividend payment	-42,000	-
Result of participating interests	13,667	15,261
Balance as at 31 December	86,092	104,425

Result of participating interests

The balance relates to the following participating interests:

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

Deferred tax assets

The deferred tax assets primarily relate to temporary fiscal and commercial valuation differences in respect of goodwill.

25 Receivables

	31 december 2017	31 december 2016
Receivables from group companies	8,324	34,404
Accounts receivable	140	477
Other receivables, prepayments and accrued income	3,012	3,943
Total	11,476	38,824

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

Receivables from group companies

	31 december 2017	31 december 2016
PGGM Vermogensbeheer B.V.	2,664	16,786
PGGM Coöperatie U.A.	3,345	1,283
PGGM Pensioenbeheer B.V.	1,818	12,202
PGGM UFO B.V.	101	779
PGGM Services B.V.	218	126
PGGM Strategic Advisory Services B.V.	-	2,960
PGGM Financiële Services B.V.	178	268
Total	8,324	34,404

No interest is charged on the receivables from group companies.

Other receivables, prepayments and accrued income

The other receivables, prepayments and accrued income as at 31 December 2017 primarily consist of prepaid expenses.

26 Cash

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

An amount of € 8.2 million of the cash is not freely available (year-end 2016: € 8.2 million). This concerns the balance of a blocked account retained in relation to the sale of the life insurance activities.

27 Equity

	Paid and Called-up Capital	Statutory Reserve	Share Premium Reserves	Other Reserves	Undistributed Profit	Total
Balance as at 1 January 2016	200	704	158,712	38,895	2,052	200,563
Change in value of tangible fixed assets	-	4,960	-	-	-	4,960
Appropriation of profit for 2015	-	-	-	2,052	-2,052	-
Profit for 2016	-	-	-	-	1,327	1,327
Balance as at 1 January 2017	200	5,664	158,712	40,947	1,327	206,850
Appropriation of profit for 2016	-	-	-	1,327	-1,327	-
Profit for 2017	-	-	-	-	2,913	2,913
Balance as at 31 December 2017	200	5,664	158,712	42,274	2,913	209,763

The authorised capital is € 1 million (2016: € 1 million), consisting of 1,000 shares, each with a nominal value of € 1,000. As at 31 December 2017, 200 shares were subscribed and paid up.

The total result after tax for 2017 was € 2.9 million (2016: € 6.3 million) and is equal to the changes in equity.

Undistributed profit

The result after tax for 2017 is part of the undistributed profit of equity item.

Proposal for profit appropriation

During the General Meeting of Shareholders it is proposed that the result after tax for 2017 be credited to the other reserves.

28 Current liabilities

	31 december 2017	31 december 2016
Amounts owed to credit institutions	46,995	69,560
Taxes and social security contributions	3,927	4,547
Amounts owed to group companies	364	-
Accounts payable	3,657	5,317
Outstanding pension payments	93	296
Liabilities from direct insurance to policyholders	132	160
Advance payments	-	2
Accruals and deferred income	10,362	7,290
Total	65,530	87,172

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

Amounts owed to credit institutions

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

Taxes and social security contributions

The taxes and social security contributions relate to outstanding wage taxes and social security costs.

Amounts owed to group companies

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

29 Transactions with related parties

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

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

30 Other results after taxes

Other results after taxes relate to:

	2017	2016
Depreciation/amortisation of tangible and intangible fixed assets	-14,895	-14,895
Capital related payment following the establishment of Volo	-	2,940
Other revenue and operating expenses	-66,116	-73,187
Charged-on operating expenses	66,683	66,664
Taxes	3,574	4,544
Total	-10,754	-13,934

31 Events after the balance sheet date

There were no significant events after the balance sheet date that impact the 2017 Financial Statements.

Zeist, the Netherlands, 17 April 2018

Executive Board:

Mr E. (Edwin) Velzel (Chair)
Dr P.A.M. (Paul) Boomkamp

Supervisory Board:

Ms M. (Marjanne) Sint (Chair)
Ms M.R. (Miriam) van Dongen
Ms W.E.L. (Wanda) van Kerkvoorden, LLM
Mr H.M.L.M. (Eric) de Macker, LLM
Mr J.C.M. (Jan) van Rutte
Ms M.A.M. (Micky) Adriaansens, LLM

Other information



Voor een waardevolle toekomst



Independent auditor's report

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

Report on the accompanying financial statements 2017

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of PGGM N.V. as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2017 of PGGM N.V., based in Zeist.

The financial statements comprise:

- 1 the consolidated and company balance sheet as at 31 December 2017;
- 2 the consolidated and company profit and loss account for 2017;
- 3 the consolidated cash flow statement for 2017; and
- 4 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of PGGM N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant

independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Audit approach

Summary

MATERIALITY

- Materiality of EUR 1.25 million
- 0.5% of management fees
- No significant change from prior year (2016: EUR 1 million)

GROUP AUDIT

- Full-scope audit of significant group entities
- 97% of total assets
- 99% of revenue

KEY AUDIT MATTERS

- Management fees
- Reliability and continuity of the electronic data processing

UNQUALIFIED OPINION

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 1.25 million (2016: EUR 1.0 million). The materiality is determined with reference to the management fees (0.5% thereof, 2016: 0.4%). We consider the management fees as the most appropriate benchmark as it demonstrates the nature of the business and because it is a stable indicator for the size of the company. We have also taken into account misstatements and/or possible misstatements reasons that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 60,000 (2016: EUR 50,000), which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

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



Our group audit mainly focused on significant components and, based on the size and nature of the group components, are PGGM Vermogensbeheer B.V., PGGM Pensioenbeheer B.V., PGGM Strategic Advisory Services B.V. and PGGM Treasury B.V. For these significant group components, we have performed audit procedures ourselves. Based on the nature and the size of the component it is determined whether a group component is significant. The audit coverage as stated in the section summary amounts to 97% of the total assets and 99% of the revenue.

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

Our key audit matters

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

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

Management fees

Description

PGGM N.V. receives management fees for various asset management activities, pension administration activities and advisory services which PGGM N.V. performs for its clients. These management fees amount to EUR 265 million in 2017 (2016: EUR 264 million) and are PGGM N.V.'s largest financial statement caption on a consolidated level.

In view of the size of the management fees and its significance for the result and the equity in the financial statements of PGGM N.V., we consider this as a key matter in our audit.

Our response

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

- performing a reconciliation of the recorded revenue with the underlying contracts. We have evaluated the authenticity for each contract and by inspecting the contracts we have verified that it has been signed by all parties;
- performing a reconciliation of the management fees from the asset management activities with the asset management expenses as stated in the financial statements of the PGGM investment funds. These financial statements are accompanied by an auditor's report from the external auditor. For the management fees related to PGGM investment funds for which no audited financial statement over 2017 was available during our audit, we have performed substantive procedures ourselves. We have recalculated the revenue based on the management fee percentages agreed in the contracts and the average assets under management in 2017;
- we performed procedures on the recorded management fees to verify that these have been paid by the counterparties to PGGM by inspecting the bank statements.

Our observation

Based on our procedures we have not noted any significant findings.



Reliability and continuity of the electronic data processing

Description

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

Our response

We have assessed the reliability and continuity of the electronic data processing in the context of our audit of the financial statements. We have included specialist IT auditors in our audit team for this purpose. Our work consisted, inter alia, of:

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

Our observation

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

Report on the other information included in the annual report

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

- Foreword;
- About PGGM;
- Key Figures;
- Directors' report;
- Report of the Supervisory Board; and
- Other information.

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

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

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

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

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

Description of responsibilities regarding the financial statements

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

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

Utrecht, 17 April 2018

KPMG Accountants N.V.

A.J.H. Reijns RA

Appendix: Description of our responsibilities for the audit of the financial statements



KPMG Accountants N.V., registered with the trade register in the Netherlands under number 33263683, is a member firm of the KPMG network of independent companies affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

Appendix

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

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

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group components. Decisive were the size and/or the risk profile of the group components or operations. On this basis, we selected group components for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

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



Statutory provisions governing the appropriation of the result

Article 35 of the Articles of Association reads as follows:

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

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Utrecht Chamber of Commerce, registration number 30228472

Executive Board

Mr E. (Edwin) Velzel (chairman)

Chief Executive Officer (CEO)

Dr P.A.M. (Paul) Boomkamp

Chief Financial & Risk Officer (CFRO)

Auditor

KPMG Accountants N.V.

Financial Services

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Information

For any questions or comments about this Annual Report, please contact us at:

www.pggm.nl/jaarverslag

Retirement schedule of the Supervisory Board

Supervisory Board retirement schedule as at 1 April 2018

Name	Date of Appointment	Date of First Reappointment	End of Term of Appointment
Ms M.A.M. Adriaansens, LL.M.	01-01-2018	01-01-2022	01-01-2026
Ms M.R. van Dongen (Deputy Chair)	13-06-2013	13-06-2017	13-06-2021
Ms W.E.L. van Kerkvoorden, LL.M.	30-08-2010	20-07-2011	30-08-2018
Mr H.M.L.M. de Macker, LL.M.	01-10-2015	01-10-2019	01-10-2023
Mr J.C.M. van Rutte	17-05-2017	17-05-2021	17-05-2025
Ms M. Sint (Chair)	01-04-2018	01-04-2022	01-04-2026

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

Ancillary positions held by members of the Supervisory Board

Ms M.A.M. (Micky) Adriaansens (1964)

Nationality: Dutch

Current position: Chair of the Board of Twijnstra Gudde

Executive and supervisory positions:

- Member of the Supervisory Board of PGGM N.V.
- Member of the Supervisory Board of Stichting Amsta
- Chair of the Board of Twijnstra Gudde Holding B.V.
- Member of the Supervisory Board of Stichting GGNet

Ms M.R. (Miriam) van Dongen (1969)

Nationality: Dutch

Executive and supervisory positions:

- Member of the Supervisory Board of PGGM N.V.
- Member of the Supervisory Board of Vivat N.V.
- Member of the Supervisory Board of CB Logistics
- Member of the Supervisory Board of Optiver Holding B.V.
- Member of the Board of Stichting Administratiekantoor Aandelen Kas Bank
- Member of the Supervisory Board of Kadaster (Land Registry Office)
- Member of the Management Board of Stichting de Bron

Ms W.E.L. (Wanda) van Kerkvoorden (1968)

Nationality: Dutch

Current position: Partner SOLV Advocaten

Executive and supervisory positions:

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

Mr H.M.L.M. (Eric) de Macker (1960)

Nationality: Dutch

Remunerated position: Management Consultant CNV Connectief

Executive and supervisory positions:

- Member of the Supervisory Board of PGGM N.V.
- Member of the Supervisory Board of Stichting Rivierduinen GGZ
- Member of the Advisory Council of Stichting CNV Internationaal
- Member of the Advisory Council of Nederlandse Vereniging van Arbeidsdeskundigen
- Member of the Executive Board of Stichting Nationaal Register

Mr J.C.M. (Jan) van Rutte (1950)

Nationality: Dutch

Executive and supervisory positions:

- Member of the Supervisory Board of PGGM N.V.
- Chair of the Supervisory Board of Volksbank N.V.
- Member of the Supervisory Board of BNG Bank
- Member of the Supervisory Board of Ormit Holding B.V.
- Member of the Supervisory Board of Nederlandse Investeringsinstelling N.V. (NII)
- Member of the Supervisory Board of the Health Center Hoenderdaal Foundation
- Member of the Board of the Kas Bank Share Administration Trust
- Member of the Executive Board of the ABN AMRO Foundation

Ms M. (Marjanne) Sint (1949)

Nationality: Dutch

Executive and supervisory positions:

- Chair of the Supervisory Board of PGGM N.V.
- Chair of the Supervisory Board of the Bank Nederlandse Gemeenten
- Member of the Supervisory Board of NL Healthcare
- Chair of the Executive Board of the PBQL Foundation
- Chair of Transautoriteit Jeugd
- Managing Director/Owner of Marjanne Sint Consultancy B.V.

Report on the remuneration of the Executive Board

Introduction

This report concerns the remuneration of the members of the Executive Board. The report first describes the vision underlying the remuneration policy for the members of the Executive Board. The report then covers the 2017 remuneration package for the members of the Executive Board.

Remuneration policy vision

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

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

The chair of the Executive Board (CEO), Else Bos, was reappointed on 30 July 2017 until 1 November 2017. In May 2017, she announced her departure from PGGM, having accepted another position with DNB. Paul Boomkamp was appointed as a member of the Executive Board in the position of CFRO effective 1 September 2015.

Effective from 1 November 2017, Edwin Velzel was appointed chair of the Executive Board subject to the suspensive condition of the approval of this appointment by the regulatory authorities. The AFM consented to the appointment on 14 December 2017.

The remuneration policy for the members of the Executive Board is in accordance with laws and regulations governing remuneration and is additionally in accordance with the best practice provisions of the Dutch Corporate Governance Code.

Executive Board remuneration package

The total remuneration package of the members of the Executive Board consists of salary, pension and social security contributions. The members of the Executive Board are not entitled to variable remuneration. Members are not provided with remuneration in the form of shares, options and the like. The annual remuneration package is set by the Supervisory Board.

In consultation with the Supervisory Board, it was agreed that Else Bos was to step down as chair of the Executive Board on 1 November 2017. Immediately after this, she took a sabbatical until 1 May 2018, which she had been granted in 2012 following the cessation of her variable compensation.

Salary

The salary of the members of the Executive Board is based on the market profile of the remuneration of executive directors at a similar level, with due consideration for PGGM's positioning. The salary is adjusted each year in accordance with the average of the percentages and amounts by which salaries were adjusted in the previous calendar year on the basis of three collective labour agreements (Hospital Sector, Insurance Industry, Banking Business). Effective 1 January 2017, the salary increased by 1.1% in comparison to 2016.

The salary for the members of the Executive Board is based on a rating according to the Hay classification; the job level of the chair is one level higher. The fixed salaries and other remuneration components are included in the financial statements.

The pension and social security contributions are in accordance with the collective labour agreement (CLA).

Ancillary positions held by Members of the Executive Board

Mr E. (Edwin) Velzel (1963)

Nationality: Dutch

Current position: Chief Executive Officer (CEO) of PGGM N.V.

Executive and supervisory positions

- Chairman of the Executive Board of PGGM N.V.
- Member of the Supervisory Board of Klaverblad Verzekeringen
- Managing Director/Owner of IC Strategy B.V.
- Managing Director/Owner of E. Velzel Beheer B.V.
- Managing Director/Owner of NbC Verandermanagement B.V. (also conducting business under the trade name Velzel & Partners)
- Member of the Supervisory Board of Atal - Medial (Laboratorium)
- Chairman of the Supervisory Board of PoZoB (Group of general practitioners)
- Member of the Supervisory Board of Omring (Care and nursing)

Dr P.A.M. (Paul) Boomkamp (1969)

Nationality: Dutch

Current position: Chief Financial & Risk Officer (CFRO) PGGM N.V.

Executive and supervisory positions

- Member of the Executive Board of PGGM N.V.
- Member of the Supervisory Board of PGGM Vermogensbeheer B.V.
- Member of the Advisory Council of the Sociale Verzekeringsbank, as well as chairman of the IT Advisory Committee
- Member of the Supervisory Board of the Stichting Emergis, Centre for Mental Healthcare in Goes

Blockchain

Technology for encrypting and securing data.

Business Continuity Management System

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

Capital Market Union

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

Circular economy

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

Corporate Governance Code

Rules of conduct which listed companies must follow by law.

COSO II Enterprise Risk Management (COSO ERM)**Methodology**

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

Daadkrachtig Vernieuwen (Decisive Innovation)

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

Data Platform

Data is given meaning, making it possible to use it more effectively.

Delta Plan for Dementia

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

Dementia-friendly together

A campaign to make Dutch citizens aware of the impact of dementia.

Environmental, Social and Governance (ESG) Criteria

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

FinanCE

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

Financial Stability Board (FSB)

International regulator in the financial world.

Footprint reduction

This is a measure of environmental performance for the business sector. Every company working on this provides insight into the volume of CO₂ emitted.

General Data Protection Regulation (GDPR)

Privacy legislation that applies to the entire European Union effective from 25 May 2018.

Global Compact

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

Global Real Estate Sustainability Benchmark (GRESB)

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

Gold Standard Cookstoves Uganda Paradigm Project

Special wood ovens have been developed for this project in Uganda that provide an alternative to traditional cooking on open fires which causes significant CO₂ emissions.

Health Impact Bond (HIB)

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

Human Rights Treaties in the Netherlands

Human rights treaties signed and ratified by the Netherlands.

Infrastructure Pensions Project

As part of the Infrastructure Pensions project a working blockchain prototype of a scalable pension administration system was developed within a few months that demonstrated the potential of the technology.

Internal Capital Adequacy Assessment Process (ICAAP)

A comprehensive risk assessment by the company of all risks to which it is or could potentially be exposed.

International Finance Corporation (IFC) Performance Standards

International criteria for identifying and managing environmental and social risks.

KLM Corporate BioFuel Programme

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

Make It Possible programme (MIP)

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

Markets in Financial Instruments Directive II (MIFID II)

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

Materiality Matrix

In this analysis, the interests of the stakeholders are looked at alongside the interests of the organisation.

OECD guidelines for Multinational Enterprises

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

Pan European Personal Pension Product (PEPP)

A plan launched by the European Union at the end of June 2017 making it attractive to persons in affiliated countries to save for additional pension themselves.

Pay for Performance model

A performance-linked remuneration model whereby payment only occurs when an issued assignment actually produces results.

PGGM Infrastructure Fund

An open-end fund that invests in infrastructure. The aim of the fund is to realise an attractive long-term return through means of a diversified portfolio of infrastructure investments in terms of geography and sectors.

Platform Carbon Accounting Financials (PCAF)

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

Principles for Responsible Investment

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

Process Mining

A method, supported by technology, for visualising the actual execution of business processes.

Retiring with Vitality

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

Sustainable Financing Platform of De Nederlandsche Bank (DNB)

The Platform for Sustainable Financing is a partnership created in 2016 for the purpose of further enhancing and stimulating attention for sustainable financing in the financial sector.

Systematic Integrity Risk Analysis (SIRA)

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

Task Force on Climate-related Financial Disclosures (TCFD)

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

Toekomstvaste Enterprise Architectuur

PGGM opts to optimally configure its business processes with the help of a future proof enterprise architecture. By developing a future-proof enterprise architecture PGGM aims to optimally configure its business processes.



Voor een waardevolle toekomst