


Annual Report of PGGM N.V.

2021

The original annual report was 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. The official Dutch version is available on our website: www.pggm.nl

The auditor's report of the external auditor does not relate to this translation, but only supervises the official Dutch version.

Foreword

2021 was an eventful year in which we once again worked a lot from home to combat the spread of the coronavirus. Although services to our customers continued unabated and we had a good financial year, we are happy that everyone can now return to the office more often. The personal connection with colleagues, customers and other partners is an important part of enjoying our work. Major themes for PGGM in 2021 were the preparations for the new pension system, making investments more sustainable and the developments in cybersecurity and IT. In 2021, we made good progress towards our long-term goals in all these areas.

Joint vision Healtcare and welfare

With our strategy, Strategy 2023, we focus on the health and welfare sector and the preparations for the various pension system scenarios. Now that the pension agreement provides more clarity on the new system, it is time to look further ahead, to the horizon of 2030. In a future strategy, the focus on the healthcare and welfare sector remains essential. There are also new developments, such as the wish of our largest client, Pensioenfonds Zorg en Welzijn (PFZW), to have more control over its own investments and the further investigations of a possible collaboration with MN Services N.V. (MN) to safeguard the position of PGGM and PFZW in a further consolidating pension landscape. This potential collaboration should increase efficiency and eventually reduce the costs per participant. We expect to complete the strategy alignment process with PFZW in the first half of 2022, allowing a joint vision of the future of PFZW and PGGM to be formulated before the summer.

In addition to PFZW, we serve our other clients: Stichting Pensioenfonds voor Huisartsen (SPH), Stichting Bedrijfstakpensioenfonds voor het Schilders-, Afwerkings- en Glaszetbedrijf (BPF Schilders), Stichting Rabo PGGM Premiepensioeninstelling (Rabo PGGM PPI), Stichting Pensioenfonds Smurfit Kappa Nederland, (Smurfit Kappa) Stichting Bedrijfstakpensioenfonds voor de Particuliere Beveiliging (BPF Beveiliging), Stichting Pensioenfonds voor de Architectenbureaus (Pensioenfonds Architectenbureaus) and Stichting Pensioenfonds voor Personeelsdiensten (StiPP). We help them provide their participants with a good and affordable pension. They can benefit from our economies of scale and the associated low implementation costs.

Pension agreement, lower costs and best customer experience

The pension agreement brings about a major change in the pension system and affects us all. In 2021, we laid a good foundation to implement the changes needed in the coming years. We want to be ready on 1 January 2026, not only for the new pension system, but also for the administration market that follows. It is expected to be a market with more standardized and less complex products, and thus new players.

We are preparing for this by examining and establishing cost-reducing and efficiency-enhancing initiatives, such as digitization and automation. In the coming years, we will also continue to focus on our best-in-class principle, including ensuring the best customer experience for our customers' participants, in order to differentiate us from other players in the market.

Making the investment portfolio more sustainable

Another focus in 2021 was making the investment portfolio more sustainable. As an administrative long-term investor, we place great value on sustainable and responsible investment. Responsible investment is high on the agenda of regulators and supervisors. There is also increasing pressure from stakeholders and participants to realise sustainable returns. In terms of CO_2 reduction, impact investments and the implementation of minimum sustainability standards, we made significant progress in 2021. For example, we developed a plan that allows us to make targeted reductions in carbon emissions in the equity portfolio and at the same time increasing the percentage of SDG investments. In addition, an "OECD screen" has been implemented in both the public and private portfolios to ensure that the entire portfolio meets minimum sustainability requirements. As part of that effort, in early 2021, we added coal and tar sands to the product-based exclusions. We continue to invest in the fossil fuel sector on behalf of our clients. We are convinced that these companies can and should play a key role in the energy transition because of their technological expertise, scale and available risk capital. To this end, we are developing a new programme as an active shareholder, in which we intensify the dialogue with the fossil energy sector and outlinie in advance in a two-year programme which instruments we will deploy to encourage companies to embark on a serious transition to meet the requirements of the Paris Climate Agreement. We are also clear about the timelines we apply here. By choosing only direct divestment, we as PGGM would indeed reduce 'our' carbon footprint and lower reputational risk, but this has no positive impact on the emissions in the real-world. We therefore use disinvestment only as a last resort.

Attention to healthcare professionals

The pressure on 'our' healthcare professionals is increasing. We must always give them our full attention, because ultimately they keep the healthcare system afloat. As PGGM, we cannot solve the future labour shortage, but we can indeed contribute to a reduction in the shortage. Together with PFZW and our subsidiary Vernet, we have unique data on the healthcare sector. This data can help solve labour market issues. Absenteeism reduction and part-time increases, for example, could bring about another 35,000 pairs of extra hands to the bedside, and narrow the healthcare gap by a quarter. We are also going to work more with parties who can help us with this, such as IZZ and FWG. It would be wonderful if we could achieve such results with the pension data in the sector. The more people we can keep vital in the sector, the better it is for the pensions in the sector and for society as a whole.

A special year for Pension Management

For colleagues in our Pension Management unit, 2021 had two sides. They once again delivered outstanding quality work, which was rewarded again this year with the Gouden Oor award. Together with the effects of the new pension agreement, the departure of SPH and the stopping with Rabo PGGM PPI led to a reorganisation. We were able to provide good guidance to all those involved, both internally and externally.
Despite the reorganisations, Pension Management still scores well on job satisfaction. This is thanks to the personal attention of the management, which is not so easy in the current virtual world.

Changes in Asset Management

In 2021 PFZW decided to set up its current investment structures differently in the future. This decision has an important impact on the services of Asset Management. We are in discussion with all customers to provide a good form for the necessary changes in the service provision. This also includes the proper transfer of services to other parties. This is an impactful development for both our customers as well as our employees.

Our Colleagues

We believe it is important to take good care of our employees. We do this based on our belief that good care and personal attention bring out the best in our employees. This also serves a social interest in which staff turnover is reduced to a minimum. Moreover, it is essential to attract, retain and develop talent.

For further development of our employees and our organisation, in the last year we encouraged among others the stimulation of diversity of thought and inclusiveness. We have had to work mainly from home for the past two years and the experience of that has led to a new balance between working from home and working in the office. In 2021 all teams established a manifesto with collaboration agreements. We have also started to modify our office to make it more of a meeting place. It is important that collaboration between colleagues at home and in the office is well facilitated. In 2022 we will start working on this in concrete terms. At the end of October 2021 our chief information officer (CIO) Gerko Baarslag resigned. We would like to thank Gerko for his efforts. As CIO ad interim Gerko has prepared the organisation for the digital future.

Ukraine

The Russian invasion in Ukraine has enormous humanitarian consequences. Our sympathy therefore goes out to the Ukrainians. The war also has economic implications. The turmoil in the financial markets is causing fluctuating stock prices and rising (energy) prices. Sanctions against Russia may also have an effect on the economic growth. We are monitoring the situation closely, paying attention to both financial risks, as well as operational risks.

Executive Committee

Edwin Velzel

Willem Jan Brinkman

Geraldine Leegwater

Jeroen de Munnik

Alexandra Phillippi

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About PGGM

PGGM is a not-for-profit cooperative pension fund service provider. We offer our clients - the pension funds - the services of pension management, asset management, policy advice and board support. In addition, we develop new products and services to strengthen the healthcare and welfare sector and to reduce the healthcare gap.

Our Services

Pension management

One of our services is pension management. We manage the pension schemes for our clients and provide clear communication with their employers and participants. We deliver high-quality pension administration at the lowest possible cost. We carefully implement the transition of pension schemes. The pension fund and participants are key in this. Our clients have access to our knowledge as well as our experience in pensions and communication with employers and participants.

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

Asset management

We support our clients with asset management and fiduciary management.

We invest the collective pension assets cost-efficiently. We implement the investment policy based on the wishes of our clients. Thereby we pay attention to a good financial and socially responsible return with a good management of the risks. Fiduciary management and advice supports our clients in their role as principal, both with advice and subsequent implementation. For a significant part of the investments we perform the asset management ourselves within PGGM. We do this in addition to the management activities that we carry out. The management activities are shaped by the management of overlay portfolios and the selection and monitoring of external managers and risk management.

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

Policy advice and board support

We advise our clients regarding their pension schemes and how these are funded. We do this by providing legal, tax and actuarial advice and recommendations on asset liability management (ALM), risk management, financing policy and current topics. We devote a great deal of attention to the practicability and comprehensibility of our advice and to the pension and financing policy that is developed based on this. We also offer organisational support for our clients' governance cycle.

Read more about our policy advice and board support at *www.pggm.nl/beleidsadviseringenbestuursondersteuning*

Additional services and products for the healthcare and welfare sector

In the first place we work on leading pension and asset management. In addition we use our expertise in the area of labour market data, financing issues and additional staffing services. With these additional services we want to contribute to job satisfaction in the sector, attractive employership and thereby to the future-proofing of the healthcare and welfare sector.

Our organisation

The services are provided from the PGGM Group. The organisation and layout of the PGGM Group is as follows.

PGGM Coöperatie

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

Members' Council

The Members' Council is the highest body of PGGM Coöperatie. It represents all members, is the link between the cooperative board and members, provides input and ideas to PGGM N.V. and PGGM&CO. Furthermore, it is the task of the Members' Council to promote member influence and engagement and is an ambassador role for the cooperative. The council consists of 45 employees and retirees from the sector and also has an independent chairman. The Members' Council represents the members of the cooperative which is over 780.000 members.

Cooperative Council

The Cooperative Council is responsible for the identity, mission, vision and financial and other policy frameworks of PGGM Coöperatie and is accountable for these to the Members Council.

PGGM&CO

As a member organisation, PGGM&CO is constantly in touch with its members, our clients' participants, employers and social partners. They know better than anyone what the sector is concerned about. This information enables PGGM&CO to align its activities more closely with the wishes of the sector, for example by setting up online communities on subjects relevant to members. In addition, PGGM&CO, in collaboration with partners, develops supplementary products and services for its members under the theme 'Vitality in Retirement'.

PGGM N.V.

PGGM N.V. (PGGM) is the executive organisation and wholly-owned subsidiary of PGGM Coöperatie. As PGGM, we work on behalf of our clients, the pension funds, employers and participants of our clients. Our core business is pension administration. PGGM is established in the Netherlands and works for Dutch clients. PGGM invests actively worldwide.

Supervisory Board

PGGM's Supervisory Board consists of six independent and expert members and has two committees: the audit, risk and compliance committee (audit committee) and the people and organisation committee (M&O committee). The Supervisory Board supervises the policy of PGGM's Executive Board (EB) and the general affairs of the company and its affiliated company. The Supervisory Board fulfils the role of employer for the EB members. The Supervisory Board also safeguards the expertise and responsibilities of the Executive Committee (EC). The Supervisory Board pays specific attention to the dynamics and relationship between the Executive Board and the EC.

In addition to members of the Executive Board, EC members also attend Supervisory Board meetings, if invited. In addition to interviews with members of the Executive Board, the M&O Committee conducts annual interviews with members of the EC. Finally, the Supervisory Board has direct involvement in the appointment, suspension and dismissal of members of the Executive Board and, where appropriate, (indirectly) EC members.

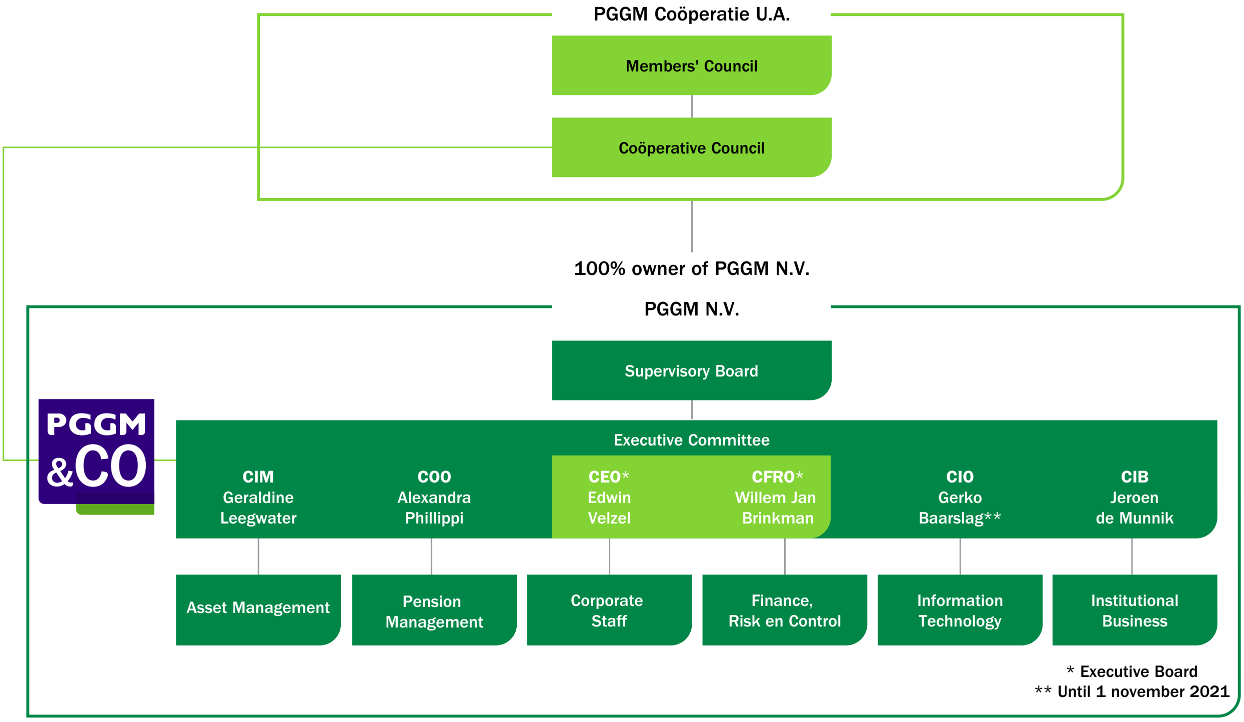
Executive Committee

The EC is responsible for the day-to-day management of PGGM. The EC consists of five members. These are first and foremost the chief executive officer (CEO) and the chief financial & risk officer (CFRO), who are also members of PGGM's Executive Board. In addition, the responsible officers from the business units in the areas of pension management (chief operations officer (COO)), asset management (chief investment management (CIM)) and institutional clients (chief institutional business (CIB)) sit on the EC.

The Executive Board will continue to have final responsibility for PGGM. The Executive Board can be called to account by both the shareholder and the Supervisory Board.

We opted for the EC model, because this enables the board and business operations to come together in a single team. The focus here is on the client and PGGM’s key functions are represented.

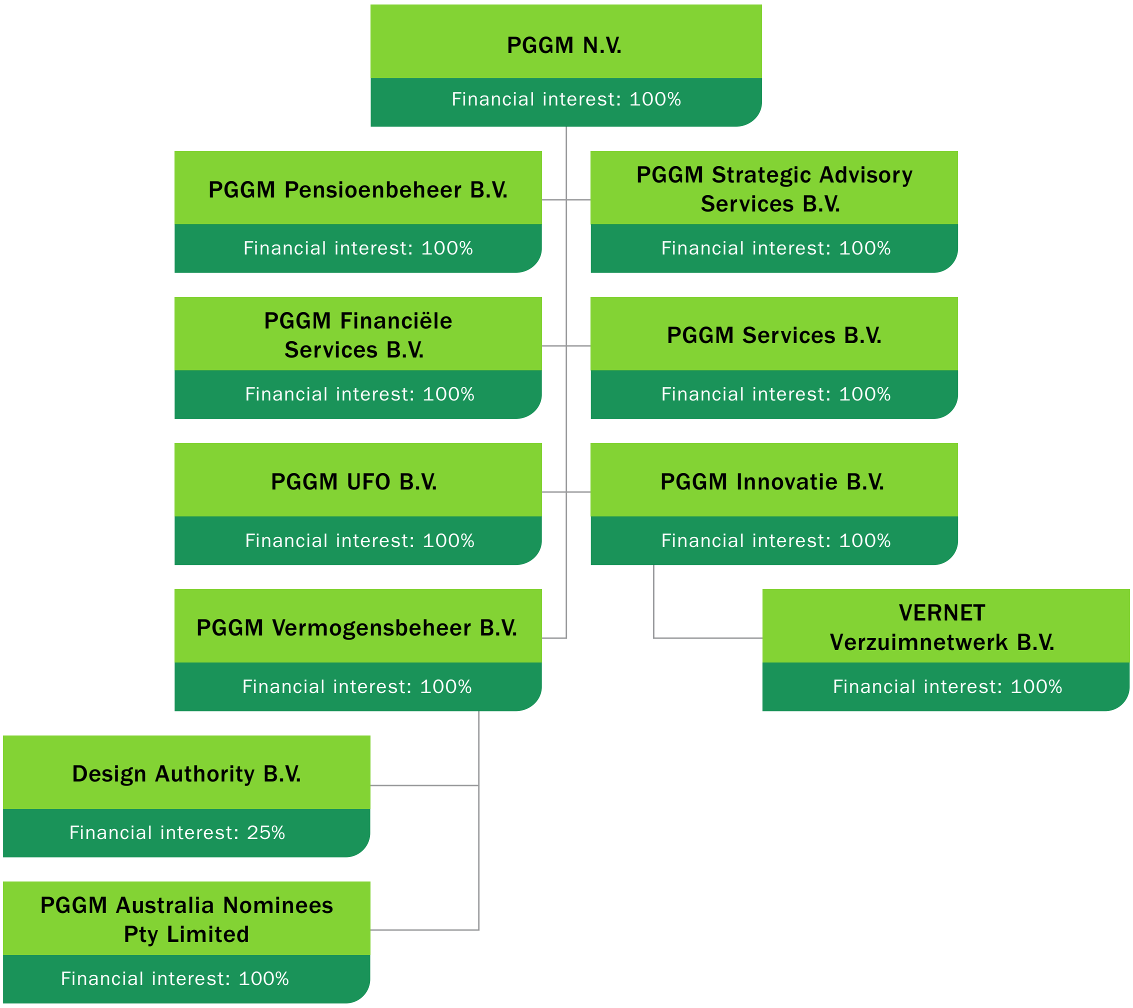
PGGM’s organisational structure



Group structure

The executive organisation PGGM has a two-tier board and, as of 31 December 2021, is the holding company for nine direct and indirect subsidiaries and one minority interest. PGGM, together with shareholder PGGM Coöperatie, forms the PGGM Group.

A number of subsidiaries in the group 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.



Our clients

We are the second largest pension administration organisation in the Netherlands. First and foremost, we focus on the healthcare and welfare sector and the services to PFZW. At the same time, we also serve our other clients. We help each client provide their participants with a good and affordable pension. We tailor our services to the client and the ambition of pension fund boards. This approach also fits in with the preparation for a streamlined introduction of the new pension system which involves many changes.

In anticipation of this new pension system holding a position in a PPI organisation became less appropriate. For this reason we have chosen to discontinue our services to Rabo PGGM PPI as of 1 January 2022. After an extensive analysis Rabo PGGM PPI decided that Allianz was the best party to take over the position held by PGGM. The clients were fully informed about this and the final transfer to Allianz took place via a thorough and controlled transition. Providing pension management for SPH also stopped as of 1 January 2022. After going through a careful selection process, SPH chose Achmea Pensioenservices as its new administrator. Hereby within our pension management unit we parted from a valuable customer. SPH will still remain our client for a number of other services such as asset management products and the provision of asset liability management (ALM) services.

The loss of some clients means that the work of a number of employees will disappear.

For this reorganisation, we have drawn up a social plan to absorb the consequences of the reorganisation for these colleagues as well as possible. Part of the plan involves guiding these employees from work to work, both internally and externally. We already made a provision for this in 2020, which has been updated in this annual report.

We continue to provide the services to our other Clients. Hereby we focus on our largest client, PFZW. The healthcare and welfare sector, that is where we come from and thatis where our future lies. At the same time our other clients can benefit from our economies of scale and associated low administration costs.

PGGM clients in 2021

	Services				
	Policy advice and board support	Pension administration	Asset management	Number of participants as at 31.12.2021	Managed capital as at 31.12.2021 (in € mln)
Stichting Pensioenfonds Zorg en Welzijn	✓	✓	✓	2,985,300	277,456
Stichting Pensioenfonds voor Huisartsen	✓	✓	✓	24,300	1,493
Stichting Bedrijfstakpensioenfonds voor het Schilders-, Afwerkings- en Glaszetbedrijf	✓	✓	✓	109,200	9,467
Stichting Rabo PGGM Premiepensioeninstelling	✓	✓		63,200	N/A
Stichting Pensioenfonds Smurfit Kappa Nederland	✓		✓	N/A	887
Stichting Bedrijfstakpensioenfonds voor de Particuliere Beveiliging			✓	N/A	541
Stichting Pensioenfonds voor de Architectenbureaus			✓	N/A	3,678
Stichting Pensioenfonds voor Personeelsdiensten	✓	✓		1,044,600	N/A

Key figures

Key figures	2021	2020
Operating income (* millions of euro	336.7	309.5
Net result (* millions of euros)	20.9	29.0
Number of clients	8	10
Number of participants (* million)	4,2	4.4
Assets under management (* billions of euros)	293.5	268.0
Customer satisfaction	7.3	7.4
Number of FTEs	1,461	1,491
Male/female ratio, general	62%/38%	62%/38%
Male/female ratio at management level	70%/30%	71%/29%
Personnel expenses (* millions of euros) 1)	184.4	180.0
Number of members of PGGM&CO	Approx 780,000	Approx 765,000

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

Financial results

The table below summarizes our achieved financial result for 2021.

Condensed income statement

All amounts (* millions of euros)	2021	2020	Difference
Total operating income	336.7	309.5	27.2
Total operating expenses	-313.2	-289.0	-24.2
Financial income and expenses	4.1	-0.6	4.7
Result before taxes	**27.6**	**19.9**	**7.7**
Taxes	-6.9	-4.0	-2.9
Result of participating interests	0.1	13.1	-13.0
Result after taxes	**20.9**	**29.0**	**-8.1**

Result after tax

In 2021, our result before tax was € 27.6 million (2020: € 19.9 million). The increase in earnings of € 7.7 million compared to 2020 is largely due to a more positive result on the financial income and expenses. This is due to the sale of the Rabo PGGM PPI portfolio.

The higher operating income (an increase of € 27.2 million) is mainly due to additional performance fees in asset management and additional income from sharing our IT platform with MN. On the other hand the operating expenses increased by € 24.2 million. This is due on the one hand to the € 12.4 million downward revaluation of the property (of which € 1.3 million from the revaluation reserve).

This write-down is due to expected reduced use as a result of the hybrid work policy and due to market developments in the office market. On the other hand the higher operating expenses are mainly due to higher personnel costs and higher costs of outsourced work with € 10.0 million as a result of additional services provided.

Result after taxes and intended profit appropriation

The result after taxes for 2021 amounts to € 20.9 million (2020: € 29.0 million). In 2020, 'result of participating interests' included an incidental income from the sale of the interest in Sustainalytics of € 13.6 million.

The proposal for the profit appropriation is to add this undistributed result for 2021 to equity. The result after taxes is above our financial target of € 15.0 million, as included in the Strategy 2023. This enables us to make the necessary IT investments in the coming years. These are needed for the implementation of the new pension scheme and for the further protection against the increasing cybercrime.

Equity and solvency

The equity at the end of 2021 - when adding the result after tax - amounts to €250.8 million (2020: € 230.8 million). The increase in equity due to the positive net result is offset by the write-down of the remainder of the revaluation reserve of € 1.3 million. The write-down is due to the revaluation of the property.

Our solvency as of 31 December 2021 is 72.3 percent (2020: 70.6 percent). The solvency is determined as the ratio of equity to the balance sheet total. The increase in solvency is caused by the positive net result.

Reorganisations

For our Pension Management unit a number of important changes will follow in the coming years. The new pension agreement is expected to lead to the standardization of the pension schemes. Combined with the current and possible changes in our customer base in 2022, this is expected to lead to a multi-year downward trend in employment within Pension Management. A reorganisation provision has already been formed for this purpose in 2020. This provision amounted to still € 5.1 million at the end of 2021.

Als for our Asset Management unit we determined in 2021 the issues that will face us in the coming years. In discussions with the various stakeholders, the Directors of Vermogensbeheer then assessed how best to approach these various strategic issues in the coming years. This has led to a reorganisation plan with an intended change in the top structure of the Asset Management unit. The reorganisation plan is accompanied by a reorganisation provision with expected related costs of €0 .2 million in 2021.

Liquid assets and money market funds

The liquid assets, including money market funds as of 31 December 2021, amount to € 230.5 million (2020: € 190.9 million). The increase is largely due to an improvement in cash flow from operating activities and the sale of Rabo PGGM PPI.

Of the liquid assets € 94.4 million is invested in two money market funds. We explain these investments in the financial statements under the securities. Investing in money market funds exchanges individual bank counterparty risk for a diversified product. Investing in money market funds offers relatively stable returns, combined with a low risk and with options for a rapid entry and exit to limit the risk.

We retain sufficient cash and cash equivalents at any one time to meet our obligations. In 2021, our liquidity position was sufficient and there is no additional financing requirement.

Financial Outlook

The Russian invasion in Ukraine on 24 February 2022 marked a serious escalation of the Ukraine crisis. While this will undoubtedly damage the global economy, the consequences depend heavily on the sanctions taken as a result of the conflict. The tougher the sanctions, the greater the economic impact. In addition to the risk of energy price increases, there is also the risk of energy shortages. This could lead to lower GDP and higher expected inflation.

For pension funds in a generic sense, and therefore also for our clients, it means that they will experience a negative impact within the investment portfolios due to global deterioration of stock market prices. The risk of the aforementioned movements on our business operations and on our financial position is limited.

Value Creation

We are PGGM: adding value to healthcare and welfare. We are committed to providing affordable, good and sustainable pension provision for our clients and their participants. We also contribute towards a liveable world, occupational health and vitality in old age. To reduce the healthcare gap and to strengthen the healthcare and welfare sector, we are developing new products and services for the healthcare sector.

Interests of our stakeholders

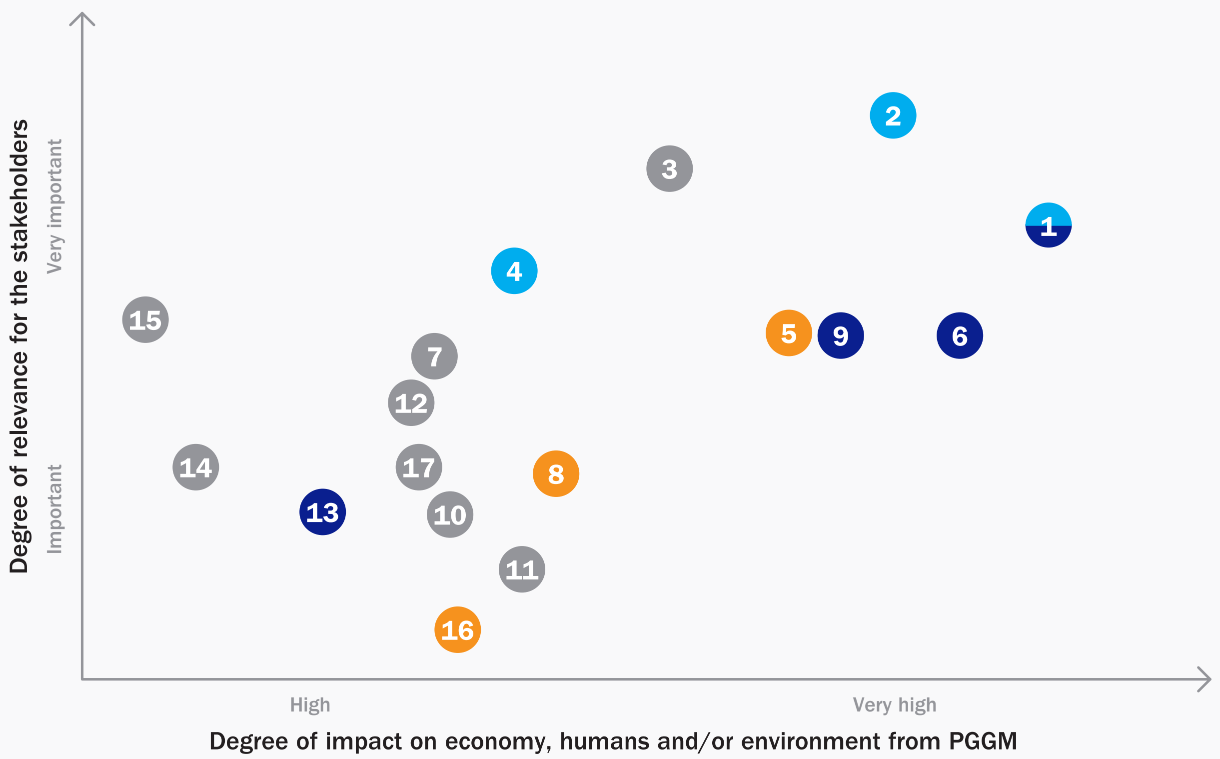
In order to safeguard that our strategy aligns well to the requirements and wishes of our most important stakeholders (social partners, PFZW, other clients, participants of our clients, employees, suppliers and insurers), we have included a materiality matrix. In the materiality matrix the themes are shown to which our key stakeholders attach the most value and with which we believe we can make the most social impact. The material topics have not changed from last year. However, we did update the positions of the seventeen themes on the matrix based on an internal survey.

The matrix is shown below. The horizontal axis of the matrix refers to the impact of a topic. If a topic is on the far right of the matrix, it means that we can make a lot of impact with it. The vertical axis shows the importance of the theme to our stakeholders. Hereby applies: the higher in the matrix, the more important. The matrix shows that both our stakeholders and we ourselves consider a good pension, reliable pension administration, future-proof architecture and a strong healthcare and welfare sector to be very important.

Materiality matrix PGGM

The material topics

Pensions	Asset management	Healthcare ande welfare	Business
1. Good pension 2. Reliable pension administration 4. Customer oriented	1. Good pension 6. Impact investments 9. ESG-integration 13. Transparancy	5. Strong sector healthcare and welfare 8. Strategic relations for sector healthcare and welfare 16. Innovative services for the sector healthcare and welfare	3. Future proof architecture 7. Financial results 10. Sustainable business operations 11. Good employership 12. Data & digitalisation 14. Compliance & integrity 15. Financial inclusion 17. Risk management



Overview definitions material themes

Nr	Topic	Definition
1	Good pension	Contributing to a good pension for the participants of our clients by advising about the pension agreement (collective, solidarity) and overlooking the financial results of our pension funds, now and in the future.
2	Reliable pension administration	Provide a complete and reliable pension administration for our clients and the partcipants of our clients.
4	Customer oriented	To be customer oriented and deliver the best possible service.
6	Impact investments	Invest in companies which contribute to the SDGs and create possitive social impact by financing solutions for global challenges in the field of healthcare, climate, food security, water and human rights.
9	ESG Integration	Incorporating environmental, social and governance (ESG) factors into existing investment processes, in a structural and systematic way.
13	Transparency	Striving for a high degree of transparency for our relevant stakeholders, by providing financial and non-financial information, such as operating costs, financial return and impact measurements, and guaranteeing open and understandable communication.
5	Strong sector health care and welfare	Contribute to a healthy and vital healthcare and welfare sector by investing in the sector and by ensuring good pensions for participants.
8	Strategic relations for sector health care and welfare	Stimulating and realizing a strong healthcare and welfare sector by working together with our partners.
16	Innovative services for sector health care and welfare	Developing new services with our knowledge and expertise for and with social partners, employer organizations and participants in the healthcare and welfare sector.
3	Future proof architecture	Prepare for future retirement scenarios by having an flexible, effcient and future proof architecture for internal business processes.
7	Financial results	Ensure a sound financial footing of the business and best-in-class performance of our asset management business as part of the pension provision.
10	Sustainable business developments	Reduce the environmental impact of our business operations (e.g. mobility, heat and energy consumption and waste) and ensure responsible sourcing practices by considering environmental and social issues in the supply chain.
11	Good employership	Attracting and retaining talent by creating an inspiring and inclusive work climate based on PGGM's vision, strategy and core values.
12	Data & digitalisation	Stimulating innovations in our organizational and investment processes by using artificial intelligence (AI), robotization and (big) data.
14	Compliance & integrity	Ensuring verifiable compliance with laws and regulations and ethical conduct.
15	Financial inclusion	Supporting people in acquiring financial literacy to enable them to make appropriate financial decisions, including in the context of their retirement
17	Risk management*	Identifying and managing (potential) risks, including climate-related risks.

* Cyber risks were not included as topics in the survey end of 2020 distributed to internal and external stakeholders. Therefore the topic has not been included separatly in the materiality matrix. The risk can be best classified/described under topic 17 "risk management".

Value creation model PGGM

Input

Financial capital

€ 250.8 million equity

Financially responsible policy

Fees from clients

Intellectual and human capital

Ca. 1,500 employees

- Knowledge and experience
- Robust IT
- Artificialintelligence
- Professional datamanagement

Social capital

Expectations of stakeholders

- Reputation
- Client relations

Natural and produced capital

Home working possibilities

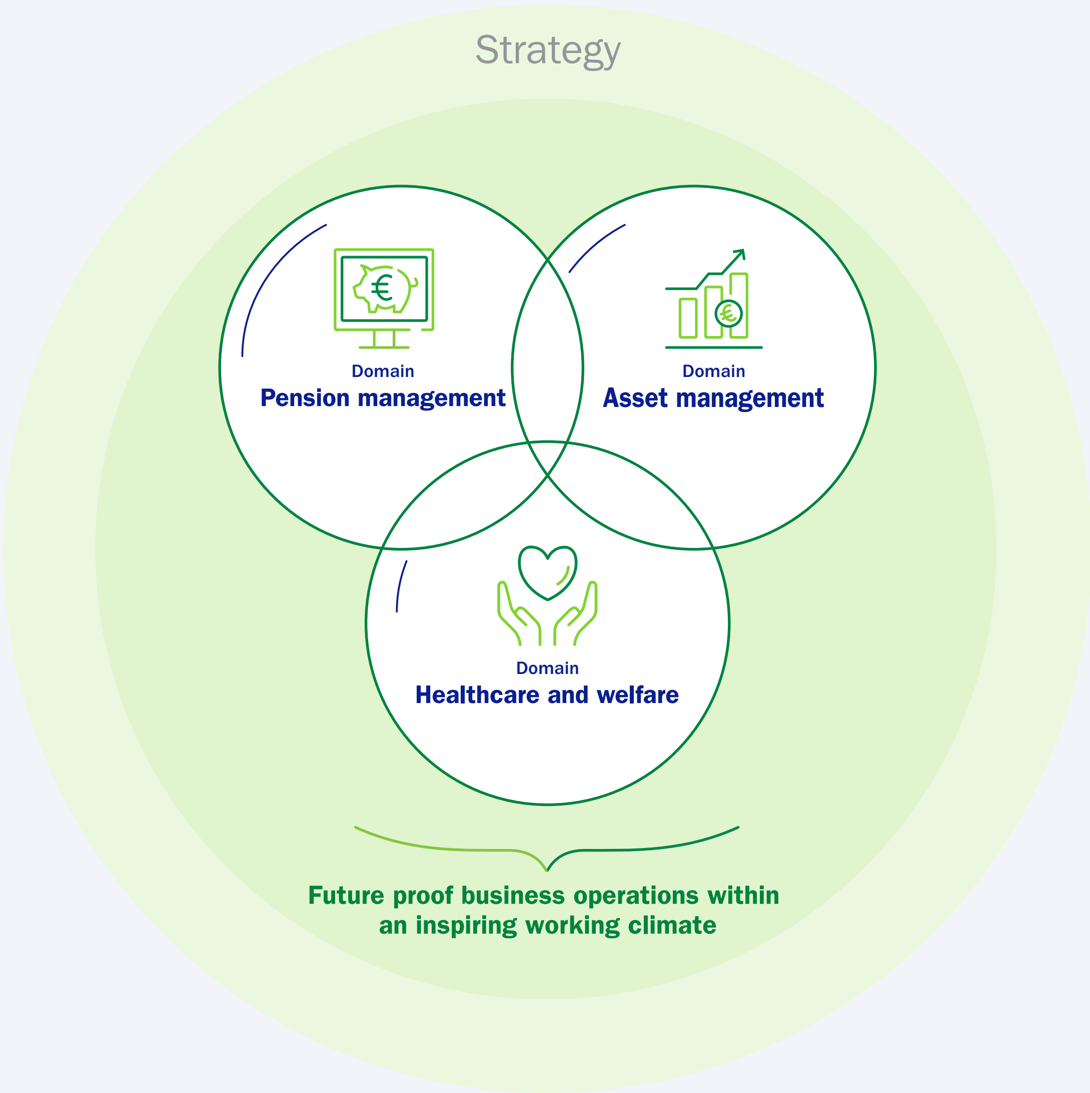
One office

- Ergonomic and sustainable office facilities
- Network 24x7 available from every place and on every device

Business model PGGM

Our mission is to help people realise a valuable future

We are commited to an affordable, good and sustainable pension for our clients and their participants and contribute to a healthy and vital sector. In doing so, we take people and environment into account.



Trends, risks and opportunities

Covid-19, new pension agreement, cyber security, changes in regulations, climate change, geopolitical developments, financial risks, market developments

Output

Pensions

Future proof pension administration for 4.2 million participants

As low as possible cost per participant

Transition to new pension contract on schedule

Asset management

€ 293.5 billion assets under management

53% decrease in CO_2 emission due to investements

8.4% return on investements

Healthcare and welfare

Innovative products and services to reduce the health care gap

Future proof business operations in an inspiring working environment

Customer satisfaction > 7.3

2.6 ton CO_2 emission per FTE

Diverse and inclusive organisation (male/female 68/32%)

Outcome

A good, affordable and sustainable pension provision for the participants of our clients

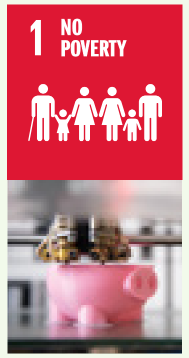
A support base for trust in the pension system

A strong sector healthcare and welfare

A more sustainable and liveable world

An appealing and inspiring working climate

Impact



Our value creation model

Our value creation model shows how PGGM creates value for our stakeholders. This model provides insight into which economic, social and environment-related capitals we use, how we add value to that and what that yields for our clients, our clients' participants, our employees and society. In line with our strategy, we also have a long-term vision that matches the horizon and the interests of our clients without losing sight of today's reality.

The various elements of the value creation model are briefly explained below.

Input

In order for our business model to function optimally we need key resources, such as a good financial base and the right people. As PGGM, we would not be able to work without our people and their specialist knowledge. Other resources are also important, such as facilities for working from home and professional data management.

Business model

Our business model is key in the value creation model. This aligns with our vision and reflects what we do and what we stand for. We focus on three areas: asset management, pensions and healthcare and welfare. Within these domains we want to provide meaningful services, now and in the future. The three domains are briefly explained below.

Pensions

A detailed pension agreement has been available since the summer of 2020. A number of things have become clear as a result, but there are also parts that need to be worked out in more detail. As PGGM we offer our brainpower and analyses in the public debate and with social partners. With that we are contributing to a future-proof pension system that extends beyond the services we provide to our clients.

Providing the best services to our customers is always our top priority. In doing so, we always stay on top of the costs. We offer excellent pension execution and service to employers, employees and retirees. We advise our clients on their pension schemes and how these are funded. We do this by providing legal, tax and actuarial advice and recommendations on asset liability management (ALM), risk management, financing policy and current topics. In this way we pay a great deal of attention to the practicability and comprehensibility of the advice and the pension and financing policy based on this advice.

Asset management

We, like our customers, have a sustainable view of investing and take the responsibility to make a positive contribution to this world. We stand for and aim for best-in-class asset management. And a good retirement is more valuable in a liveable world. That is why we make long-term investments for our clients, taking into account the impact on people and the environment with special focus on healthcare, climate and alleviating poverty. As an investor, we have an influence on a large number of businesses worldwide. We use that influence to move sectors in the right direction. We invest the collective pension assets cost-efficiently. We align the investment policy to our clients' requirements. Fiduciary management and advice supports our clients in their role as principal, both with advice and the subsequent implementation.

Healthcare and welfare

We have made a clear choice with our strategy, 'PGGM: adding value to healthcare and welfare. We stand for the financial future of people who work or have worked in this sector and contribute to a healthy and vital sector. This is also sorely needed because the healthcare sector is under pressure: demand for care is rising, the workload is high and the retirement age is increasing ever further. This translates into increasing absenteeism and many unfilled vacancies among other things.

By developing new products and services for the healthcare sector, we want to contribute to the job satisfaction in the sector, attractive employment and thus the future stability of the healthcare and welfare sector. This is also how we contribute to healthy work and vitality in old age.

Output

From the sustainable and future-proof activities in the domains of our business model we arrive at various internal and external outcomes. For example we have a future-proof administration for the pensions of 4.2 million participants, € 293.5 billion in assets under management and we are developing services and products to reduce the healthcare gap. We are also preparing our clients for the new pension system and are committed to reducing our carbon emissions.

Outcome

With our output we create value. Value for our clients and their participants by securing the pension for them. Value to the healthcare and welfare sector by investing in it and coming up with new innovative solutions to reduce the healthcare gap. And value for our employees by providing them with an enjoyable, safe and inclusive workplace. And not least for our environment where we strive for a sustainable and liveable world.

Our impact

As one of the biggest pension providers in the Netherlands, we have a major impact on our environment and society. From the social value we deliver, we contribute to long-term value creation. We have linked our long-term contribution to society to the Sustainable Development Goals (SDGs). The SDGs were formulated by the United Nations and contain a set of seventeen ambitious goals to promote global sustainable development. With our core activities and strategic agenda, we are making a positive impact on SDGs 1 (no poverty), 3 (good health and well-being) and 13 (climate action), among others. These are our so-called focus SDGs. In this annual report, SDG icons indicate where and in what services we are making a positive impact on a particular SSDG goal.

SDG 1 No poverty

SDG 1 is strongly associated with our mission to contrinute towards ensuring a good pension in a liveable world. Our positive impact on this SDG can be seen from our role and involvement in the design of the new pension agreement and the transition to a new pension contract, from our guiding role to participantsand from social involvement in the area of financial literacy, and combating other forms of poverty.

SDG 3 Good health and well-being

SDG 3 is part of our DNA as a fixed value in the healthcare and welfare sector. PFZW and PGGM are of, for and by the healthcare and welfare sector. We are mindful of the vitality of our own employees and are committed to a future-proof sector. In addition to continuing to develop the pension scheme, we engage with employee services, and contribute to labour market and investment issues in the sector.

SDG 13 Climate Action

SDG 13 underlines our continued focus on a liveable world. We set ambitious goals on the impact of our business operations and are actively involved in investing our clients' assets sustainably. We are pursuing a clear climate strategy to perpetuate and accelerate climate agreements.

Transparency

We want to be transparent about our work, input, output and outcomes. As part of that transparency, last year we took our first steps toward Integrated Reporting. In this method of integrated reporting more attention is paid to the story behind the figures included in the report.

In doing so, we try to align the management information as closely as possible with our business activities and our accountability to our stakeholders, as included in this annual report.

We thereby give substance to the upcoming developments in legislation in the field of reporting. The Corporate Sustainability Reporting Directive (CSRD) adopted by the European Commission in April 2021 requires large companies such as PGGM to include in-depth sustainability information in the management report from fiscal year 2023, which must be accompanied by (limited) assurance from the accountant. This is considered necessary from the point of view of sustainable value creation for these companies. For example, the information covers the company's policies on the environment, social and employee issues, respect for human rights, anti-corruption and bribery.

In 2021, a plan of action was drawn up outlining the steps we will take to achieve implementation of the full framework starting in 2023: Integrated Thinking, Integrated Acting and the final piece Integrated Reporting.

In the following chapters, we discuss per domain our activities in 2021, the value we create through them, and our plans for the future.

Pensions

We have a social responsibility to provide excellent pension administration at the lowest possible cost. In the coming years we will be making the transition to a new pension system. We expect that the associated entry of new parties into the market will create additional pressure for cost reductions within our organisation. We are preparing for the changing pension landscape and making PGGM ready for the future. In doing so, we want to lead the way in customer satisfaction, efficiency and flexibility with our excellent pension administration.

Preparing for the new pension system

For our clients the new pension system means that they will transition to a new pension scheme no later than 1 January 2027. As PGGM we must adapt our business operations to continue to provide excellent performance. A big and challenging change that we can only make a success together and with our clients.

As trusted advisors we support our clients in the policy choices that they have to make. We help social partners and the board of the pension funds in choices regarding the contract type, integration and possible compensation and in the further detailing of the scheme, the financial set-up and the investment policy.

The transition to the new pension system

'We are already working hard with our clients to prepare them for the choices they will have to make about their new scheme. We organise theme sessions for this and provide advice and guidance so that our clients can decide on this in 2022 and 2023. Important in this regard is that the new pension law, which is scheduled to take effect on 1 January 2023, is known in time.

We are also preparing within the Asset Management and Pension Management units for the impact on our execution. We do this through extensive impact analysis. Through research questions we want to find out what the implementation of our clients' new schemes potentially means for the implementation in both units.

To ensure the proper functioning of the pension and asset management administration, we will set up test environments in the coming years to test all necessary processes. In addition we are conducting activities as early as possible that are valuable, independent of this transition. This includes researching and improving data quality. This is not only valuable, but also crucial for the consolidation of the current pension agreements.

Marc Nuijten
director of Business Development & Transition

One collective pension scheme

In the run-up to a new pension scheme it is very important to include our social partners in the developments. We do this with an eye to maintaining support for one collective pension scheme for the entire healthcare and welfare sector. Our Relationship Management Social Partners (RMSP) team supports our clients in this regard. A good example of this is the consultation round that we conducted on behalf of and together with the board of PFZW in the spring of 2021 among social partners and senior citizen organisations. Thanks to this consultation round we know how the various parties view the two new premium schemes and whether or not current pensions will be incorporated into the new scheme. Another example is the dataset that we provided to social partners in order to arrive at a sector plan within the framework of the temporary Measurement Scheme for sustainable employability and early retirement.

More efficient and lower costs

We feel the social pressure to always keep an eye on costs; every euro we spend on our organisation is not invested in the pension of the participants. Especially at a time when premiums are being raised and pensions maybe cut, being aware of the costs is more important than ever. With the advent of the new pension contract, the schemes will become less complex and there will be more opportunities for standardization. This may lead to new Dutch or foreign parties entering the market. As a result the playing field changes, and possibly our competitive position.

A simpler pension scheme offers the possibility of achieving lower costs. We want to see if we can make our administrative departments even more efficient.

We want to do this by designing our processes more smartly, automating and robotizing tasks and further digitizing the services we provide to our clients.

A special team reviewed the entire Pension Management unit and examined the possibilities of working more efficiently. This involves customization for each unit, not standard solutions. Analyses were done that led to improvement proposals. These proposals focus on working smarter, automating, digitizing and robotizing, allowing us to do the same work with fewer people.

The Tasting

'As an organisation, we ensure that we are ready for the future, among others by contributing to the development of our employees. Since there is no way of predicting whether or not someone will be made redundant in the coming years, all colleagues were given the opportunity to spend a week sampling the workshops we offer within this company. In November 2021, we kicked off the week with the Pension Management event in which six speakers talked about how they deal with challenges.

After this week, we spent four days working on different workshops.
A varied offering from the PGGM Academy supplemented by training from external companies.
In four days, there were 1,400 registrations for the various workshops.

It was a week full of speakers, workshops and coaching. But above all, a week of development and connection. We got moving with one another and prepared for the changes surrounding us. It was not in a physical location, but it still managed to be a successful week and inspire everyone to get started with development.'

Johan Been
program director, Delta Programme

Developments in service provision

For our largest client PFZW the service provision in 2021 was further improved in several respects. For example we further developed the online environment for PFZW's participants and employers to increase self-reliance. For example employers now receive feedback on the Uniform Pension Declaration (UPD) submission and are proactively assisted with the (timely) submission of the UPD. They are offered the iDeal payment option and the direct debit has been digitized. The invoice for employers is clearer, making the employer more likely to make payment. And employers can now request a payment plan digitally. For participants of PFZW the annual Uniform Pension Statement campaign in 2021 was very successful. This campaign led to a significant decrease in customer signals and increased customer satisfaction. Furthermore participants can now apply for their own pension online. The information surrounding the payment of the pension, such as the annual statement and payment notices, is clearer and more readable.

We also improved the calculation tool for voluntary continuation (VC). The member does not only see the costs and returns of the VC, but also the total picture with the pension accrued from the employer(s). In addition to an increased focus on digitization, the participant can choose how he or she wants to contact us. For the offline contacts, we used artificial intelligence (AI) within telephony (e.g. 'speech to text').
And in 2021 we successfully tested the contact channel "image calling" among participants, as a practical alternative to physical contact.

The customer contact with PGGM is an aspect of service that participants, employers and other external parties have rated highly for years. 79% of the participants and 81% of the employers experienced ease in going through their customer journey. Employers rated customer satisfaction an average of 7.6 and participants 8.1. This is confirmed by the Gouden Oor (‘Golden Ear’) certification. This is an audit for the Gouden Oor Service Excellence Standard, conducted at the entire chain of client service, including commissioning from PFZW. The certification has been at the highest level in the Netherlands for several consecutive years. This led to PFZW being nominated for PensioenPro's 'Best Pension Fund'.

In 2021, we discussed with PFZW the continued development of the customer experience and in relation to this the establishment of a so-called Excellent Customer Service. This involves a combination of customer intimacy (understanding your customer and being relevant) and operational excellence (efficient performance against the lowest possible cost).

We have established a temporary digital service team (DST), which together with two customer journey factory teams ensures that the various customer journey teams within Pension Management are always equipped with the knowledge, competencies and resources to continue to grow in their customer experience maturity.

In addition the DST focuses on further integration of the Adobe Suite with other systems and the construction and management of generic building blocks, so that we will work even more in line with our service architecture. This allows us to implement the desired functionality more quickly across multiple customer journeys, which can increase end-user satisfaction and convenience.

In the provision of services for our client BPF Schilders the focus in 2021 was primarily on compliance with agreements made with the board of BPF Schilders and following up on customer signals. Maintenance and development of current and new systems have had and continue to have our constant attention. In 2021 a chatbot was developed. In addition, steps have been taken with respect to digitization. An online file was made available to participants and web forms were developed. Now participants can submit data through the website instead of sending a form by post. Starting in the first quarter of 2022 the ‘sign up partner’ process will run via the website. We also looked at the possibilities of making client contact more efficient through the use of a so-called 360 degree Suite, in which all customer information is recorded in one system and is immediately available during customer contact.

At StiPP we developed and implemented a new computing core that has made the pension administration environment more stable. This led to an improved performance of the execution processes. In addition to ensuring a stable implementation we successfully made preparations for the change in the waiting period and the adjustment of the pensionable wage concept as of 1 January 2022. We did this in close cooperation with the executive board of StiPP. For StiPP reaching and activating pensioners remains a challenge. Therefore in 2021 we conducted a pilot on multilingualism in our communication regarding pensions not taken up.

This will be evaluated in early 2022 and we take any possible improvements into account in the 2022 process. In the future we expect that multilingualism will also become a larger part of our communication. We are constantly optimizing and digitizing our processes. For example we are currently in the process of fully digitizing the retirement process. This will go live in 2022.

Departure of clients

Furthermore the year 2021 for pension management was marked by the parting from two clients. SPH chose to place its pension management services with Achmea as of 1 January 2022. In addition we decided to stop with Rabo PGGM PPI ourselves. The administration of Rabo PGGM PPI was transferred to Allianz on 1 January 2022.

Collaboration with MN

A positive development at Pensioenbeheer last year was our cooperation with fellow pension administrator MN.

In 2020 we began to explore a partnership, and in 2021 the formalization of the partnership with MN was the next step. The collaboration is divided into phases. The first sub-phase consisted of getting the system created by our developed pension administration system (MAP) working technically within the MN environment. Now that this has been accomplished, the next phase is to functionally set up MAP within the MN environment for the MN pension funds.

The ultimate goal of the collaboration is to safeguard the position of PGGM and PFZW in a further consolidating pension landscape. This collaboration should increase efficiency and over time reduce the cost per participant, combined with a higher quality of service to participants and employers. In addition the collaboration should contribute to a smooth transition to new pension contracts.

For MN access to MAP means an accelerated implementation of its long-standing pension administration renewal programme.

All pension administration organisations face in the coming years the difficult task of adapting IT systems and pension administration to new laws and regulations and further improving services to participants and employers. This collaboration illustrates how the pension sector is demonstrating that the pension system is in good hands. From both sides we evaluate progress on an ongoing basis, and coordinate with stakeholders whether it will continue to bring all stakeholders what they expect.

Reducing administrative pressure

Reducing administrative pressure for employers i s an constant priority for Pensioenbeheer. For the employers by PFZW the pressure has eased due to the optimization of the Uniform Pension Declaration (UPD) chain and improvements to the premium collection process. As a result thedata quality has improved, which in turn improves the provision of information to employers and participants. This benefits the customer satisfaction and the convenience of the different customer journeys.

At BPF Schilders we reduced the administrative pressure by automating even more processes whereby employers and employees can also submit their applications and changes online since this year. We also looked at the possibilities of making customer contact more efficient through the use of a so-called 360 degree Suite, in which all customer information is recorded in one system and is immediately available during customer contact.

Our advocacy in Brussels and The Hague

2021 was a year in which we were not able to visit The Hague and Brussels as often as we would usually. Nevertheless we were fully involved in various legislative processes, such as the Future of Pensions Act, Pension Sharing by separation Act and Lump Sum Act. We provided input on these and other related topics on several occasions. In research groups of the Pension Federation we shared our thoughts and expertise on this, and other topics. This way we consider among other things the participant perspective and our own implementation practices.

In the Hague there was also increased attention to sustainability and climate, including in relation to institutional investors. This movement can also be seen in Brussels. Europe came up with an ambitious climate package. This should ensure that greenhouse gas emissions are reduced by 55% by 2030 compared with levels in 1990. We will notice the measures taken for this purpose, such as a carbon tax for companies, throughout the whole investment chain. We are following this process carefully and are closely involved.
We were at least as involved in another important European file: digital finance. Last year, FISMA established an expert group European Financial Data Space for this purpose. FISMA is a part of the European Commission that deals with financial stability, financial services and capital markets. PGGM has also been involved in this since the summer of 2021, thereby increasing our influence on this prominent theme.

Future

Our focus in the coming years is obviously on the transition to the new pension scheme.
We inform clients, employers and participants about the consequences of this transition and support them with calculation tools and planners.

To achieve lower costs per participant and best execution, we will continue our change programme in 2022. We want to make our administrative departments work more efficiently and ensure that we have a stable organisation. We want to do this by designing our processes more smartly, automating tasks and further digitizing the services we provide to our customers. In addition if with MN we are successful in implementing the MAP platform on MN's systems in a timely and proper manner, we will explore next steps in this collaboration.

By using data, we can support participants even more by providing insight and prospects for action. We are also saying goodbye to the last of the paper forms and participants can go through their customer journey completely digitally. In doing so we do not lose sight of the human dimension and there is always room for extra support. As a result we expect to be able to maintain our good position in the future and are preparing as well as possible for the new pension contract.

Asset management

At PGGM we do everything we can to secure a good, affordable and sustainable pension for our clients' participants. This is how we can add social value. It is therefore essential for our customers and for us that the execution is always of the highest quality. On behalf of our clients we invest for the long term, seeking to create value for people and the environment, now and in the future.

Assets under management & returns achieved

It is the primary responsibility of our clients to provide their participants with a good and affordable pension. Achieving financial returns is therefore essential. Assets under management increased in 2021 by € 25.5 billion compared to 2020 to € 293.5 billion (in 2020 assets under management were € 268 billion). The return on the investments was positive and was 8.4% in 2021 (2020: 5.6%).

Our clients

We manage the pension assets of PFZW, the second largest pension fund in the Netherlands. We also invest the collective pension assets of the participants of BPF Schilders, Smurfit Kappa and part of the pension assets of SPH, Pensioenfonds Architectenbureaus and BPF Beveiliging. We invest these assets in among othersstocks, bonds, private equity, infrastructure and real estate.

From the point of view of its own flexibility of the investment policy PFZW decided in 2021 to make the move to own portfolios thereby parted from the current common account funds.

This decision by PFZW has implications for our other clients. In fact through the joint funds we were able to offer asset management to other clients on attractive terms.

With PFZW moving to proprietary portfolios and parting from the common account funds, this is no longer the case. We are in talks with our clients to see how we can properly transfer this service. This is an impactful development for our customers, employees and organisation where due diligence is paramount.

Developments

Pension reform developments

Keeping an eye on developments in the area of pension reform is essential to the high level of service at our Asset Management unit.
In 2021 we examined the potential impact on the investment chain, the impact on our clients' investment allocation, the design of asset management administration and the potential impact on the collaboration between the Pension Management and Asset Management units.
The analysis provides useful input for the assessments made between business units within PGGM and with regard to our clients.

Brexit

Although a trade deal eventually came about, our preparations in recent years for a so-called no-deal Brexit proved very necessary. In order to provide under all circumstances our asset management services to our customers, several actions had already been taken. These were further developed in 2021.

For example, it was necessary to renew legal contracts to designated so-called EU27hubs (networks of European member states) of the service providers.

These were contracts with external managers, but also for example contracts with counterparties to trade derivatives or security lending.
New relationships were also established with EU27 hubs or with other branches that have the appropriate licence for trading in shares and bonds. In addition to the volume of legal work, this also resulted in substantial administrative and system adjustments. As a result of all these actions the continuity of PGGM's services was also well secured in 2021.

Good, affordable and sustainable pension

We, like our clients, have a sustainable vision of investing and take responsibility for making a positive contribution to this world. There is increasing legislation and regulation that focuses on this, and we also see an increasing interest and pressure from society. Responsible investment is therefore an integral part of implementation. This means that we consciously consider environmental, social and governance (ESG) factors in our investment activities to achieve better risk-adjusted returns.

ESG factors can directly and indirectly affect financial performance. These include climate-related financial risks such as more extreme weather events that lead to higher claims with insurers. The responsibility for ESG integration is embedded in all our investment teams and is challenged by our risk units. We have an investment team responsible for guidance, advice, training and coordination to ensure that everything becomes a consistent whole. In doing so it is essential that the entire investment portfolio meets our objectives and those of our clients. Of course we must also comply with the applicable laws and regulations regarding ESG integration and implementation.

We invest for our clients in various asset classes, such as real estate, stocks and bonds. We manage pension assets on the basis of mandates that our clients give us. Within the framework of these mandates we strive for optimal execution, for which we have a central trading desk, among other things. We carry out both the management of derivative portfolios, and the selection and monitoring of external managers and risk management. In addition for a significant portion of the investments we perform the asset management ourselves within Vermogensbeheer.

Vision 2030

In the first months of 2021 we formulated a new vision for our investment chain, Vision 2030.
As the number one investment manager for healthcare and welfare pensions, where will we be in 2030? The investment vision for 2030 is based on sustainable value creation, asset management aimed at the generation of good financial returns through long-term value creation, with a positive contribution to society and environment.

The need for this vision is driven by a number of substantial changes that we will face in the coming years:

- The new Dutch pension contract brings the participants in the pension funds closer to the investment chain.
- We foresee a period of low returns in the financial markets. There is a growing need to take further steps in integrating sustainability into our investments and processes.
- The effective realization of the goals of our clients for the overall portfolio requires a more integrated approach to portfolio management, a less isolated process.
- The digital transformation is evolving rapidly.

In Vision 2030 investments deliver good financial returns, contribute to the major sustainability transitions in the world and have a visible impact on the topics that matter to our stakeholders. For every euro invested we are accountable to our pension fund clients, both in terms of contribution to the pension objective as well as the impact on the world.

Best-in-class

It is our ambition to deliver best-in-class asset management to our clients, both in terms of price and quality. We want to measure up against the best teams in the world. Through an integrated approach and management of the overall portfolio, we ensure that asset management is more than the sum of its parts. The various factors that have an impact on our client's investments are viewed across the entire portfolio and not separately per asset class. The integrated approach enables us to respond at portfolio level to the developments in relation to the economy, sustainability and climate and technology. We use this broad knowledge to carry out the execution of mandates and individual transactions at the right level.

Public and private markets

Asset management is sub-divided into public and private markets. The majority of our clients' portfolios consists of investments in public markets, which we manage internally and externally, both actively and passively. Within the public markets platform, we invest on behalf of our clients in investment categories such as listed shares, government bonds and corporate bonds. Within the private markets platform, we actively invest in non-listed investment categories for our clients, such as infrastructure, property and private equity. Private investments help our clients to achieve the required investment yields and to realise a tangible impact on the real economy, including in the Netherlands.

In 2021 we conducted 81 transactions in the private markets. Due to their long-term character, private investments are also a good fit with the longer-term obligations of our pension fund clients.

Investing in institutional real estate

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

A day as an investor

'Our team invests in real estate on a global scale, including investments in office, residential, logistic and retail properties. Within the Private Real Estate unit I am part of the research & strategy team. In my role I spend about 50% of my time on market research and supporting the regional teams with input on new investment proposals. The other half of my time is spent working on ESG-related issues such as engagement activities, identifying climate risks for the portfolio and implementing SFDR regulations. The ESG spectrum has grown significantly in recent years, and as a result there are more reporting requirements and more intensive discussions with our managers. It sometimes seems that legal and non-legal requirements are growing faster than the data needed to meet them.

Return expectations

In the coming years return expectations for this investment class are between 5-10%. To achieve this, we need to work with the best partners who are able to find the right deals for us. In addition the team prepares an annual update of the investment plan. This plan serves as the basis for the allocation to different investment structures, sectors and countries that ultimately leads to the desired outperformance relative to the relevant benchmark.'

Impact of Covid-19 on the real estate sector

One challenge currently facing the real estate sector is the impact of Covid-19 and the national restrictions in place. Stan notes that the impact of the pandemic is greater for hotels, stores and offices around the world, as they depend heavily on the ability to travel, foot traffic and the advice to work from home. He says: 'Fortunately much of what we see evolving around the world is more an acceleration of trends that were already ongoing before the pandemic. Human behaviour is still difficult to predict, but based on current expectations about travel, work and shopping trends, our portfolio is well positioned to withstand and partially benefit from these changes.'

Stan Bertram
Private Real Estate analyst

Investment Policy 2025

In 2021, we worked hard to develop and implement our new sustainability policy, Investment Policy 2025, the strategic compass for changes in investment policy over the next five years. The translation of the 2025 goals into policy steps and securing it within the investment policy gave a lot of extra work, on top of the regular policy cycle, execution and monitoring of investments. We made progress both in the area of CO_2 reduction, an increase in invested assets in SDGs, and the implementation of the minimum sustainability standards.

Early 2021 we added coal and tar sands to the product based exclusions. Companies that derive a large part of their revenues from coal extraction and tar sand oil extraction have proven to be unable or unwilling to embrace the energy transition. The existing listed investments in such companies were sold during the first quarter of 2021. At the end of 2021, we also implemented these coal and tar sands exclusions for (new) private market investments. A total of 99 coal companies and 10 tar sands companies were excluded.

Reduce carbon footprint

We believe that CO_2 reduction goes hand in hand with making a positive impact with the pension capital we manage. And the most effective way we can contribute to CO_2 reduction is active ownership; by driving our investments on such issues with our involvement and voting influence.

We believe that change is possible at many companies. We actively seek dialogue with these companies and encourage them to improve. We are currently in talks with 48 companies in the area of climate, including five oil and gas companies. Unfortunately, there are companies that have proven themselves unable or unwilling to embrace the energy transition (in a timely manner). We have excluded these from our portfolio. For example we have halved the CO_2 emissions of our equity portfolios.

Our commitment to the area of CO_2 reduction focuses on three areas. First through the Climate Action 100+ collaborative initiative we engage with five oil and gas producers from Europe and North America. Second we are engaging with 25 food-related companies to push for deforestation-free supply chains. Here we use satellite technology to monitor deforestation events, which we discuss with our investors. Finally we are engaging with sixteen Asian banks involved in the financing of fossil fuel assets. This is done through the Asia Transition Platform, a collaborative initiative we launched with five other investors and led by Asia Research & Engagement.

In the next five years, in accordance with PFZW's instruction, we will again reduce the CO_2 intensity of our equity investments by 30 percent, following a 50% reduction in the period 2015-2020. We also want to reduce the CO_2 footprint in our other investment categories. The CO_2 footprint of our equity investments decreased by 5.3% in 2021 compared to 2020.

Annual general meeting of shareholders of Royal Dutch Shell in May 2021

In May 2021, Royal Dutch Shell held its annual general meeting (AGM) where two climate-related items were put to a shareholder vote.

One was Shell's energy transition plan, outlining the company's strategy to reduce its carbon intensity. We voted against the plan. On the one hand, we were enthusiastic that their strategy included a net zero by 2050 target, intermediate targets, and the consideration of all three emission scopes. On the other hand, Shell only gave targets for carbon intensity, not absolute emissions. They only want to reduce their carbon intensity by 20% by 2030, and the plan turned out to be over-reliant on carbon offsetting. Although the plan ultimately received 89% of the vote, our decision to vote against it is in line with the IEA Net Zero 2050 report, published a day after Shell's AGM. We stand by our position to only vote in favour of a transition plan if it is aligned with the 2015 Paris Agreement (aka "climate agreement").

The second item was a shareholder resolution filed by the activist investment club Follow This, which aims to encourage climate ambition. This is the fifth year that the resolution was filed and in past years, we have either voted against or abstained from voting on the resolution. We did not believe that the company was ready for the ambitions contained within it.

This year we voted in favour because of the growing urgency for the climate crisis and because Shell itself claims that its new strategy is aligned with Paris. The resolution, if adopted, would force discussion to ensure that the new strategy does indeed live up to its claim. Ultimately, the resolution received 30% support from the shareholders.

More investments in SDGs

In 2017, we worked with other pension funds and administrators to develop the SDI Taxonomy. This taxonomy describes which SDGs are investable and which products and services contribute to each specific SDG. This SDI Taxonomy is available to anyone. Investments that contribute to one or more SDGs according to the taxonomy are classified as sustainable development investments (SDI) in the taxonomy. Ultimately, we want to be able to understand and explain the impact of investments in the world. First through the SDI volume (in euros) but then also through companies' actual output, outcomes and impact.

By the end of 2021, 18% (€ 52.7 billion) of the total investment portfolio was classified as SDI. Together with our clients, we want to allocate more assets to companies that make a positive contribution to the SDGs through their products and services. The increase of the euro amount of SDIs is a combination of new SDI investments, revaluation of existing SDIs and divestments of existing SDIs based on risk-return characteristics.

Fossil Investment

'On behalf of our clients we invest in the fossil fuel sector. The total listed investments in fossil fuel amount to approximately € 3.2 billion. This is 1.6% of the assets we manage on behalf of our pension fund clients.

Selling fossil investments does not necessarily result in a more sustainable world, because some of these companies will play an important role in the energy transition. By continuing to invest in the fossil fuel sector, we can exercise shareholder rights on behalf of our clients, maintain influence over the fossil fuel companies, and push the energy transition forward.

Together, we believe these companies should and can play a key role in that transition. By choosing divestment, we reduce our carbon footprint and lower the reputational risk, but it will not have a positive impact on real world emissions. We therefore use disinvestment only as a last resort.'


Geraldine Leegwater and Jeroen de Munnik
EC Members PGGM

Do you want to read more about our views on fossil investment and how we invest responsibly? Read our Integrated report PGGM Vermogensbeheer B.V.

Policies and Regulations

Like many Dutch pension funds our clients have signed the International Responsible Business Conduct Agreement (or in Dutch IMVB-Covenant) together with the Dutch Pension Federation (Pensioenfederatie), non-governmental organisations (NGOs), trade unions and the Dutch government. The main goal of this agreement is to identify, mitigate and prevent negative impact within the investment portfolio. Parties reached an agreement on a number of requirements that should be implemented by the end of 2022. During 2021 we continued implementing these requirements by incorporating OECD Guidelines into our policies and setting up a system to continuously screen our entire portfolio for (potential) negative impact.

Together with PFZW, we are committed to integrating the Organisation for Economic Co-operation and Development (OECD) Guidelines and the UN Guiding Principles on Business and Human Rights (UNGPs) into our policies and practices. The OECD Guidelines and UNGPs require companies and pension funds to do their best to find out, through due diligence, the extent to which they may be involved in human rights and environmental abuses. PFZW considers this to be part of the minimum sustainability requirements that apply to its overall investment portfolio.
To identify and assess the negative impact on people and the environment of companies in the investment portfolio, we have developed a screening methodology called the 'OECD Screen'. Based on the score that is awarded to a specific controversy that the company is involved in, we decide to divest from the company or engage in talks with them to stimulate movements toward better behaviour.

European Financial Disclosure Regulation (SFDR) and Taxonomy Regulation

As of 10 March 2021, the SFDR entered into force. The aim of SFDR is to provide more transparency on sustainability in a standardised and structured way, ensuring standardisation and comparability, and hence preventing 'greenwashing'. It raised the bar by introducing a new and strict definition of what is defined as a 'sustainable investment': (i) an investment with an environmental or social objective, (ii) provided that such investments do no significant harm, and (iii) the investee companies follow good governance practices.

In addition to the SFDR, the European Taxonomy Regulation (EU Taxonomy) published in 2020 is important. Together with the EU Taxonomy, the SFDR asks both asset managers and pension funds to provide additional information for all their products in pre-contractual documentation, periodic reports and on websites.

Our financial products are our funds and segregated mandates. For our clients, the pension funds, the financial product is their pension scheme. In the first part of the implementation of the SFDR (Level 1), we implemented the obligations based on the text of the SFDR itself. This consisted mainly of qualitative results, which we had to disclose on our website. The second phase of the implementation of the SFDR (Level 2) was originally scheduled for 1 July 2022, but the implementation date has been postponed by the European Committee to 1 January 2023*.

Future-proof architecture

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

Future

Looking ahead to the future of the unit, in 2022 we will continue to align our investment policies with customer needs and changing societal demands. This includes sharpening and formulatingmore concrete investment beliefs, expanding the agreed targets and instruments used and examining the potential impact of laws and regulations on investment processes and governance.

In the coming years for example we need to report more on climate. In 2022 PFZW and BPF Schilders will report again under the Climate Commitment, a commitment by the financial sector to the Climate Agreement, signed by 50 financial parties together with their umbrella organisations. In addition, in the coming years, we and our clients will be required to provide greater insight into climate and other sustainability risks involved in investment products from the perspective of the SFDR.

From the EU Taxonomy the obligations to publish on the extent to which investments are in line with the climate targets of the EU Taxonomy seem limited for the time being. But this will soon be expanded and mandatory. Under the Markets in Financial Instruments Directive II (MiFID II), we must include sustainability risks in our risk management policy and indicate what the risk appetite is.

Finally in 2022 the European Insurance and Occupational Pensions Authority (EIPOA) will conduct a stress test for pension funds in which climate risks will be a key focus.

At Vermogensbeheer we are preparing for the major changes we will face in the coming years, such as the new pension contract, low returns in the financial markets and the integration of sustainability into our investments and processes. There is also the need to redefine the investment process to invest more from a total portfolio approach and the acceleration of digital transformation. We will work out the vision we formulated on this in concrete terms to a strategy in 2022: what choices will we make and what will we do in concrete terms in the coming years?

We are working further on cost efficiency initiatives and are continuing our initiatives to prepare for the implementation of pension reform in the coming years.

Healthcare and welfare

In the coming years, the demand for healthcare will increase, while its availability will decrease. This creates a growing gap in healthcare. To reduce these and thereby strengthen the healthcare and welfare sector, we are developing new products and services for the healthcare and welfare sector together with PFZW and our subsidiary Vernet. We do this along the themes of a future-proof sector, good employment practices and job satisfaction.

The Covid-19 situation in the Netherlands is taking a heavy toll on the healthcare and welfare sector. The staffing shortage in healthcare is getting worse, and absenteeism was 7.3 percent in 2021. In 2020, absenteeism was 6.8 percent. Absenteeism has thereby increased by 6.7 percent in one year. Measured over the entire past year, an average of 70,000 healthcare workers were unavailable every day. With more than half of planned healthcare cut - which would have to be rectified at some point - the pressure on healthcare will continue to grow.

Vernet

Our subsidiary Vernet is the market leader in collecting and interpreting absenteeism data in the health and social care sector. This data, combined with statistical data from PFZW, is offered to employers in the sector. They can thereby gain insight into the deployability of employees with which they can optimally design their own personnel planning. This fits in perfectly with our ambition to make a concrete contribution to a vital healthcare and welfare sector together with PFZW. Vernet's service is part of a joint effort by PFZW and PGGM to support employers in the healthcare and welfare sector with labour market data, complementing existing pension services. Employers use this data to address workforce shortages in the healthcare and welfare sector.

Since the outbreak of the Covid-19 crisis, Vernet has also been collecting figures on a monthly basis that provide insight into the development of absenteeism on a regional and national level. These figures are shared with the Ministry of Health, Welfare and Sport (Volksgezondheid, Welzijn en Sport VWS) to assess the potential impact of the Covid-19 pandemic.

A modified pension scheme

At the end of their careers many employees in the healthcare and welfare sector perceive their work to be demanding. Their jobs put a lot of pressure on them both physical and mental. The current problem is that in recent years older employees are dropping out more frequently due to illness and disability. We expect this to increase as the retirement age moves up. We strive to keep employees in healthcare and welfare fit. Among other things, we do this by giving them support in their ability to, for example, work less and thereby cross the finish line fit and healthy.

Part-time retirement

Participants' desire to work less is growing, but this also means a loss of income. Part-time retirement cushions that loss of income. Employees are working fewer hours, while some of their retirement is already underway. This creates financial space to spend more time on other things and create a better work-life balance. It can be support to stay vital and enjoy a healthy retirement later on. The reverse is also possible; continuing to work part-time for longer after retirement.

Working longer and greater vitality

The ageing population is increasing the demand for, and pressure on, (informal) care. This increasing pressure in the sector brings challenges, such as illness and drop-out, and will lead to additional costs. In addition to such social costs, e.g., through additional budget cuts, the bill for this will also fall on pension funds. So investing in vitality can be a profitable investment for all parties. In this context, we are developing new products and services. Last year we developed and implemented a programme, the Vitality Programme, to increase the likelihood that employees will work with vitality in their final years and retire with vitality.

Use of data services

In 2021 we continued to work on PFZW's HR data portal, and the use of HR data services by healthcare institutions increased. This gives employers in the healthcare and welfare sector even better insight into labour market data that helps them make informed choices in HR policy. The customer satisfaction rating for the HR data portal was 8.4 in 2021. In addition to the continued development of PFZW's HR data portal, successful pilots of our Learning Networks took place in five labour market regions. In these networks, employers are introduced to data services products and services, and meet their labour market challenges. Employers rated the (digital) version of the Learning Networks with an average of 7.4.

With regard to further developing products and services, we launched the Analysis + module (including absence data from Vernet) together with Vernet. In addition, at the request of employers, various data enrichments took place within the HR data portal, such as adding "the reason for outflow" and "fixed-term and indefinite-term contracts. We also developed the algorithm for family medicine and health centres as well as rolled out the beta version of the prediction module on the acceptance environment.

Finally, many data deliveries were made to the Ministry of Health, Welfare and Sport and social partners. Examples include the Disability Care Monitor and "At Home in the Nursing Home" and the report on the development of employment and outflow of ICU nurses and nurse anesthetists for the NVZ.

Deployment of financial expertise in the health and social care sector

As an institutional investor, we want to make a greater contribution to the health and social care sector. Through the world, but in the Netherlands in particular. Therefore, together with PFZW, we are looking for investments that support the sector and fit within the financial preconditions. In addition, we want to increase our contribution by applying our financial expertise to financing issues that arise in the healthcare and welfare sector.

Last year we lent our financial expertise to HealthKIC, a foundation for the improvement of healthcare, of which PGGM is one of the founders. HealthKIC uses the plot model to fund, organise and monitor care differently in a given region. The initiative seeks to reduce healthcare burdens and costs by implementing preventive interventions.

Investing in healthcare

'As PGGM, we invest assets for the pensions of PFZW participants working in the healthcare and welfare sector. So we certainly focus on investments in this sector.

In the Netherlands, for example, we invest in new drugs and medical equipment when they are in the final phase of research. The drugs and equipment are then already through two rounds of studies, but the third round is often the most expensive. This is because the drug needs to be tested on many people, for example. A group of experts then takes over the final phase of the research, on the condition that following approval part of the revenue from the distribution of the drugs goes to the investors.

In addition to investing in the Netherlands, we are also making an impact on healthcare abroad. Take for example a project in America that set up urgent healthcare clinics to take the burden off the healthcare provided by general practitioners and hospitals. Of course the organisation of healthcare there differs from that in the Netherlands. Less healthcare is available there. People may have to wait for two months for an appointment with their GP or travel for hours to a hospital that has a place. In this project, simple surgeries usually take place in clinics, so that extra funds and beds become available in hospitals. Fifteen clinics have now been realized in different states in America and the plan is to open eight to ten new clinics each year.'

Maurice Klaver
senior investment manager

Personal fitness: physical, mental and financial

Fit employees are crucial to a healthy healthcare and welfare sector, which is why we are committed to this, together with employers, social partners and other relevant parties. In times of the Covid-19 pandemic, the industry is under even more pressure than usual.

Fuses are getting shorter, absenteeism and staff turnover are on the rise which means that the work pressure is also constantly increasing, incomes are changing, the vulnerable in one's own environment are particularly vulnerable at this time, with loneliness lurking in the shadows; people are worried. Therefore especially now it is essential to pay attention to the financial, physical and mental fitness of employees.

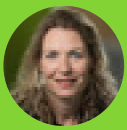
Giving substance to our cooperative identity

'From the Members' Council and the cooperative board, we hear the noises from the health and social care sector. They bring to us the reality, what is really going on in the sector. The stories of shortages have always been dire in recent years. This has become even worse in the last year. The impact of the Covid-19 pandemic has created unprecedented change and workload in the sector. Together with our members, employers and social partners, we develop propositions for members and employers to deal with this, and we think with them to come up with solutions to prevent drop-out. Our annual plan, which we determine together with the Members' Council and cooperative board, leads the way in this. As far as I am concerned, this is a great example of how we express our cooperative identity.

The Members' Council and the cooperative board are also a good sounding board. For example, we have a Financial Fit working group made up of members from the Members' Council and cooperative board. This group meets regularly (online). An update is shared from PGGM&CO on where we stand, and we can present challenges and specific questions. Conversely, the working group members share signals from the sector, contribute ideas and put us in touch with people and agencies who can help us further. This contributes to a better proposition, with which we can help employers keep their employees financially fit. And in doing so, we hope that absenteeism can be prevented.

We therefore deliberately devote part of the Members' Council meeting to interaction between PGGM&CO employees and the Members' Council members. Here, for example, topics are put on the agenda and prioritized, and solutions are considered. The organisation then goes to work on them. For example, we started a programme on healthy eating, gave a webinar on getting enough sleep, which was followed by a sleep challenge.

What I like about it is that this way we really give shape to our cooperative identity. Together with the sector, we want to add value and be of value to the sector. This makes PGGM&CO's position in the sector unique.'



Henriette Davelaar
Principal director administrative liaison PGGM&CO

We guide employees in healthcare and welfare in making choices that fit their situation and support them in appropriate solutions. Research forms the basis for this. In addition to our own fitness surveys of employees, we also conducted surveys with and on behalf of partners. In 2021 for example, we will put the theme of "Aggression in healthcare" back on the map.

In addition to sharing the outcomes, we used them as the basis for developing a customer journey with informative articles and a webinar. The results also led to questions in the Dutch Lower House. The petition against undesirable behaviour and aggression in healthcare was presented to SIRE with the request to dedicate a national campaign to this.

A research coalition consisting of PFZW, PGGM, PGGM&CO, Vernet, Zorg voor mensen in de zorg (IZZ), FWG and Raad voor Volksgezondheid en Samenleving (RvS) issued, among others, the pamphlet 'First aid for rising absenteeism in healthcare'. It contains tools, tips and success factors for anyone dealing with absenteeism. Together with IZZ and Leiden University, we have started a practice-based (PhD) research project on the themes of leadership and accountability in the healthcare and welfare sector. In addition to this example, we guide employees on topics around their financial, physical and mental fitness. Some of the underlying topics: healthy diet, getting enough sleep, dealing with stress, working more for better finances, working less to last longer.

Finally, we work through employers to improve the financial fitness of employees. Money worries are a big taboo. They lead to employee stress, reduced performance and absenteeism. In three modules, we help employers identify money worries early. In cooperation with various parties, we then offer preventive and curative solutions to financial problems.

Community Involvement

We also joined forces with various parties in 2021. In doing so, we seek to make a concrete and meaningful impact for the sector and focus on a form of reciprocity.

This is mainly reflected in PGGM employees' social commitment to the sector through the Bundel platform. Through the social Bundel platform, developed in cooperation with PFZW and PGGM&CO, our colleagues can dedicate 16 hours per year to the healthcare and welfare sector. In 2021, 128 colleagues committed to 30 initiatives, such as calling lonely elderly people in Zeist, facilitating a brainstorming session on sustainable purchasing for healthcare institutions and providing job application training to young people. In doing so we reached 450 people in the healthcare and welfare sector and relieved more than 100 healthcare professionals. Current partners are: Voedselbank Zeist, JINC, Alzheimer Nederland, ABOARD, Seastum and Landschap Erfgoed Utrecht.

Calling lonely seniors

'I was allowed to participate in the Bundel project "Calling lonely seniors" in collaboration with the Zeister Coalition Against Loneliness and MeanderOmnium. Through Bundel you can add a lot of value in a relatively low-threshold way. The elderly feel appreciated that you are asking about them. And for the person who calls it's nice to be able to do good.

I spoke to a gentleman who has been ill and now does not dare to walk alone, as he is afraid of falling. In this case someone is helped by a walking buddy. I then indicate this in the conversation form that goes back to MeanderOmnium, the coordinator of the initiative. There are many possibilities for these elderly people.

Willem Jan Brinkman
chief financial & risk officer (CFRO) of PGGM

The fight against dementia

In the Netherlands, nearly 300,000 people have dementia. It is the most common cause of death in the Netherlands and therefore one of the biggest challenges of this century. Dementia is largely caused by Alzheimer's disease. No cure is possible yet. In 2021, the national project ABOARD (A personalized medicine approach for Alzheimer's disease), a collaboration of more than 30 partners, including PGGM, was launched to mitigate the effects of Alzheimer's disease.

ABOARD focuses on the phase before dementia. The goal of ABOARD is to prepare for a future in which we stop Alzheimer's disease before it starts. This includes enabling improved diagnostics, developing tailored risk profiles and focusing on prevention by increasing awareness around dementia and brain health.

Proud partner of ABOARD

'PGGM is proud to be a partner of the ABOARD project. It would be great if we could detect Alzheimer's early and intervene with tailored treatment, perhaps mitigating its effects. Our constituents, the people who work in the health and social care sector from which PGGM derives and for whom we realize pensions, are confronted with Alzheimer's a lot. Of course at work caring for patients, but also as a family caregiver who is often called upon to do a lot. If Alzheimer's became a disease that we could do something about, it would benefit society a great deal, including the people who work in the healthcare and welfare sector for whom we work.'

Edwin Velzel
chief executive officer (CEO) of PGGM

Prevention plan for healthcare workers

With social partners Stichting IZZ (IZZ) and Stichting FWG (FWG), we launched the Prevention Plan for Healthcare Employees. In doing so, we aim to retain more employees for healthcare, and thereby make healthcare itself healthy first. We are going for a quarter less drop-out and unwanted outflow of healthcare employees in a four-year period. Successful implementation of this Prevention Plan has the potential to bring 11,000 additional staff to care and a savings of 1 billion euros. Implementation is expected to start in 2021. From Vernet and PGGM&CO, we also want to work quickly to address rising absenteeism and the unwanted turnover in the healthcare sector.

These efforts respond to and fit within recent national ideas regarding healthcare, such as the National Recovery Plan for Healthcare, the SER advisory report "Getting Started for Healthcare," The Digital Delta Plan for Healthcare, and the Healthcare Damage Fund.

The national approach focuses on employee retention for employers as well as for the healthcare sector. Existing initiatives are connected and all necessary parties (employers, employee and employer organisations, governments, funders and society) make a concrete contribution.

Examples include a regional organisation of career development for healthcare employees, introduction of a prevention budget, or rewarding healthcare organisations for retaining their employees.

Together with IZZ and FWG, we make our knowledge and data available to map and improve absenteeism and turnover in healthcare organisations nationally, regionally and within the organisation.

ZWiC

PGGM supports the Care After Work Foundation in Corona Care (ZWiC). The ZWiC Foundation focuses on (surviving relatives of) healthcare workers who are (have been) active in corona care. These can be nurses, caregivers, and paramedics who have literally come into contact with Covid-19 patients. But also hospital cleaners, front desk staff, lab technicians and others actively involved in making corona care possible. Care workers who wish to apply for the foundation must have performed necessary care work, as a result of which they were infected with corona. With a one-off additional financial contribution (€30,000 in the case of ICU admission and €50,000 in the case of death), the ZWiC Foundation wants to prevent these care workers, or their next of kin, from being faced with financial problems in addition to the worry and grief caused by ICU admission or death.

Our Pension Administration unit set up the basic administration and financial records for ZWiC. For ZWiC, it is very important to properly set up and administer the benefits so that ZWiC can lawfully make payments. One of our colleagues in the Institutional Relations unit joined the board of ZWiC in 2021 and fulfils the role of secretary of the foundation on behalf of PGGM.

Since its inception, the ZWiC Foundation paid out 125 one-off financial contributions, 16 of which were made to relatives of healthcare workers who died as a result of their work in corona care and 109 to healthcare workers who ended up in the ICU.

Harnessing the Potential

The foundation Stichting Het Potentieel Pakken formed in 2019 aims to optimise women's potential on the Dutch labour market. The objective is to promote women's economic independence and resolve employment shortages in sectors in which many women work, such as the healthcare and welfare sector. To achieve this, the foundation developed innovative and concrete initiatives including Contract Expansion in Healthcare. Together with four healthcare institutions, so-called Living Labs, Het Potentieel Pakken developed an innovative approach to better enable contract expansion in healthcare in order to reduce the employment shortages. Together with PFZW, we have been partners since the beginning and have helped to develop this approach.

Absenteeism and part-time

'Working less is often seen as the way to reduce absenteeism. This conviction closes an important solution for the large, growing staffing shortages in the healthcare sector. Vernet and the foundation Het Potentieel Pakken investigated whether absenteeism is actually higher with larger contracts.

Absenteeism data from more than half a million healthcare workers show a very different, perhaps surprising, picture. Absenteeism is highest among employees with a relatively small contract size: the absenteeism rate is 8.41 in the group with a contract between 18 and 21.6 hours. Interestingly, absenteeism rates get lower as contract size increases: for example, the absenteeism rate drops to 6.88 for contracts between 28.8 and 32.4 hours. This relationship between contract size and absenteeism is evident in all subsectors and has remained more or less the same in the last few years.

Possible explanations
We see three possible explanations for a higher absence rate with a smaller contract size.

1. In recent years contract size and shift schedules have been optimized where possible on the basis of care demand: employees work when the client needs them, which is often in the morning and in the evening, with a certain number of minutes allocated for each care task.
   This has led to many short and sometimes broken shifts. This hyper productivity can result in high perceived workload and work stress and in turn high absenteeism.
2. Women on small contracts often find themselves in a ‘part-time trap’: because they work less, they are expected to perform the bulk of caregiving tasks at home or take on the informal care for others. Many women workers in healthcare find this combination of responsibilities very stressful.
3. We estimate that due to a combination of small contracts and relatively low salaries more than 300 thousand employees in the health and social care sector have a net monthly income of less than 1,410 euros and are therefore not financially independent. Financial concerns often lead to stress or demotivation, and thus to increased absenteeism. A larger contract could provide relief.

In short, data refute the belief that larger contracts are not desirable because they would be associated with high absenteeism. We would want to encourage organisations to take a hard look at their own absenteeism data and contract size and in conversation with employees to see where a larger contract might provide relief.'

Marjolijn Pouw
programme manager Data Services Innovation

Future

Also in 2022 we continue to guide employees unabatedly on financial, physical and mental fitness. Research shows that the greatest challenges lie in the area of sufficient sleep, good balance, making ends meet with ever-increasing housing costs, setting boundaries, more rule freedom and a say in the workplace. Together with employers, social partners and other relevant parties, we are setting to work on these areas.

The coming year is also characterized by further development and growth of our data services. The continued development of the forecasting module, further roll-out of the Learning networks and the implementation of best practices and the HR community are on the agenda.

We will also continue to look for new opportunities to support the healthcare and welfare sector with our financial expertise and potentially assets.

Future-proof business operations

At PGGM we are focusing on new innovations to add even more value for our clients, employers and participants. We also ensure that our organisation is and remains dynamic and adaptive. In everything we do, we know it has an impact on tomorrow's world. That is why we incorporate sustainability into all our business.

Control 2021

The dynamic pension world continues to challenge our organisation, our teams and our people. We currently offer products and services of high quality at relatively low cost. However, an attractive position today is no guarantee of a good position in the future.

In 2021 we continued to implement the new strategic control programme Control 2021, which was completed in May 2021. As a result of this programme the various responsibilities and authorities have been more explicitly decentralized to the three business units: Pension Management, Asset Management and Policy Advisory & Board Support.

Control 2021

'Control 2021 aimed to improve our competitive position by working towards a flexible, manageable and entrepreneurial organisation. We realize there is a need to develop from a budget-driven organisation to a product and output-driven one. We have done this by moving from a cost centre model to a business unit model.

The programme focused on three key cornerstones: 1) our relationship with PFZW; 2) the creation of a product-driven organisation with associated responsibilities; and 3) financial management and governance using the product-driven business model. The programme ensured that business units are integrally accountable: their responsibilities shifted from budgets to products, clients, contracts and sound finances to meet internal and external requirements.

Key developments in 2021

The programme began with a focus on improving financial management and its governance. This led to a product catalogue with detailed product-level information, profit and loss statements using integral costs and 5-year business plans at total product and business unit levels. In July 2021 the programme will be completed with the delivery of the governance handbook 'Handbook of Control 2021 PGGM', and the handover to the business units.'

Monica Seerden
Finance & Control director

Innovative and future-proof

The changing pension landscape and digital developments are also changing the wishes and expectations of our clients and participants. To stay ahead of the competition and continue to add value in the long term, we need to make the most of the opportunities and potential of new technologies and optimize our processes and digital systems. Our Innovation management and research unit supports the units in this.

In 2021 we worked on new business models, improved business processes through innovation and digitalization and developed new services, and services and distribution models. In this way we developed the Pensioenchecker, the ToekomstVerkenner and Data services to create more self-reliance for our clients, employers and participants. In addition we developed concepts and prototypes for services to broaden collaboration within the pension sector. We do this in the run-up to the new pension contract.

Artificial Intelligence programme

In 2021 after two-and-a-half years we completed the first phase of the Artificial Intelligence (AI) programme. We started the programme to develop AI competencies and thereby add concrete value for our clients. We deploy AI to achieve higher customer satisfaction and cost reduction. In additiona it ensures the best return-risk ratio and sustainability of the investment portfolio. Moreover the AI prototypes we process into productions add additional value for the healthcare and welfare sector.

In 2021,these were the following AI prototypes:

- 'Speech to text', which automatically summarizes phone calls in the call centre and saves them in the file of the respective participant. This contributes to customer satisfaction and cost savings;
- a search & text mining platform that serves as the basis for, among other things, various robots, which we can deploy both for the participant contact and for client business operations;
- applications for the optimilisation of investments and use of alternative data;
- automatic classification of job profiles and a prediction model 'absenteeism in the healthcare and welfare sector', and the automitisation of a number of processing processes.

Data management

Good data is important for our services. We therefore invest in employees, processes and systems to ensure and manage data quality. For all data flows involving critical data (data relevant to our customers, our clients' participants and internal operations), data governance was further strengthened and the number of control measures was expanded based on the desired data quality. Data owners and data stewards have been trained, further integrating data management into our daily work.

A good grip on data with improved accountability and control is also crucial in fully utilizing the potential of data within the organisation. By getting more value out of our data we can improve services to our clients. In order to access and deliver data to the end user in an unambiguous, fast and responsible manner, a data delivery infrastructure (DDI) has been implemented. In the coming years a lot of relevant data will gradually be made accessible through this tooling.

At the Asset Management unit, a data hub has been developed for the (external) market data.

Data hub

A data hub is the place where all information comes together. All data from different sources and systems are recorded in a clear and uniform manner. This is where all data are maintained. From the data hub applications automatically receive the data they need for their process. This allows useful improvements, such as to our organisation, to be applied. A data hub thereby facilitates everything needed for analytics applications and eventually even AI. And when customer data are stored in multiple systems, the data hub can contain the golden record.

DDI

The Data Delivery Infrastructure (DDI) is a platform in which data can be extracted directly from source systems based on the data virtualisation technique. The main advantage of this is that there is no need for all sorts of data duplication. Making data available in this way establishes a one-time connection to the source and allows similar data requests to use the same connection. This ensures efficiency in the chain, prevents data duplication and ensures that for the same type of data requests there are no multiple 'truths' because now the same source data are always used. The governance on the use of data becomes easier through this tooling because data requests can be processed quickly using this tooling. Data owners indicate whether or not data can be made available based on governance requirements. For example consider privacy-sensitive participant information where specific purpose limitation is required. The tooling also allows for quick and good insight on who is using what critical data.

(Cyber)threats

Digitization generally makes our lives easier and increases prosperity. However, it also makes us more dependent on digital systems. Financial institutions, their service providers and other vital sectors are increasingly targeted by cyber-attacks. At PGGM we are constantly preparing for this. Our IT Security was tested by an external 'Red Team' where we were able to detect this attack in time.

Sustainable business operations

Our ambition is to make our business operations more sustainable and to minimise the CO_2 footprint of our business operations.

We work on different topics to achieve further reductions, with among others facility management, mobility and the business flying. In addition, we compensate the residual emissions that remain with which we stay CO_2 neutral.

Positive impact on SDGs.

Through our business operations we contribute to the various SDGs. As described earlier, through our core business and strategic agenda, we are making a positive impact on SDG 1 (no poverty), SDG 3 (good health and well-being) and SDG 13 (climate action). In addition to the focus on SDGs, we ensure a responsible foundation, whereby we strive to minimise the negative impact and increase the positive impact within our business operations.

With the Diversity of Thinking policy, we responded to Diversity (SDG 5) and Inclusiveness (SDG 10). In addition, we paid attention to Sustainable Procurement (SDG 12) and Transparency (SDG 16) by taking steps towards Integrated reporting.

Corporate Sustainability

'Together with our supplier, we are building to make sustainable business a reality.
We are asking PGGM's suppliers to make a measurable contribution to give shape and substance to this ambition. For all contracted suppliers, we apply the PGGM Socially Responsible Procurement Guideline.
In addition, we can ask questions in the call for tenders about the supplier's concrete contribution to socially responsible procurement in relation to the products or services to be purchased.'

Cécile Rozé
corporate sustainability manager

Facility Management

Incorporating sustainability into all our actions is not only reflected in the way we manage our clients' assets. We also look critically at our own actions. In this way, we strive for a self-sufficient and CO_2-neutral business operation by 2030, much earlier than legally required. To achieve this, facility management is focusing on among others the reduction of energy consumption, the use of Dutch green energy, the expansion of our own generating capacity and in the long term the discontinuation of the use of natural gas. In the management and maintenance of our building, in addition to reducing energy consumption, we strive for efficiency through life extension. On our premises we have modified the plants in order to increase biodiversity. We use circular or reused products and resources to furnish our premises. A great example of this is the redesign of our first floor with over 80% reused or second-hand furniture and material.

Mobility

We are a member of Anders Reizen; a coalition of seventy companies with a policy of halving the CO_2 footprint of their mobility by 2030. In 2016 we committed to this goal. Emissions per FTE in 2016 is our reference point for CO_2 emissions. This will be used to measure and report on the extent to which we achieve this ambition.

Mobility emissions include emissions from car use (both home-work and leasing), the flying and the public transport. We have already taken several steps to reduce CO_2 emissions in this area. In 2020, we made some rapid advances by choosing only electric leased cars. This means that our lease fleet will be entirely fossil fuel-free by 2025. The number of electric cars in the PGGM leasing fleet increased from 42% in 2020 to 55% in 2021. In 2021, the mobility of our colleagues remained low due to the Covid-19 crisis.

With the introduction of the 'where-you-work-budget', the new sustainable and future-proof mobility policy, we promote cycling to the office within 10 km. In addition to PGGM's already existing bike plan, since 2021 PGGM also has a partnership with Fietsvoordeelshop, which allows colleagues to buy a bike at a discount.

By giving colleagues the opportunity to buy an (electric) bike or even a speed pedelec, PGGM is increasing the cycling potential up to a distance of 20 km from the office.

We also fully reimburse public transportation and introduced reimbursement for working from home in 2021. Due to the location of our office, many colleagues still come to work by private car. Making these miles more sustainable remains a challenge for the future.

Business flights

We try to reduce our emissions from flying by flying as efficiently as possible, flying less business class because here the emissions are significantly higher and taking the train to European destinations as standard. Nevertheless we invest for our clients across the world. Here it is essential to build up knowledge and a network for which it is sometimes necessary to be physically present in a certain place, to which it is necessary to fly. The key challenge here is to make our travel movements more sustainable. For and with colleagues at Asset Management, we developed best practices for "post-corona digital meetings" as an alternative to flying. In addition, we are working to provide insights into CO_2 emissions during the booking process and detailed reports on business travel at the team level.

In addition to focusing on alternatives to air travel, we also invest in solutions to make flying itself more sustainable. Since 2013, we have been a participant in the KLM Corporate Sustainable Aviation Fuel (SAF) programme. One litre of SAF emits 75% less CO_2 than fossil kerosene and is made from responsible biomass, for example from frying oil from the food industry. The SAF will be blended with the fossil kerosene on all flights from Amsterdam starting in January 2022.

CO_2 emissions

Measuring CO_2 emissions

We annually measure and report the CO_2 emissions* from PGGM N.V.'s operations. This does not include the CO_2 emissions from our clients' investments. For operations, we measure our direct and indirect emissions. These emissions can be divided into three scopes, of which scope 1 (direct emissions) and scope 2 (indirect emissions energy purchase) are fully measured. We are currently measuring scope 3 (other indirect emissions). These emissions will be further expanded in 2022 and 2023. Emissions per FTE in 2016 is our reference point for CO_2 emissions.

CO_2 emissions in 2021

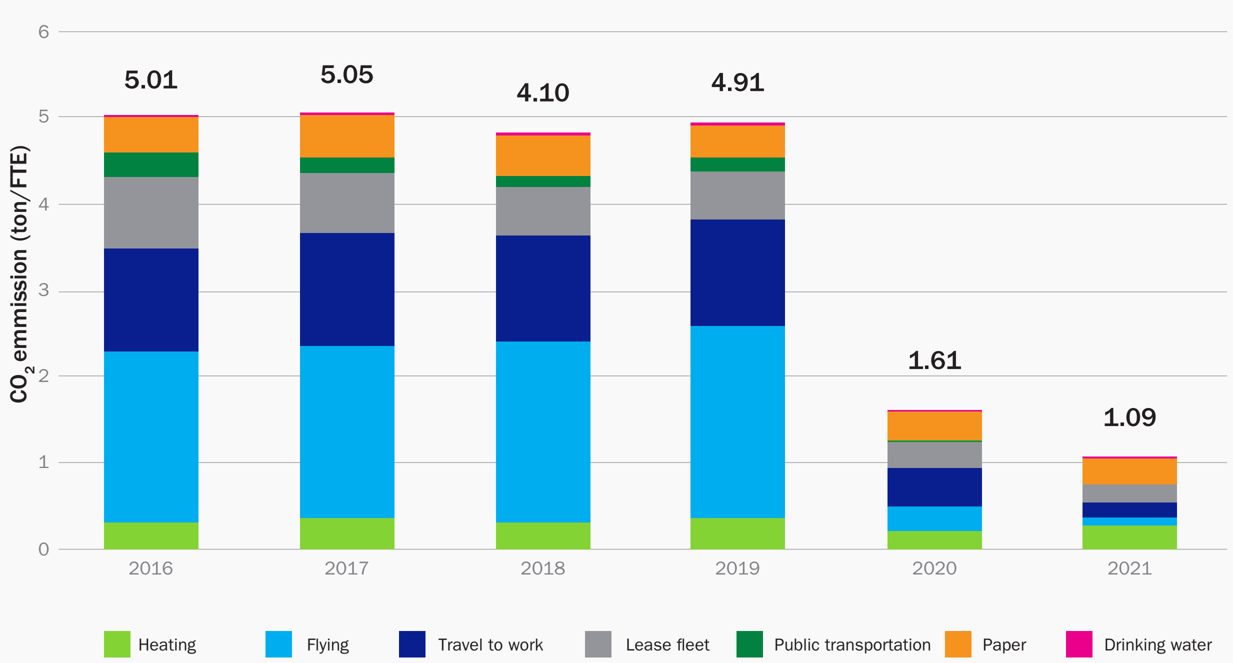
Like last year, the Covid-19 crisis has a major impact on our CO_2 emissions in 2021. PGGM's CO_2 emissions per FTE will be 1.1 tons of CO_2 in 2021, up from 1.6 tons in 2020. In absolute terms, this is 1,590 tons of CO_2 in 2021, compared to 2,405 tons of CO_2 in 2020. Due to working from home and restrictions on air travel, emissions from mobility in particular are lower than the previous year. In 2021, we included the distinction in flight classes in the calculation of CO_2emissions. This has been corrected for all previous years. Commuting emissions has been halved from 2020 levels, and emissions from fossil leased cars are decreasing due to an increase in electric leased cars. CO_2 emissions from heating the premises are slightly higher than the previous year because it has been a cold autumn.

Development of CO_2 emissions from paper

The paper use of employees has been reduced to virtually zero through digital working. Most of the emissions from paper come from pension communications through letters and magazines. The digitisation of pension communications is a major focus and has led to a large reduction in paper consumption over the years.

*CO_2 emissions also include emissions of other greenhouse gases, as defined by the Kyoto Protocol.

Relative historical CO_2 developments



PGGM CO_2 footprint 2021 compared to 2016

PGGM carbon footprint 2020	CO_2 emissions per FTE 2021	Change from reference year 2016
Scope 1		
Heating	0.3	-5.4%
Refrigerants	0	NA
Scope 2		
Electricity	0	0%
Scope 3		
Cars	0.4	-81.3
- Commuting	0.2	-85.8%
- Lease	0.2	-75.2%
Flies	0.1	-95.5%
Public transport	0	-99.0%
Paper	0.3	-34.2%
Drinking Water	0	-65.5%
Total	1.1	-78.1%

Communication through magazines still appears to be the most effective way of bonding with participants for now. Efforts are being made to make the production process of the magazines more sustainable.

CO_2-compensation

We continue to work on reducing CO_2 emissions. In addition, PGGM's entire CO_2 emissions are compensated.

This makes us carbon neutral. We offset the CO_2 emissions with the Gold Standard Bamako Clean Cookstoves project in Mali. In Mali, 90% of the population cook on open fires or charcoal. In addition to deforestation, this has serious health risks. This project provides efficient wood ovens that use 30 to 40% less wood. Per household, this saves an average of 241 dollar, and this project saves an average of 198,000 tCO_2 per year.

Future

In 2022, the ideas of Control 2021 will be further developed in the various business units. The new insights that came from the programme empower business units to take charge and act according to their integral responsibility. In doing so they are transforming PGGM into a fast, adaptive organisation.

Together with PFZW in the past 2.5 years we have set up the foundation for AI-driven work. We will continue to invest in AI in the years to come. AI is seen as the biggest gamechanger in the financial sector and as the main new core competence of our company. After all, this competence is also needed to ensure further implementations of developed products and services and to anchor then internally. Given the growing threat in the field of cybersecurity, we have set into motion a number of additional measures for 2022.

Sustainability is and will remain a major priority for PGGM, both in its investments and in its operations. We are therefore taking steps to make an impact on the focus SDGs and to strengthen our sustainable base. By implementing an integrated framework for strategy, governance and reporting, we are putting long-term value creation at the heart of our business operations. Next, we work to improve transparency about what we do and the impact we achieve in this. In more concrete terms, we provide increasing insight into sustainability with the sustainability dashboard.

We are continuing to work towards achieving our ambition of halving CO_2 emissions from mobility by 2030. In addition in 2022 and 2023 in measuring PGGM's CO_2 emissions we are adding several additional emission sources that account for more than 1% of the total footprint. By adding the other indirect emissions we will map out PGGM's CO_2 emissions more completely.

Inspiring working environment

Our employees are our main strength. At PGGM we therefore see it as our task to ensure that they enjoy their work, can develop and feel involved and valued. Out of social interest and to attract, retain and develop talent, we work to create an inspiring, innovative and inclusive work environment.

Diversity and inclusiveness

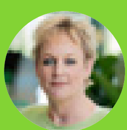
At PGGM, we want all our colleagues to feel at home and valued for who they are. Indeed, having different ideas, thoughts, or input depends on the extent to which it is embraced by the immediate environment. And we believe that diverse teams make better decisions, work more effectively together and deliver better results.

The more diverse the employees in our organisation, the more talent and competencies we have at our disposal. This makes our organisation stronger, more flexible and more effective. Therefore, inclusiveness is something that must remain embedded in PGGM's culture at all times. Also because we see this as our responsibility that fits the changing society.

Diversity of Thinking

'It is PGGM's ambition to be an inclusive employer. We embrace the power of diverse backgrounds and perspectives and believe it is important for all individuals to be able to be themselves. To this end, we at PGGM use the term "Diversity of Thinking'. To achieve these goals, we created the Diversity Board. Each unit has a representative from the management team in this. With our new diversity policy, the units are in charge. This means that each unit has its own actions to increase diversity within the unit. Harnessing diversity can only be done in an inclusive environment. A key element here is the influence of unconscious biases.

In 2021, we recalibrated our HR policy towards Diversity of Thinking and adapted our HR tools and approach accordingly. A specialist gave webinars to PGGM's executives and employees. In a PGGM-wide webinar, we learned about unconscious biases, awareness, and how these biases continually affect diversity and inclusiveness in the (digital) workplace. Executives learned about unconscious biases and how to successfully lead an inclusive team in two additional webinars.
In addition, fifteen employees were trained internally as facilitators to facilitate conversations within teams about diversity and inclusiveness. They do this by using the workbook 'working on inclusion in your team'. From the Diversity Board, we not only monitor the activities in the units, but we will soon be looking for excitement when it comes to the progress on diversity and inclusiveness in the units themselves.'




Manon Pernot and Willem Jan Brinkman
director of People & Organisation and chief financial & risk officer (CFRO) of PGGM and chairman of the Diversity Board

Committed and passionate employees

To monitor how committed and inspired our employees are, we have an annual employee survey conducted by an external party. In this way, we give every employee the opportunity to provide feedback on working at PGGM. The past year saw a slight decline in the commitment and enthusiasm of employees at PGGM. From 7.5 and 7.4 in 2020 to 7.1 and 7.3 in 2021. The survey reveals that the most important areas we can leverage to increase commitment and enthusiasm are: growth and development opportunities and autonomy at work. In 2022 we are therefore working on this. We do this by discussing the results of the study in each team, with each team determining the actions that its members want to take in 2022.

Undesirable behaviour

At PGGM we have a robust policy on preventing and identifying undesirable behavior. Undesirable behavior is therefore also one of the topics that we anonymously survey annually in the employee survey. When undesirable behavior in organisations was recently again a hot topic in the news, we gave attention to this on our Intranet. In the news release entitled 'BOOS op PGGM', the confidant drew attention to the undesirability of this behavior and indicated that they had been appointed to help and advise employees experiencing this undesirable behavior.

A better mix

Part of our diversity approach is focused on increasing the number of women in influential positions. The percentage of women in management positions was 30% at the end of 2021.

We conduct a deliberate recruitment and selection process, aiming for half of the candidates for management positions to be women. In addition to the seminars and workshop around Diversity of Thinking, we create awareness with the Stratego workshop for women. This was another great success in 2021.

The current composition of the EC meets the requirements for a balanced allocation of seats from the Act on Balanced Distribution of Management and Supervisory Board Seats, as it applied until 1 January 2020 (at least 30% of seats are held by women and at least 30% by men). In the current composition of the EC, two of the five seats are held by women (40%). There were no women appointed to the Supervisory Board in 2021. Future changes will take into account a balanced distribution of seats.

With effect from 1 January 2022, the Act amending Book 2 of the Dutch Civil Code for a more balanced male/female ratio will apply, under which PGGM itself must set appropriate and ambitious targets in the form of a target to promote gender diversity on the executive board, supervisory board and among categories of employees in managerial positions to be determined by the company. To this end, we will set annual targets starting in 2022 and develop a plan to achieve the set goals.

Make it Possible

With the Make it Possible (MIP) programme, our ambition is to employ twenty people distanced from the labour market each year. This agreement is enshrined in our collective bargaining agreement. In this we work together with the UWV and a number of specialized reintegration agencies. In addition, we work with Ocaro, helping people to complete their interrupted MBO education in combination with a work experience position at the customer contact center. We proactively match MIP candidates to appropriate assignments and work within PGGM.

Internal employees and training costs

Distribution internal employees per unit	2021 Numbers	2021 % distribution	2021 FTEs	2021 % distribution	2020 Numbers	2020 % distribution	2020 FTEs	2020 % distribution
Institutional Business	141	9%	137	9%	144	9%	139	9%
Pension management	564	38%	524	36%	622	40%	581	39%
Asset management	451	30%	467	32%	424	28%	440	29%
PGGM&CO Members' Organisation	17	1%	16	1%	15	1%	14	1%
Information, Finance, Control	149	10%	141	10%	139	9%	131	9%
IT	102	7%	600	7%	97	6%	95	6%
Corporate Staff Services	79	5%	77	5%	95	6%	90	6%
Total	**1,503**	**100%**	**1,461**	**100%**	**1,536**	**100%**	**1,491**	**100%**
Full-time/part-time distribution								
Full-time	1,124	75%			1,132	74%		
Part-time	379	25%			404	26%		
Total	**1,503**	**100%**			**1,536**	**100%**		
Male/female distribution								
Male	931	62%			945	62%		
Female	572	38%			591	38%		
Total	**1,503**	**100%**			**1,536**	**100%**		
Age distribution								
Under 25	20	1%			24	2%		
25-34	324	22%			324	21%		
35-44	370	25%			408	27%		
45-54	482	32%			492	32%		
55 and over	307	20%			288	19%		
Total	**1,503**	**100%**			**1,536**	**100%**		
Staff turnover								
Status at start of year	1,536				1,506			
Joined PGGM	157				179			
Left PGGM	-190				-149			
Status at year-end	**1,503**				**1,536**			
Sickness absence troughout	4.1%				3.4%			
Education/training expenses (*million euros)	€ 2.5				€2.2			

We base this on the work experience and qualities of the MIP candidates that are appropriate for the number of hours they are available. In 2021, thirteen MIP colleagues worked at PGGM. Despite the Covid-19 measures, hiring co-workers distanced from the labor market is possible, but mainly for candidates who are familiar with the work (i.e., have experience).
More is asked of the self-reliance of MIP colleagues. We work primarily from home, which makes settling in slower and much more difficult.

Employee participation

At PGGM, we believe it is important to involve all colleagues in their work, the place where they work and PGGM's policies. We therefore apply a model for modern, proactive participation. Our Works Council has the eleven core members and there is room for extraordinary members to participate in thinking and deciding in one of the monitoring committees.
In addition, the Works Council uses relevant specific knowledge from colleagues. This allows all of our employees, managers and the EC to be involved in all consent and advice requests. Because of the pandemic, the Works Council meetings with each other, with the directors and with the Supervisory Board members took place digitally. The constituency consultations were also done online through various interactive possibilities.

The Works Council was and remains involved: not only when formally required, but also when requested by the EC or the Works Council. With the input of the Works Council and colleagues, we thus provide issues with sound advice or opinions, even during the lockdowns.

In 2021, the Works Council dealt with a number of files, all important for the development of PGGM and our employees. For example, after a lengthy and intensive process (started in 2018) in which the Board and the Works Council both adopted principled approaches, a new code of conduct and insider regulation came into being in 2021.

This insider regulation strikes a well-considered balance between the need for a sound insider regulation for PGGM and the interest of colleagues in being restricted as little as possible. The Works Council also agreed to the new performance and development (P&D) scheme. The Works Council will continue to be closely involved in the implementation of the P&D scheme, the experiences of employees, management and HR and the evaluation of this scheme.

During the reorganisation following the departure of two of our pension management clients, the Works Council gave critical but constructive advice on the reorganisation process and communication to employees. By adopting additional and sometimes divergent advice from the Works Council, decisions improved.

Learning and Development

Reward philosophy

In order to achieve our ambitions, it is important that we have the right people on board. People who are happy to contribute to our strategy and recognize themselves in our shared values. Our guiding principle is responsible reward, as this enables us to attract, retain and motivate the right employees. In doing so, we take into account what is going on in the labour market. At the same time, we are mindful of the interests of our clients and their social significance. We realise that we work with money that does not belong to us. That awareness makes us supportive. We want to provide the best service at competitive costs; our labour costs are an important part of that. We are aware of that.

Development of remuneration policy

In the market the importance of learning, innovating and experimenting is increasing. Opportunities for development are important for attracting talent. The focus is increasingly on looking forward, rather than on the past.

The direct link between rewards and the assessment of performance in the previous year has therefore been abandoned. This gives space for people to be vulnerable. Something that is necessary for an organisation focused on learning, innovation and long-term value creation. And that's where we need to go.

Good performance is the norm and the employee is rewarded accordingly. When appraisals are released, it is no longer necessary to give appraisal scores to employees. However, decoupling annual hard assessment scores from rewards is not a reason for poor performance. It does, however, prevent the conversations between manager and employee from being solely about appraisal scores and the associated remuneration.

At the heart of the new remuneration policy is a focus on employee development and personal growth, looking ahead and talent. It's about helping people get the best out of themselves, in their own interests, as well as in the interests of PGGM and our clients. A manager is more explicitly concerned with people management and thus facilitates employees in their development.

We consider recognition and appreciation important. We want to give these when an exceptional achievement has been made. In the new remuneration policy, we can therefore reward exceptional performance in a way that motivates and suits the specific employee. This is a one-off reward. This is preferably in line with the needs of the specific employees and is therefore not by default a financial reward.

Specific interpretation for the front-office functions within Asset Management

Differentiating based on performance and being rewarded accordingly is very common in the asset management chain.

There, the performance and development dialogue also focuses more on the fact that personal growth and performance are financially rewarded.

Management focuses on assessing performance and daring to differentiate between employees. This explicitly requires a clear performance management process. Employees are evaluated in a clear and traceable way on their concrete results. Linked to this is both the growth of both fixed and variable pay. Therefore, we are not abandoning the link between reward and assessment at the front-office functions within the asset management chain for the time being. Reward here remains dependent on individual assessment.

Variable pay, DVI and gratuities

Within PGGM we make limited use of the 'variable remuneration' instrument. Only within the front-office functions of the asset management chain do we use it as a regular remuneration tool, and then in two forms: a one-year variable remuneration and a deferred form of variable remuneration.

Variable remuneration

All employees in the front-office functions of the asset management chain are eligible for one-year variable compensation. This does not apply to other employees. We have chosen to cap one-year variable remuneration at 20 percent of annual salary.

Deferred variable income

In addition to the one-year variable remuneration of up to 20 percent, there is the possibility of awarding deferred variable income (DVI) to a limited group of employees within the asset management chain. The DVI is a form of deferred variable remuneration. This is paid out after a multi-year deferral period after the year in which the key performance indicators (KPIs) applicable to attaining the DVI were achieved.

Also, there must not have been any details after the award of the DVI that could call the award into question. The total of the one-year variable remuneration and the DVI on an annual basis can never exceed 100 percent 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. All variable compensation awarded last year is shown in the figure below

Variable remuneration paid out (x €1,000)

Distribution of variable remuneration by type	2021	2020
One-year variable remuneration in investment chain paid out *	4,514	3,723
Deffered variable income paid out	1,351	1,142
Gratuity paid out	260	165
Total variable remuneration paid out **	**6,125**	**5,029**

Number of beneficiaries

Distribution of number of employees per variable remuneration paid out	2021	2020
One-year variable remuneration in investment chain	227	194
Deferred variable income	38	35
Gratuity	80	53
Total number of beneficiaries	**345**	**282**

*Concerns one-year variable remuneration paid out relating to the previous financial year. Therefore, one-year variable remuneration paid out in 2021 relates to performance year 2020 and paid-out one-year variable remuneration 2020 relates to performance year 2019.

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

Gratuity

Employees who do not receive a form of individual variable remuneration may be awarded a gratuity.

Internal pay ratios

We inform the Works Council (OR) annually about internal remuneration ratios. This is a summary of the average salary for each pay scale compared to the average salary of the EC. In line with the Corporate Governance Code (DCGC), we also present here the remuneration ratio within the organisation. The ratio of the highest paid director (€527,292) to the median base salary based on the full-time salary of all employees (€71,324) was 7.4 over 2021. In 2020, this ratio was 7.5.

Working in times of corona

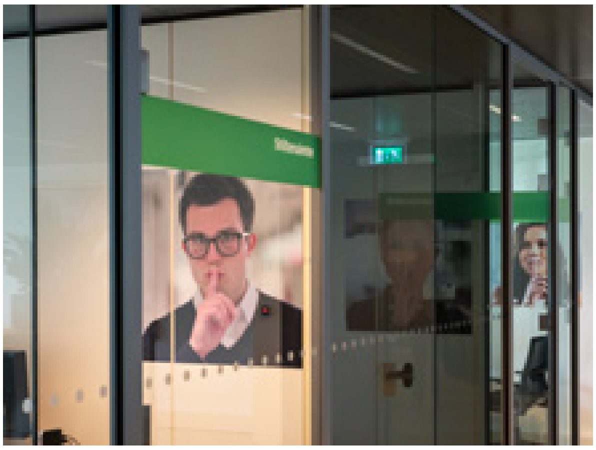
In addition to IT and cyber risks, the focus in 2021 was on creating a healthy and safe office workplace for those who cannot carry out their work at home. By regularly asking questions, we kept our finger on the pulse and tried to facilitate colleagues as much as possible to work from home, and to create a responsible home office in terms of occupational health and safety. The long hours working from home did, however, take a toll on our employees.

Sickness absence has increased and employees are sick longer. We remain committed to the well¬being of our 1,500 employees in this difficult situation, so that services to our customers can continue unabated.

Hybrid working

Although working from home is sometimes very challenging, employees also saw benefits to working from home, such as determining their own daily schedule, better concentration and no travel time. We want to maintain these benefits also after the lockdown.

We will therefore combine working from home with physical meetings in the office. Colleagues can decide from which workplace they can most efficiently and effectively contribute to the company's goals. At the same time, they remain firmly connected to our organisation. In this way, we are convinced that this hybrid way of working will contribute positively to the involvement and commitment of employees. In addition, hybrid working allows us to reduce our CO_2 emissions and costs. A development that suits PGGM in this rapidly changing world. By 2021, each department will have created a team manifesto that includes collaborative agreements for the team. In 2022, we will start working on these agreements on a team-by-team basis.



Future

In 2022, we will combine working from home with physical meetings in the office. This is guided by the team manifesto in which the teams have drawn up their collaboration agreements. In the coming year, we will also continue to address the successful organisation-wide sessions on unconscious bias and inclusiveness. We will do this through workshops for individual teams. The units continue the various initiatives concerning Diversity of Thinking within PGGM.

For our MIP colleagues, we are exploring a number of other interesting initiatives in addition to our regular efforts.

One of the possibilities is to offer internships to visually impaired and blind students from secondary vocational education in collaboration with the Bartiméus Foundation in Zeist. We are also investigating whether PGGM can become a permanent training location for Bartiméus.
The building in Zeist is very suitable for this.
Another option is to recruit IT staff in collaboration with the Social Enterprise NL Foundation. They mostly assist ICT specialists with autism to a paid job. In addition, once we start working hybrid, we can work with our suppliers Sodexo or Strukton to see if we can place MIP colleagues through them.
In 2022, we will further adapt our tools to the new performance and development methodology. We also provide new learning opportunities, making

our employees - and therefore the organisation - even more flexible. In doing so, we are making a shift from classical learning to learning on the job. We want to encourage informal learning. This fits with a culture in which we want and dare to grow and develop.

Finally, in 2022, the works council wants to further increase the added value of employee participation and contribute even more effectively to works council involvement, employee feedback on questions of advice and consent, and open dialogue on day-to-day decision-making. In 2022, the works council will therefore determine three focus areas against which it will compare PGGM's upcoming organisational changes and developments.

The importance of good risk management

Effective risk control and transparent and clear accounting on this are important components of our business operations. That's not only our opinion, but is something our clients, supervisory authorities and, to an increasing extent, society find important. We are also seeing an increased focus on non-financial risks. Examples are themes such as cyber risks and securing our data, safeguarding employee and pension fund participant privacy, handling sustainability themes in our business operations and in implementing our clients' investment instructions, such as the climate risk. Another example is the reputational risk and the associated trust that stakeholders and society have in the pension sector in general and in us as large pension fund service provider, in particular. Risks that could harm this trust are avoided or mitigated as much as possible. In other words; the risk appetite for this is low.

Good risk management begins with a culture in which well-considered risks are taken consciously and in which the importance of effective risk management is recognized from the workfloor to PGGM's EC and Supervisory Board. In controlling risks, it is important to look not only at both procedural and system engineering measures (hard controls), but also the culture and human factor in managing risks (soft controls).

In the risk discussions and when handling any interruptions and incidents, both aspects must receive attention. At PGGM we have a permanent and integrated risk management process which covers all these aspects, and is carried out on a regular basis throughout the year.
The risk assessment and the risk discussion on this are carried out at different levels.

PGGM risk framework

We developed the PGGM risk framework as a structure to enable active risk control by making risks clear, taking action on these, monitoring the development and reporting on these. This framework is based on the COSO Enterprise Risk Management framework, accepted internationally as standard. To determine whether and to what extent we wish or do not wish to run a specific risk, the EC and the Supervisory Board determine our risk appetite in the Risk Appetite Statement (RAS). This risk appetite constitutes the framework for risk management and decision making and contributes to an active and aware risk culture. The risks identified in the PGGM risk framework generally have a risk appetite of 'low'. A reasoned different risk appetite applies to specific risks.

PGGM has a low risk appetite for fraud and integrity incidents. To manage fraud risk, PGGM applies the PGGM Fraud Risk Management Framework. In addition, PGGM conducts a systematic integrity risk analysis (SIRA) annually throughout the PGGM organisation.
PGGM thus has a well-formalized and measurable process for identifying and assessing the risks of fraud, including bribery and corruption.

Control and management of risks at PGGM Risk management

The risk management process is a cycle of continuous improvement in which we make daily, quarterly and annual measurements, evaluations and adjustments according to the PDCA cycle: Plan, Do, Check, Act. We primarily carry out this process in the first line, with the second line overseeing the design of the process and adherence to the set frameworks. This second-line process also follows the PDCA cycle. In 2021, we further elaborated on the design of risk management according to the three-line model, strengthening the responsibilities for risk management in the primary business. Also, by 2021, further development has been made in the explicit monitoring of compliance with internal (hard and soft controls) controls by ERM, Compliance, Security & Quality Office and Privacy office as well as Internal Audit.

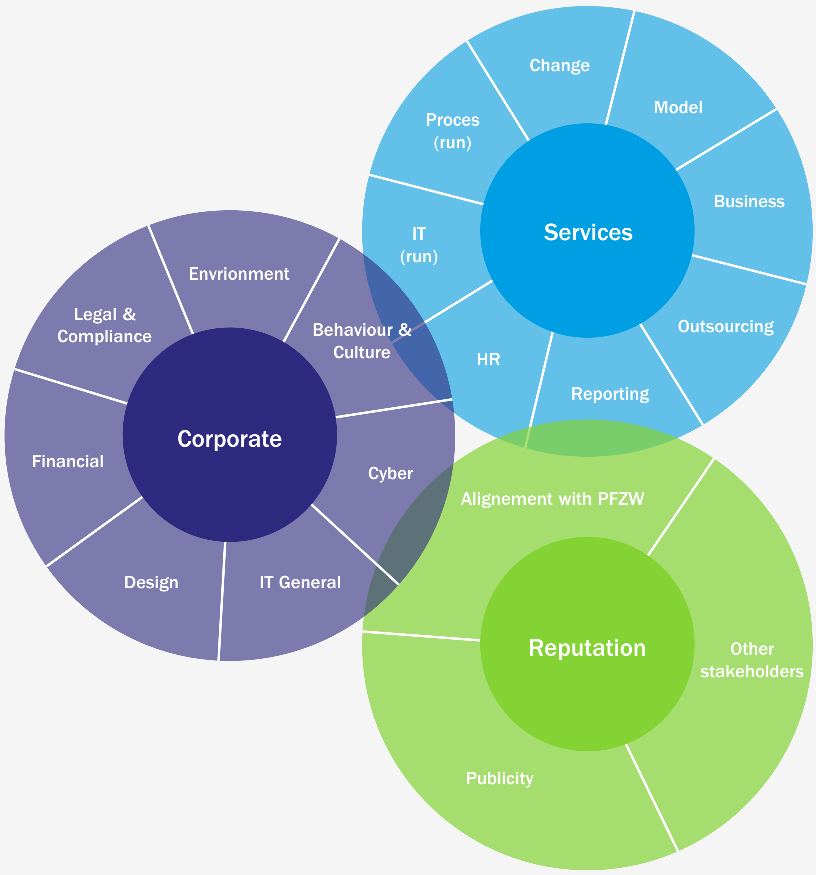
Risk appetite

At least once a year, the EC establishes the risk appetite in the RAS. In the Risk Appetite Statement section, we explain risk appetite in more detail according to three perspectives. Using risk maps, we draw up management measures and risk indicators for each type of risk that contribute to controlling the risks within the set readiness. It also allows us to measure the current, net risk, the risk after control. If the current risk is higher than the risk appetite, we take extra measures to ensure that the risk is brought within the risk appetite again within a reasonable period. The risk reports at unit and general level include a plateau planning, in which it can be monitored if and when these additional measures will lead to the intended net risk (risk after control). This plateau planning is updated quarterly and discussed in the risk committees and in the EC, and included in the report to the Audit, Risk & Compliance Committee (ARC) and the Supervisory Board.

Risk identification

Periodically, or ad hoc if warranted, ERM fine tunes the various risks with the organisation to determine whether all relevant risks has been identified. This is known as the risk identification process. We use the PGGM risk language for this, which enables us to name and interpret risks using the same language.

PGGM risk language



The PGGM risk language distinguishes 18 types of risk

Risk governance

- Three lines of defence
- RvC – EC – unit risk committee - corporate risk committee

Preconditions

- Laws and regulations
- Products and services

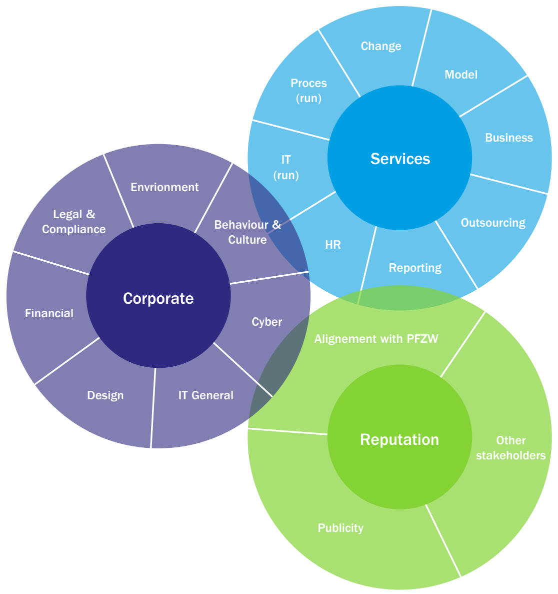
- Mission and vision
- Strategic goals
- Risk appetite

- Policy and organisation

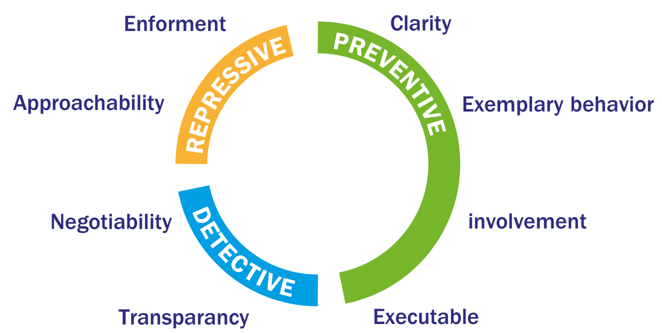
Risicomanagement

Risk identification > Risk assesment > Risk evaluation > Risk management > Risk monitoring

Internal control environment



PGGM risk language



Soft controls

Beheersing →

Risico hoogte ↑

	High	Low / Middle	Middle	Middle / High	High
High	H	H	M/H	M	L/M
Middle / High	M/H	M/H	M	L/M	L
Middle	M	M	L/M	L	L
Low / Middle	L/M	L/M	L	L	L
Low	L	L	L	L	L

Hard controls

Information communication and reporting

- GRC tooling
- Risk information
- Findings

- In Control Statements
- Risk reports
- Performance reports
- Accountability reports

- (Financial) results PGGM

Indicators, limits and management measures are defined for each risk, which are recorded in risk maps. The risk maps describe the risk based on the PGGM risk scale with an assigned gross risk (based on probability and impact), a targeted net risk (appetite) and the way this risk is mitigated (control measures). Where relevant, risk maps are differentiated according to business unit.
The mitigation method includes various instruments including hard controls (procedural measures) and soft controls (behaviour and culture aspects). Senior Managers manage the risk cards and the ownership is held at EC level.

Risk assessment, management and monitoring

At least once a quarter, ERM prepares a risk report containing the current risk profile, supplemented by discussion points for the management. This concerns the past as well as the coming quarters. It also dwells on issues that stood out from regular monitoring activities, operational incidents and other disruptions with the primary purpose of learning from them, discovering trends and discussing and addressing underlying root causes. address.

In addition to the general risk topics, compliance, privacy and cybersecurity are discussed based on input from the Compliance, Privacy Office, Data Protection Officer and Security & Quality Office units, respectively. The core of these risk discussions is that the responsible directors discuss the risks together carefully, determine whether these fall within the risk appetite and discuss the extent to which our risk management is under control. The business unit directors and EC produce a control statement each quarter based on the quarterly risk report. Where appropriate, actions are defined for the additional control of the risk.

The reports of the risk discussions in the various business units are combined into a PGGM-wide risk report. This is presented for discussion to the EC and Supervisory Board as an integrated report with financial accounting. Our clients receive a client risk report including a report from the PGGM risk report, supplemented with specific risk themes for our clients. Since this year, PGGM's Risk & Compliance function has set up, with PFZW's management office, a joint risk report for PFZW incorporating the relevant input from PGGM. This not only is more efficient but also allows the risk management specialists of PGGM and PFZW to work together on a common risk profile for PFZW. Of course the PFZW risk management functionary is the owner of the PFZW report.

Risk evaluation

We regularly reflect on the effectiveness of management measures in various risk discussions. The objective of this is to design and apply risk management in the most efficient and effective way possible. At least once a year, we also evaluate the risk appetite. We also evaluate so-called worst case scenarios once a year, including the way in which we could mitigate the consequences of such a scenario as much as possible. In addition, we also evaluate at least once a year, or more often if required, issues such as business continuity, business impact analyses, fallback capabilities and crisis management manuals. Internal audit evaluates the entire risk management framework (first-line and second-line risk management) once a year and provides a report to the Executive Board and the ARC. Resulting findings and recommendations incorporate first-line and second-line risk management into plans for the following year.

The assessment of the audit for 2021 was ‘sufficient’. Editors process audit results as soon as they are available. The main area of improvement for 2021 was the further development of the first-line and second-line monitoring. These developments will continue into 2022.

The main features of PGGM's management and control system related to PGGM's financial reporting process

In addition to the internal control, as described in Standard Reports 3402 and 3000A (formerly ISAE), we write a framework of internal control. This is where the Risk Control Matrix takes central stage. In the Risk Control Matrix we describe the IT General controls, IT application controls and business controls that apply to the various applications that are part of the Financial domain. The Risk Control Matrix is updated annually. In the financial domain we also have various internal control measures to ensure the accuracy and completeness of the financial reporting of PGGM and its subsidiaries. Segregation of duties is in place in various processes.

Demonstrable quality of processes

Providing services to our clients and our internal operations involves conscious risk-taking. To mitigate these risks, we take measures to ensure the control of our processes as much as possible. We do this via implementing such things as periodic audits.

Internal Audit provides assurance on the control of business processes for all activities and all parts of PGGM. By performing audits, Internal Audit assesses the reliability of the business processes, as well as the governance, implementation and effectiveness of the internal risk management and control systems, including the internal and external accountability thereof. We also issue Standard Reports 3402 and 3000A. These concern the service provision for asset management and for pension management. The external accountant provides Assurance for the reports. Findings regarding the design and operation of control measures did not impact the achievement of audit objectives and thus did not result in limitations in the Standard Reports. For IT and cyber security processes, ISO norms and certifications apply to IT service management, information security, business continuity and quality. We also provide accounting for this.

Findings regarding the design and operation of control measures did not have a material impact on the achievement of control objectives. For the limited number of incidents that took place in 2021, we conducted an investigation into the underlying causes of these incidents and took measures to prevent such situations arising in the future.

Quantifying risks and required capital

As PGGM we are neither a bank nor an insurer and, from a regulatory perspective, we do not need to hold capital for the various risks.

However, this does apply to the entity PGGM Vermogensbeheer, which, on the basis of its asset management license, must meet the ICLAAP requirements of DNB. We use an annual ICAAP process to determine per risk whether this requires us to retain extra capital above the minimum required capital buffers for an asset manager. This process results in the required capital, which is retained within Vermogensbeheer as equity. DNB annually assesses the adequacy of the capital.

For 2021, DNB's conclusion is that the capital surcharge and liquidity position calculated by PGGM Vermogensbeheer are sufficient.

In order to be able to absorb the financial impact resulting from one or more risks, we have taken various additional measures. First, we made agreements with our clients about liability. We are also insured for various forms of damage. As well as insuring the physical property, damage can arise from such things as liability or cyber attacks. For impacts not covered by insurance, or financial impacts arising from other risks, we maintain equity. The specific guidelines for this are recorded in the Equity Policy. Where applicable, our liability to our client is limited.

We strive to have a sufficient buffer to mitigate the impact of worst-case scenarios as long as possible, without immediately jeopardizing business continuity.

With respect to operational business continuity, appropriate measures have been taken. The adequacy of this was tested in, for example, the annual update of the worst-case scenarios.

Developments of the risk profile in 2021

The PGGM risk scale distinguishes between risks arising from regular operations, risks arising from the provision of services to our clients and risks relating to reputation and social support. In total, the PGGM language distinguishes eighteen different risk categories.

In late 2020, the EC recalibrated the risk appetite for 2021. For the risks that lay above the risk appetite at that time, the EC formulated a plan to ensure that these risks are brought within the risk appetite within a reasonable period of time, generally one year. The feasibility of the plateau planning drawn up for this purpose is tested by Risk Management.

We also see that risks are dynamic and place increasing demands on our organisation. For some risks, the situation to be pursued is more difficult to achieve. Examples of this are the cyber risk and demonstrating compliance with laws and regulations. Controlling this requires more effort each year, with both requirements and risks for both areas increasing each year. This results in a permanent 'race' between risks and control measures.

Furthermore, due to internal and external developments, we see increasing pressure on reputational risk, which translates into a slight increase in that risk.

At the end of 2021, the risk profile of seven risk types is one step above the set risk appetite.

The main risks and uncertainties in 2021

In supplement to the outlined development of the overall risk profile, we highlight a number of specific risks and uncertainties which left their mark on the risk profile in 2021.

Covid-19

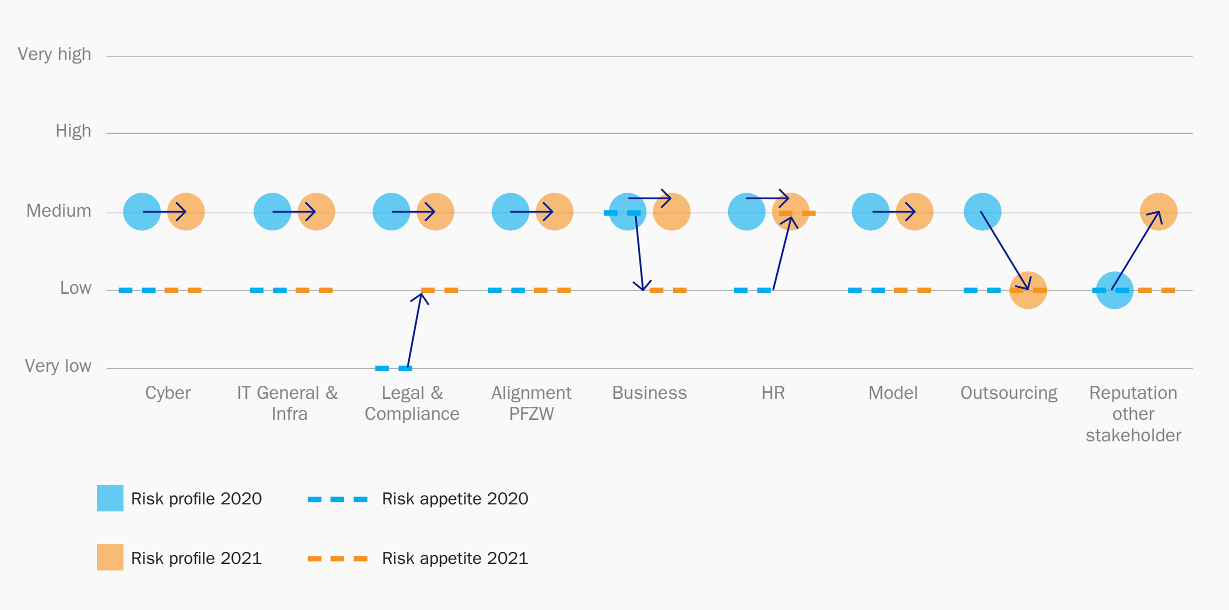
We will continue to manage the business and personnel risks arising from Covid-19 in 2021 based on the experiences of 2020. We made investments in facilities for home working and virtual and hybrid meetings. In response to hybrid working and the effects of the 1.5 meter society we modified the organisation and layout of the company. During the summer period, we deployed a controlled scaling up of office staff, which we unfortunately had to reverse in the autumn. At the end of 2021, we were running with a key staff in the office and the operation was generally running smoothly.

Also in 2021, the HR risk rated 'medium', mainly due to the impact the ongoing corona measures had on our colleagues.

Long-term home working went well, with additional attention also being paid during 2021 to the well-being of our employees and the development of absenteeism.

We kept a sharp eye on whether employee bonding and commitment to the company suffered from the situation. To this end, we carried out additional measurements among colleagues, managers were trained to recognize signals, and extra attention was paid to communication. Results of the 2021 employee satisfaction survey show that additional attention to employee well-being continues to be required in 2022.

Deviations on risk profile and risk appetite 2020-2021



New pension system

In 2021, we launched a programme to prepare PGGM for the new pension system. Using this programme, we consult closely with our clients where we guide them in their route and choices to the new pension system. This ensures the developments proceed in good coordination. Our largest client PFZW has defined the solidarity contract and integrating old rights as working hypotheses around the new pension system. Scenarios are also taking form with other clients.

Based on this, we are sharpening our strategy in coordination with PFZW. The corporate risk profile has been modified accordingly. Through Risk Management, we are closely involved in the design and implementation of this programme and support the programme management in the design and implementation of its risk management.

Threatened reductions

The continuing pressure on coverage levels has our constant attention. In 2021, we successfully completed preparations for a possible reduction in pension schemes. This makes us operationally prepared, both with respect to IT and processes and to the required communication to stakeholders, for a scenario in which reductions have to be made. At the end of 2021, the likelihood of a discount shrunk significantly due to the development of interest rates and the investment results achieved. Indexation was not a real option in 2021.

Increasing impact of sustainability

PGGM, like PFZW, shares the concerns of many about climate change and pursues an investment policy in which we translate these concerns into action. With the implementation and further elaboration of PFZW's Investment Policy 2025, we are further fulfilling the ambition to invest sustainably and with impact. During 2021, PGGM and PFZW were confronted by action groups advocating the complete termination of fossil fuel investments within the short term. We facilitated conversations between activists and our client PFZW.

PGGM monitors developments, makes an active contribution to stakeholder dialogues and coordinates with our clients on the vision for sustainable investment and engagement with parties in which we invest, in a beneficial manner, thereby protecting PGGM's reputation as a progressive party. PFZW's selection by IPE as a best in class pension fund with an appealing green investment policy is a fine appreciation of our ambitions.

Demonstrable compliance with laws and regulations

The programme launched in 2020 to strengthen the robustness of the compliance framework was completed by mid-2021. Several topics were addressed according to a compliance roadmap. Examples include the tender process and the Markets in Financial Instruments Directive (MiFID II). We have invested the responsibilities for further following up these processes in the line organisation and monitor them in the regular risk and compliance monitoring.

The completion of the improvement processes for outsourcing led to a positive opinion from the regulator and Internal Audit in 2021. This brought the outsourcing risk consistently within the set risk appetite. Although we achieved significant improvements around the demonstrability of compliance, the risk profile at the end of 2021 is still above risk appetite. All relevant matters have now been designed, but to work demonstrably some projects in the line still need to be completed. These are expected to be completed in the course of 2022. Incidentally, this does not lead to any limitation in PGGM's Compliance Statement.

Business, financial, alignment and reputation

The business risk will be managed more strongly at the business unit level with the introduction of Control 2021. Business units will be responsible for their own financial results in 2022 within the frameworks set for them. By 2021, practical experience will have been gained with this method. Working with this type of steering is a learning process that we are following closely.

In 2021, we further strengthened the alignment with PFZW and made financial arrangements for the total services over the next three years. We entered into a new six-year contract for advisory services and administrative support.

In the course of 2021, as a result of choices regarding our services for common account funds (FGRs), we saw the relationship with a number of clients become more legal. This has negatively impacted our reputation with these clients. This potentially impacts PGGM's earning power.

Service provision (Process and IT)

The complexity of the pension schemes that we manage increases the risk of errors.
In the management of this risk, we focus on strengthening the systems and reducing complexity. With our current process and IT landscape, we are well prepared for the implementation of the new pension scheme. The quality of our pension management system also led to initiatives for close cooperation with MN services. Although the capacity to change will be under considerable pressure in the coming years, the risks are predictable and within our risk appetite.

Choices in legislation and from our clients around the existing and new pension systems may pose a risk in the coming years, for example if they increase complexity.

Data management

Our business operations are largely based on data. The importance of good data quality and good data management is high.

Within all units, we also paid considerable attention in 2021 to improving data management, both with regard to our own processes and our clients. Based on market standards such as DAMA DMBOK and publications from the regulator DNB such as the 'Guidance Managing Solvency II Data Quality by Insurers' and the 'Good Practice Robust Pension Administration' from DNB, a data management programme was implemented addressing data quality, data governance, data architecture and meta data. By 2021, design, existence and for the most part operation of data management for all units were fully completed for the critical data.

Cyber threats

The threat level around information security and (cyber) security continues to increase worldwide. The effectiveness of measures for ourselves and our stakeholders is a constant priority.

In 2021, we implemented a range of measures to structurally reinforce security, such as several upgrades to hardware and software, performing penetration tests and keeping personnel alert to cyber threats, such as phishing.

Using the PGGM Security control framework, we actively monitor the security level, maturity and demonstrability of the security processes. Although cyber risk is still above the risk appetite at year-end 2021 and requires continued attention, our resilience is growing steadily.

Continuity risk

We assess the risk that PGGM's business continuity would be threatened by a financial loss, for example as a result of a large claim or penalty or the departure of a major client (PFZW), as very low. PGGM monitors developments around supervision, compliance with laws and regulations and PGGM's client portfolio. PGGM is working with PFZW on a joint strategy and is taking measures and embarking on strategic projects to prevent or compensate for the (possible) loss of clients.

Fraud risk

PGGM has a low risk appetite for fraud and integrity incidents. To manage fraud risk, PGGM applies the PGGM Fraud Risk Management Framework and conducts a systematic analysis of integrity risks. The PGGM Fraud Risk Management Framework and the Systematic Integrity Risk Analysis (SIRA) are updated annually and presented to the EC (including the Executive Board) as well as the AC of PGGM's Supervisory Board. The PGGM Fraud Risk Management Framework and the PGGM SIRA 2021 provide the aforementioned bodies with an insight into and overview of the management of fraud risk within PGGM, among other things. It is also designed to bring together existing measures and risk assessments. This will give these bodies the opportunity to assess the adequacy of the measures taken.

The Framework for Controlling Fraud Risk distinguishes between preventive, detective and responsive control measures. PGGM's control measures are arranged according to this classification and the subjects to be distinguished within these categories. With regard to the Framework, based on the assessment of the design, existence and operation of the control measures taken by PGGM, it can be concluded that the fraud risk is adequately mitigated, bringing it within the risk appetite.

In the SIRA, the gross risk (probability x impact) and the control measures were identified for each scenario as usual. On this basis, the net risk was determined and set against the risk appetite. Based on this analysis, it can be determined that the net risks of the fraud-related scenarios are within PGGM's risk appetite.

Expectations for the risk profile in 2022 and beyond

In 2022, we also expect Covid-19 to have an impact on operations and, in particular, on our people. In addition to controlling the risks for PGGM itself, we will continue to work with Vernet and other services to assist the healthcare and welfare sector wherever possible. The positive results of this in 2021 are an additional incentive.

A positive development is that the coverage of PFZW and other clients is sufficiently high not to have to introduce any reductions in 2022. On the other hand, the absence of indexation could put pressure on the reputation of PGGM and its clients.

The aforementioned legislative and regulatory developments, as well as the rapid increase in cyber risk, will continue to drive the agenda in 2022.

The introduction of the new pension scheme, in combination with the path taken to further rationalize the pension administration and gain more scale, will continue to affect operations and therefore the risk profile in 2022. At Asset Management, in addition to more long-term-oriented programmes, such as Investment Policy 2025, pathways are also planned for 2022 to make the unit ready for the new contract forms in pensions. Also, the choices we made in 2021 about phasing out common account funds will affect the investment options available to our other clients. The developments in 2021 thus show that our reputation as a reliable pension administrator will continue to be under pressure in 2022.

Our asset management and pension management must also continue to demonstrably comply with all requirements set by laws and regulations. For 2022, there remains an additional focus on climate risk and transparent accountability for it. These projects will also influence business operations.

In addition to the regular work, in 2022 risk management and compliance will give extra attention to the perpetuation and further expansion of the monitoring tasks developed in 2021, the further detailing of 1st and 2nd line responsibilities, the active use of integrated findings management in the PGGM-GRC system, the accelerated elimination of the remaining backlog in model validation and the further design of the risk management platform for the investment teams and our clients.

Risk appetite statement

In this chapter, we explain risk appetite from three perspectives.

Corporate

Risks associated with policies and PGGM as an organisation

In the coming years, the Dutch pension landscape will be in a state of considerable flux. With the pension agreement reached, there is a solution direction that we are preparing for with our clients. Our largest client PFZW provided more clarity in 2021 on the choices to be made regarding the new pension system and spoke out in favor of a scenario focused on the social contract and integrating existing rights. Scenarios are also taking shape with other clients. Based on this, we are sharpening our strategy in coordination with PFZW. The corporate risk profile has been modified accordingly.

In addition to the new pension system, there are developments in the current system, new entrants to the market, and demands from clients and regulators. This rapidly changing environment requires looking more from the outside in, embracing technological developments more quickly and collaborating even more with partners. In order to remain relevant, it is important that we continue to provide Dutch pension funds with excellent services for fees at commercial rates. Innovative strength and entrepreneurial spirit are also needed to prepare for the future. The multitude of changes within and outside PGGM place additional and different demands on employees. Experimenting with new behaviours is a prerequisite for achieving greater entrepreneurship and decentralised responsibility.

As PGGM, we are entirely dependent on the income we generate from the administration agreements with our clients. Our very existence comes under pressure when existing administration contracts are terminated. During 2021, as a result of choices regarding our services for common account funds (FGRs), it has once again become clear that business risk is very much an issue. The effect of these choices on the services we can responsibly provide to our clients will have a major impact on our strategy and organisation in the coming years.

Our organisational design and governance must be well aligned with the requirements and wishes of key stakeholders such as clients, participants and regulators. As PGGM, we want to place responsibilities within the organisation as low as possible. This calls for an organisation with clear communication, consultative and decision-making structures. In addition, we want to increase the client focus and entrepreneurship in the management of the company. To this end, in 2021 we prepared for the introduction of a new governance model 'Control 2021'. Starting in 2022, responsibilities and authority will be more explicitly assigned to the business units.

Our operation is largely data- and IT-driven; we therefore have an increased exposure to IT and cyber risks. This makes privacy and cybersecurity of great importance. The threat profile on cyber shows an upward trend year after year.
We are constantly working to improve our resilience to cyber threats and have a low risk appetite for privacy, IT and cyber risks. These risks are managed at the corporate level. The risk profile at the end of 2021 is above risk appetite. Broadening the risk appetite is not considered.

If we are to absorb any losses, we must maintain sufficient equity. We have a minimum equity requirement policy. The requirements for this capital will be influenced in the coming years in part by the decision to invest, at our own risk, in new developments of additional and new services and in the optimization of our operations. The risk appetite with respect to financial risk has been adjusted accordingly.

Given the size of our own assets in relation to the assets we manage for clients, our liabilities to clients are also limited and/or insured in 2022.

Service provision

Risks associated with our services and advice to our clients

We need to set up our processes in such a way that we can properly handle the future demand for customization and differentiation among different pension schemes. We have established customer-oriented teams for that purpose, which will be able to meet client requirements with a high degree of flexibility. We aim to use the scale of the organisation by standardising processes wherever possible. We are thus becoming more of a "mass customization factory," in which customer-specific solutions are made possible without requiring customization for each customer. This calls for a carefully-considered architecture in which custom work is the aim, while retaining economies of scale.

The choices we made in 2021 about phasing out common account funds has a major impact on the investment options available to our other clients. As a result, we have to make choices regarding our investment products. The trade-off between scale and customer-specific service plays an important role here.

We can no longer make such choices, whether for asset management, pension management or other services, at the general PGGM level. These choices require a differentiated approach. This can increase the complexity of service delivery and operations, which can lead to increasing costs and operational risks.

As an asset manager, we strive to provide 'best in class' services, whereby we must always measure up to the best quartile of (integral) asset managers. As a pension administrator, with the replacement of the basic administration, we have taken an important step toward mass customization. In doing so, we laid a solid foundation for the operation of a new pension scheme. In the coming years, we will continue the transformation into a full 'mass customization factory'. The intention announced in 2021 to cooperate with
MN services provides the prospect of an important step toward greater scale for Pension Management systems.

As part of its regular services, PGGM aims to provide participants with a reliable and cost-effective pension product within the context of a changing pension system and temporary measures in the current system with regard to the funding level and other preconditions, and there is a limited risk appetite for operational risks.

In today's turbulent pension domain where developments can be rapid and very diverse, the connection with our main client PFZW regarding vision, strategy and objectives is essential. The partnership approach to collaboration and the joint development of joint roadmap are important measures to further strengthen the connection between PFZW and PGGM.

Reputation

Risks associated with what the environment and immediate stakeholders think of us

A good reputation is essential for us.
Based on our role in society and in working for our clients, we want to operate responsibly and be of service. Developments in 2021 show that our reputation as a robust pension administrator will come under pressure in several areas.
Reputational risk is expected to play an increasing role in our risk profile in the coming years. As a result of social developments, we adjusted the risk appetite for reputational risk Other stakeholders to Medium. We accept that there are parties who may have a different view on topics and that this can result in reputational damage.

Compliance and integrity

Compliance and integrity is a license to operate for PGGM. Customers, regulators, society and other stakeholders expect us to act in accordance with applicable (international) laws and regulations, (internal) standards of conduct and to have a culture of integrity. We are accountable to our stakeholders for compliance with all these elements. We pursue an active policy of complying with laws and regulations and safeguarding integrity in line with PGGM's core values.

Societal context

As a global market player, we carry out activities that require permits and are subject to (inter) national (financial) market supervision. Market supervision is carried out by national regulators DNB, AFM, and the Personal Data Authority (AP). Because much of the legislation and regulation applicable to us is enacted at the European level, we also deal with international policymakers and regulators, such as the European Securities Markets Authority (ESMA) and the European Institutional and Occupational Pensions Authority (EIOPA).

In line with our core values, we are promoting an ethical business culture that safeguards employee compliance with laws and regulations. We aspire to a high level of maturity when it comes to compliance and integrity in our organisation and have been working hard on our best-in-class policy over the past year.

Compliance and integrity, risk management and internal organisation

For our organisation, we use the Three Lines Model derived from the so-called COSO framework. Our compliance function (Compliance), with for example the ERM unit, has an important role here from the second line.

We have set up our Compliance as centrally and independently as possible. The basis for this is the Compliance Charter, which sets out the compliance principles of our organisation.

A key objective of Compliance is to manage compliance and integrity risk at PGGM. We use a Compliance and Integrity Risk and Monitoring Framework (CIRM) for this, derived from the Systematic Integrity Risk Analysis (SIRA). To determine the compliance and integrity risk, we assume a best market practice definition: ‘The risk of measures from authorities and/or supervisory authorities or damage to the PGGM business model, its reputation and/or financial solidity as a consequence of noncompliance or incomplete compliance with the applicable regulations or the noncompliance or incomplete compliance with the justified expectations of its stakeholders, including clients, employees, supervisory authorities, shareholders and society as a whole.’

This objective is given shape through, among other things, the (co-)formulation of policy (framework), the performance of supervision (monitoring, testing and reporting), the provision of advice to management and employees on compliance aspects in the (operational) work and the promotion of awareness of compliance among employees (training and communication).

At Compliance we are aware that culture and behaviour aspects play an increasingly important role in the management of risks. That is why we aim to focus more on so-called soft controls (factors that influence behaviour) in our advice, policy and monitoring tasks, as well as hard controls (demonstrable measures in processes and systems).

In the second line, Compliance ensures permanent and demonstrable compliance with applicable and other supervisory legislation and regulations throughout the PGGM organisation. In addition, Compliance supervises compliance with internal regulations governing integrity-related behavior, such as the PGGM Code of Conduct and the PGGM Insider Regulations. Compliance also coordinates contacts with regulators.

Compliance oversees the continued demonstrable compliance with applicable laws and regulations and internal standards of conduct that fall within its purview. Examples include MiFID II, the AIFMD Investment Fund Managers Directive, the Market Abuse Regulation, the Financial Supervision Act (Wft), the Money Laundering and Terrorist Financing Prevention Act (Wwft), and the Sanctions Act 1977.

The PGGM Code of Conduct, the PGGM Whistleblower Policy, the PGGM Screening Policy, the PGGM Incidents Policy and the Social Integrity Scheme are examples of concrete regulations and standards that PGGM has implemented with the aim of maintaining and promoting sound and controlled operations. Our Compliance Unit tests, among other things, various aspects of integrity based on the aforementioned regulations. Examples, based on the requirements of the PGGM Code of Conduct and the PGGM Insider Regulation, include preventing market abuse by checking private securities transactions reported to compliance and shielding confidential information by means of the 'Chinese Walls' set up within the organisation within PGGM, and preventing (undesirable) conflicts of interest and reputational damage by checking on ancillary positions, gifts and/or invitations to employees.

In addition to the annually recurring inquiries from DNB and AFM, DNB conducted several thematic and specific inquiries in 2021, such as an in-depth inquiry into cyber risks and various inquiries and surveys related to the implementation of the new ESG requirements.

Statutory and supervisory framework

In the case of the legal and supervisory framework, we can distinguish between:

- Laws and regulations resulting from activities subject to licensing;
- Internal standards of conduct and obligations established by ourselves.
- Obligations arising from work outsourced to us based on contractual agreements with customers.

Corporate Governance Code

The Dutch Corporate Governance Code of 8 December 2016 (Corporate Governance Code) applies only to Dutch listed companies. However, as a non-listed company, we do endorse the principles and best practice provisions of this Corporate Governance Code and, as a fulfilment of good governance, we voluntarily apply the provisions of the code as much as possible.

In a ‘comply or explain’ document published on our website, we indicate the extent to which we satisfy the principles and best practice provisions contained in the Code and, in the cases in which we deviate, we explain how far and why.

See the ‘comply or explain’ document on *www.pggm.nl/media/ke1jbi1e/pggm-corporate-governance-code-maart-2022.pdf*

Privacy

In an era in which (personal) data can be shared and saved increasingly easily, adequate protection is very important. In this context, PGGM fulfils two roles within the meaning of the General Data Protection Regulation (GDPR):

1. PGGM, as an employer and cooperative, is a data controller; and
2. PGGM, as a service provider to its institutional clients (pension funds), is a processor of personal data.

For the purposes of the GDPR, the institutional clients are data controllers for:
- administration of pension agreements on the basis of an administration agreement or administration regulations;
- market research and statistical analyses concerning pension matters;
- provision of information on pension matters;
- determination of the amount and payment of pension entitlements and benefits; and
- calculation, recording and collection of premiums from employers and entrepreneurs.

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

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

Data protection officer

Given the large volume of personal data, including special personal data, that PGGM processes, PGGM believes it is necessary to fill this independent position. This ensures that privacy control is structurally guaranteed and there is a permanent point of contact for the external regulator, the Netherlands Authority for the Protection of Personal Data.
The Data Protection Officer (FG) is appointed by the Executive Board and is responsible for fulfilling their legal obligations under the GDPR. The main tasks of the FG are to oversee, from an independent position, compliance with the GDPR and provide advice.

At PGGM, we believe it is important to handle personal data with care, both that of our clients' participants and our own employees. In 2021, this was achieved in the following ways, among others:
- carrying out an FG monitoring plan, reviewing the operation of the GDPR obligations;
- improving various processes;
- providing solicited and unsolicited advice to the organisation based on internal and external developments; and
- increasing privacy awareness by continuously training employees.

Using the monitoring plan, the FG will be permanently enabled to perform their supervisory duties. In addition, creating awareness and providing solicited and unsolicited advice is necessary to remain compliant with the GDPR.

Supervision

The FG gives substance to monitoring the compliance with the GDPR through a FG Monitoring Plan. In this plan, various GDPR topics are periodically reviewed, and the operation of policies and guidelines are tested and, where necessary, improved.

Data leaks

We facilitate the reporting of incidents and data leaks so that we can identify, address and analyse these and implement structural improvements in business processes and control measures.
PGGM has taken measures to document and report data leaks in a timely manner, either itself or on behalf of the institutional clients we serve.
In this way, we enable the AP to check whether PGGM and its clients have complied with the data breach notification obligation.

In addition, ways to reduce the number of data leaks as much as possible and to prevent the recurrence of similar data leaks are also examined.

Requests from data subjects

The GDPR assigns different rights to data subjects whose personal data are processed. As a controller, we implement these rights. We support our institutional clients in complying with this obligation. Adequate responses have been made to the requests that we have received and that have been received by our clients, in a timely manner.

In control statement

As PGGM's Executive Board, we are responsible for the design and operation of PGGM N.V.'s internal risk management and control systems. These systems were established in accordance with internationally accepted standards and 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, in order to offer a reasonable degree that financial reporting does not contain any material inaccuracies. However, they can never offer absolute certainty that these objectives will be achieved.

The reality is that, when taking decisions, human assessment errors can occur and cost-benefit considerations constantly have to be made regarding the acceptance of risks and the imposition of control measures.

In order to meet our responsibilities, during the reporting year we independently and systematically analysed and assessed the risks related to achieving our objectives as well as the applicable internal risk management and control systems of our organisation. We have used the COSO ERM framework and other systems for this. The significant strategic, governance, operational and financial risks were determined for each business unit.

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. Improvements are implemented in the risk control and control systems, where necessary.

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

Conclusion

On the basis of the above-referenced activities, we are of the opinion that we can in all reasonableness state that the internal risk control and control systems in the reporting year have worked adequately and provide a reasonable degree of certainty that the financial reporting does not contain any material inaccuracies.

Zeist, 20 April 2022

The Executive Board

Edwin Velzel

Willem Jan Brinkman

Report on the remuneration of the Executive Board

In 2021, the remuneration policy for the Executive Board was redefined. The modified remuneration policy is shown below. The main modifications are the method of annual indexation and the redefinition of which reference market the remuneration levels are derived from. We do not award our Executive Board variable remuneration. The remuneration policy is shown below.

Letter of intent on remuneration policy

At PGGM we operate a careful, controlled and sustainable remuneration policy that is appropriate to the strategy, risk appetite, its objectives and cooperative character. The remuneration policy focuses on customer interests, and takes into account the long-term interests of PGGM and its clients and the laws and regulations governing remuneration.

We are a cooperative with a social agenda that strives to run a healthy financial business. We do this by ensuring an affordable, good and sustainable pension for our clients and their participants. Excellent service, mass customization, best-in-class asset management and good returns with an eye for the effects on people and the environment are central to this. We are aware of this social responsibility and act accordingly in our remuneration policy.

With our remuneration policy, we want to value the Executive Board in a way that is appropriate to their motivation, role and commitment. In doing so, we take into account developments in the labour market. In terms of policy and implementation, our remuneration policy is consistent with PGGM's culture and strategy. All of this leads to "Responsible Rewarding.

Principles of remuneration policy

The following three principles form the core of our group-wide remuneration policy:

1. The remuneration policy enables us to implement our strategy in line with our identity.
2. The remuneration policy is responsible and in accordance with the labour market.
3. The remuneration policy focuses on personal development and growth with attention to performance appropriate to the context of the work.

In addition, the following preconditions are important:

- The remuneration policy complies with laws and regulations.
- The remuneration policy is controlled (must not encourage short-term or risky behaviour).

Determining remuneration

In line with DCGC, the Executive Board's remuneration policy is clear and understandable, and focused on the long-term value creation of PGGM and our affiliated company. It also takes into account internal pay ratios within PGGM. The remuneration policy does not encourage members of the Executive Board to behave in their own interests or to take risks that do not fit within the formulated strategy and the established risk appetite. The objective of the remuneration policy is to attract, retain and motivate qualified members to the Executive Board.

A level of remuneration capable of attracting, retaining and motivating those qualified members of the Executive Board comes about incrementally. First, the content of the job is determined, then the content is weighted using the Hay methodology. This leads to the determination of the Hay scale. It then determines what labour market is relevant with respect to the knowledge and experience necessary for the position. This market thus becomes the reference market for determining the level of remuneration by scale. The director's experience and competencies ultimately determine the appropriate remuneration within the defined limits based on job content and reference market.

Remuneration level

We have chosen to base our remuneration for the Executive Board on the market for financial services in the Netherlands. The reason for this is that we see ourselves as a financial services company. For the Executive Board positions, we also attract people from this market because of the desired experience and professional knowledge required for the work at PGGM. And finally, comparable companies also use this reference market. The reference market is the same as the reference market applicable to our employees, with the exception of those working in the asset management chain.

Due to the competitive environment in which we operate and our cooperative nature, at the board level we deliberately choose to derive the maximum remuneration of the Executive Board from the p25 level in this market (base salary). In doing so, we also include remuneration levels among our executive colleagues. The market level in the reference market, the choice regarding the remuneration position in that market and the remuneration levels at our peers provide a policy reference. It is not an automatic link.

By choosing the above remuneration levels, our directors have a moderate and responsible remuneration level compared to the financial services market in the Netherlands. At the same time, we are able to attract, motivate and retain qualified directors for all positions.

Remuneration tools

The total remuneration package of the Executive Board consists
of a fixed salary, pension and social security contributions.
There is no remuneration in the form of shares, options or other instruments.

Annual salary adjustment

We adjust salary annually at the time of agreement on the collective bargaining agreement for our employees who fall under the PGGM general wage line.

Once every four years we test the level of income against the reference market and a correction takes place if necessary. This is not an automatism.

Process establishing remuneration policy and individual remuneration

The M&O committee makes a clear and understandable proposal to the Supervisory Board regarding the remuneration policy to be adopted for the Executive Board. In formulating the remuneration policy, at least the following aspects are considered:

I. the objectives for the strategy to implement long-term value creation;
II. scenario analyses conducted in advance; and
III. remuneration ratios within PGGM and the company associated with us.

The remuneration policy for the Executive Board is determined by the general meeting of shareholders (AvA), upon proposal of the Supervisory Board.

Process of determining individual remuneration Executive Board members

The Supervisory Board determines the remuneration of individual members of the Executive Board within the limits of the Executive Board remuneration policy adopted by the AGM.

The M&O Committee makes a proposal to the Supervisory Board regarding the remuneration of the individual members of the Executive Board. The proposal shall be prepared in accordance with the remuneration policy for the Executive Board and shall in any event address the remuneration instruments, the level of remuneration components, the performance criteria used, the scenario analyses carried out and the remuneration relationships within PGGM and our affiliated company. When formulating the proposal for executive remuneration, the M&O Committee takes note of the views of the individual members of the Executive Board regarding the level and structure of their own remuneration.

Executive Board remuneration package

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

Salary

The salary of the members of the Executive Board is based on the market profile of the remuneration of executive directors at a similar level, with due consideration for PGGM's positioning. The salary is adjusted each year in accordance with the average of the percentages and amounts by which salaries were adjusted in the previous calendar year on the basis of three CLAs (Hospital Sector, Insurance Industry, Banking Business). Effective 1 January 2021, the salary increased by 4% compared to 2020.

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.

Report of the Supervisory Board

Report of the Supervisory Board

In this report, the Supervisory Board explains how it has fulfilled its supervisory and employer's role in the past year and how it has supported the Executive Board with advice. Also discussed are the most important substantive matters in which the Supervisory Board was involved this year.

Tasks and responsibilities

The Supervisory Board supervises the Executive Board’s policy and general affairs relating to PGGM and its affiliated businesses. The Supervisory Board also advises the Executive Board and in doing so considers all relevant interests. As well as the supervisory and advisory role, the Supervisory Board acts as an employer towards the members of the Executive Board.

Supervisory and advisory role

The Supervisory Board monitors, questions and advises the Executive Board on a wide range of topics including financial, risk, compliance, IT, HR and strategic issues. In 2021, the Supervisory Board regularly spoke with the Executive Board about the achievement of PGGM's objectives, the strategy and risks associated with the business activities, the design and operation of the internal risk management and control systems, the financial reporting process, compliance with legislation and regulations, cost development, the projects and change calendar and risk appetite.

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

- Covid-19-crisis
- Pension agreement
- Change Programmes
- PGGM strategy development
- Behaviour and culture

Covid-19-crisis

The Covid-19 outbreak also led to measures in 2021 that involved a (partial) shutdown of social traffic for part of the year. Relaxations and tightening of measures alternated, and staffing in the office was constantly adjusted accordingly. The rising number of corona infections after the summer meant that PGGM could not yet begin hybrid work at the beginning of November. However, preparations for this were ongoing so that PGGM could start working with a hybrid immediately as soon as it is possible. The Supervisory Board closely monitored the situation and developments surrounding the Covid-19 pandemic. Most employees of PGGM worked from home for much of 2021, with the exception of a small group of employees who carried out office-based work for critical processes.

The Supervisory Board met with the Executive Board in the autumn of 2021 to discuss the policy and ground rules for hybrid working, the redesign of the building, and the arrangement of IT supplies. Once the government abolishes the one-and-a-half meter measure, the period of experimentation with hybrid working will begin at PGGM. The Supervisory Board will reflect on the consequences of the COVID-19 pandemic for business continuity and the welfare of PGGM employees in each meeting with the Executive Board and for as long as the COVID-19 crisis continues. The Executive Board also keeps the Supervisory Board informed of the current measures taken by PGGM in response to government policy relating to COVID-19.

The Supervisory Board sees that the millions of participants of PFZW, PGGM's largest client, are on the front line in the fight against Covid-19 and have been hit hard by the Covid-19 crisis for a long time.

The Supervisory Board expresses its great appreciation for the now two-year effort of the healthcare staff in the fight against Covid-19.

Pension agreement

The Supervisory Board believes in the importance of good, affordable and sustainable pensions for our clients and their participants and monitored the developments in relation to the pension system closely in 2021. The Supervisory Board has reflected extensively with the Executive Board and other stakeholders within the organisation on the details of the new pension agreement and the consequences for PGGM and its clients. For customers, the new pension system means moving to a new pension scheme by 1 January 2026. PGGM has established a programme with the objective of preparing the organisation for these changes. The outline, organisation and timeline of the programme are now known. The programme is naturally linked to other change programmes within PGGM. In the coming years, the pension sector will turn to a new pension system. The Supervisory Board found that PGGM is preparing for this changing pension landscape and the future. The Supervisory Board is aware that the preparations are due to uncertainty. After all, a number of key choices still need to be made by PFZW and those choices will affect PGGM's future as a pension administration organisation. The Supervisory Board endorses the general direction of cost savings per participant and the focus on sustainability and on the healthcare and welfaresector.

Change Programmes Control 2021, Multi-Year Pension Management Programme and Asset Management Change Programme

The Supervisory Board frequently met with the Executive Board and the responsible EC members to discuss the status of the various change programmes within PGGM and the relationship between them.

The world around us is changing rapidly and this places new demands on the organisation, teams and people. An important development is the new pension scheme. The new pension scheme is one that is somewhat more standardized than the plans PGGM currently administers. PGGM has set itself the goal of reducing the costs of the services we provide administering the pension funds. In the second half of 2019, PGGM started a Financial Control programme to achieve a different financial control, which includes using cost prices per product. This creates more visibility of the costs and their controllability and allows us to give our customers more insight into the costs. This project was expanded at the end of 2019 to become the strategic programme Control 2021.

As a result of the Control 2021 programme, various responsibilities will be decentralized to t he three business units (Pension Management, Asset Management and Institutional Business). Each business unit itself enters into discussions with the client (pension fund) about the product to be delivered and the fee that is paid in return. Units with only internal clients also conduct such discussions. The Supervisory Board discussed the progress of this programme with the Executive Board at every meeting and noted that the Control 2021 programme is making PGGM an agile, manageable and enterprising organisation and is thus well prepared for the changing pension landscape. As part of the 2021 Management programme, a different financial management of PGGM was chosen, which made it possible to reach multiyear agreements with PFZW on compensation for 2022-2024, among other things.

To prepare the Pension Management Unit for the realisation of a future-proof organisation, a five-year plan has been drawn up. A simpler pension scheme at a lower cost is the basis.

In an environment in which PGGM is a relevant player ready for the new pension contract, and in which efforts are being made to make investments more sustainable, increase relevance in the healthcare and welfare sector and prepare for future issues, PGGM Vermogensbeheer must also be agile in order to meet this major challenge. The environment of the Asset Management unit is also changing rapidly and clients are making increasingly higher demands. During the past period, an exploration of the issues that will face Asset Management in the coming years has been carried out, in part as part of the Strategy 2030 project. In discussions with the various stakeholders, we discussed how Asset Management's board could best approach the various strategic issues in the years ahead in good harmony with the wishes of PGGM's clients. We work further on cost efficiency initiatives and continue our initiatives to prepare for the implementation of pension reform in the coming years.

PGGM strategy development

In the next ten years the pension industry will see more change than the past forty years. Legislation and regulations as well as technological possibilities and changing customer demand from participants, employers and social partners are responsible for this. Together with PFZW, PGGM is preparing for the future in a joint strategy process, with sufficient room for individual strategy formation for both PFZW and PGGM. This will eventually be an annual process, discussing various issues to focus our ambition (both 2025 and 2030).

The Supervisory Board supervises the strategy of PGGM and the way in which the Executive Board has managed the strategy to achieve long-term value creation. The Supervisory Board regularly discusses the strategy, the implementation of the strategy and the main associated risks. This is discussed in regular meetings, but also outside of these, such as during in-depth sessions, where the Supervisory Board acts as a sounding board for the Executive Board. The service provision to and impact of the strategy on our clients are important points of attention for the Supervisory Board and are discussed in depth at each meeting as well as outside these.

Pension management

The new pension contracts are likely to be simpler, and as a result we expect a further automation of pension administration. This means that in the interest of the participant we can, and must, become more cost efficient.
By scaling up, we can increase our efficiency and reduce costs. After all, the pension sector is facing major challenges in modifying ICT systems and pension administration to new laws and regulations and in further improving services to participants and employers, and joining forces helps with this. The collaboration with MN can be seen in this light. In the spring of 2021, PGGM and MN announced their intention to investigate the extent to which cooperation is possible in the field of IT systems for pension administration. Initially, the process will focus on the possible commissioning by MN - with the support of PGGM - of the back office systems that PGGM has developed under the name MAP. In 2021, PGGM and MN launched the study looking in to whether MAP is achievable within MN's environment. If so, the parties will work together to have MAP operational in MN by 2023. PGGM and MN are currently exploring whether and to what extent further cooperation between MN and PGGM is opportune and in the interest of PMT and PFZW participants. Naturally, this exploration and dialogue will take place with a large involvement of the PMT and PFZW pension funds. The PFZW board determines its strategy prior to this.

In addition to scaling up, there is a movement that more personal advice will be given to participants. The new pension contract offers more flexibility and thus requires more customization. PGGM will develop relevant tools for this purpose.

Asset management

In 2021, the PFZW Board decided to discontinue its investments in common account funds (FGRs). Some of PFZW's investments are now held in FGRs. This also includes investments of other PGGM clients. One of the important issues of our time is investment choices. The Supervisory Board reflected with the Executive Board on PGGM's vision on asset management. Achieving an affordable, good and sustainable pension in the coming decades requires a new investment approach. With sustainable value creation, asset management aims to focus on good financial returns through long-term value creation with a positive contribution to society and the environment. With investments that generate financial returns, contribute to the major transitions in the world and have a visible impact on the issues that are important to the participant.

Healthcare and welfare

The tight labour market in the healthcare and welfarel sector and the growing gap in healthcare are societal issues of the coming decades. PGGM works using knowledge of data and financing issues from analysis to concrete solutions. PGGM is entering into closer partnerships in the sector, including with employers, to develop services that provide answers to (pension) issues and can have a positive effect on the attractiveness of working in the sector. The Supervisory Board is pleased to note that with these additional services PGGM can contribute to job satisfaction in the sector, attractive employment practices and thus the future sustainability of the healthcare and welfare sector.

Culture and behaviour

Behaviour is critical to the successful achievement of strategic objectives. In order to focus more on improving customer focus and become more cost-effective and flexible, changes in behaviour and culture are needed. This will also lead to a clearly higher score on various soft controls, such as accountability and perseverance. This change process has now been established at PGGM and the Supervisory Board ensures that these values receive increasing attention.

The Supervisory Board as employer

The appointment term of Edwin Velzel, chairman of PGGM's executive board, expired on 31 October 2021. The Works Council was given the opportunity to advise on the Supervisory Board's proposed decision to reappoint and advised positively. The Supervisory Board reappointed Edwin Velzel for a period of 4 years effective 1 November 2021. The Supervisory Board is pleased that with this reappointment Edwin Velzel's extensive knowledge and broad managerial experience can be retained for PGGM.

The Supervisory Board evaluates the performance of members of the Board at least annually, and therefore did this in 2021 too. The Supervisory Board follows a structured approach to evaluating the performance of the members of the Executive Board. This also includes an annual 360-degree feedback method to gain insight into the development points of the Executive Board member in question. This in order to further objectify the assessment process.
The Supervisory Board also supervises the Executive Board policy relating to the selection criteria and appointment procedure for members of the EC.

The Supervisory Board is advised by the M&O Committee on matters including the preparation of decision-making on the composition and (re) appointment of members of the Executive Board and the remuneration of members of the Executive Board and PGGM's remuneration policy.

Composition of the Supervisory Board

All members of the Supervisory Board are independent within the meaning of the Dutch Corporate Governance Code. On the appointment of its members, the Supervisory Board aims for a complementary composition of the Board. This is included in the profile of the Supervisory Board. Diversity in terms of culture, age, education, work experience and gender is appropriate here. When deciding on the appointment and reappointment of supervisory directors, we make use of the supervisory board profile, the succession plan and the supervisory board competence matrix.

On 13 June 2021, Miriam van Dongen stepped down as a member of PGGM's supervisory board and chair of the audit committee due to reaching her maximum term of office. In the spring, the general meeting appointed her successor, Doede Vierstra, per 13 June 2021 for a period of four years (until 12 June 2025). At the same meeting, Supervisory Board member Jan van Rutte was also reappointed as of 15 May 2021 for a period of four years (until 16 May 2025). Until Miriam van Dongen stepped down, the percentage of women on the Supervisory Board was 50 percent, but afterwards 33 percent. On 10 January 2022, Supervisory Board member Micky Adriaansens was sworn in as a minister, and therefore resigned her position as a member of the Supervisory Board of PGGM N.V. on 6 January 2022. During the existence of this vacancy, the percentage of women on the Supervisory Board is temporarily 20 percent. The Supervisory Board is extremely grateful to Miriam van Dongen and Micky Adriaansens for their great dedication and commitment to the Supervisory Board and to PGGM N.V. in the broadest sense over the past years.

The composition of the Supervisory Board is described in this chapter. The resumes are listed later in this annual report as well as the resumes of the supervisory directors and the schedule for the end of appointments. See www.pggm.nl for the profile of the Supervisory Board.

Ancillary positions and conflicting interests

The Compliance unit reviews the intended ancillary positions of each supervisory director for (any appearance of) conflicts of interest. A process has been set up for this purpose, in which each new ancillary position is presented to the compliance officer for assessment and to the Supervisory Board chair for approval. In addition to the (semblance of) conflicts of interest, the portfolio of ancillary positions of each supervisory director is assessed according to the Administration and Supervision Act for the regulations relating to limiting the number of supervisory roles. A member of the Executive Board must obtain the prior approval of the Supervisory Board for each ancillary position that he or she accepts while a member of the Executive Board. The Supervisory Board will only grant permission if there is no conflict of interest and if the time commitment of the ancillary position is not such that it hinders the performance of the management function.

No transactions took place in which potential conflicts of interest of material significance for PGGM and/or the relevant directors, supervisory directors, shareholders and/or the external auditors played a role.

Review of our own functioning and permanent education

In January 2022, the board evaluated its performance, the performance of the individual committees as well as the performance of the Executive Board and the individual board members over 2021. This evaluation was conducted using an extensive questionnaire (completed by all members of the Supervisory Board and Executive Board, Director of Internal Audit, Director of M&O and the Corporate Secretary).

The questionnaire addressed topics such as the culture in the Supervisory Board, the contribution of the various members, the relationship between the Supervisory Board and the Executive Board, and the functioning of the committees. The Supervisory Board discussed the various themes of the evaluation during a closed session. Appreciation of the engagement, expertise, diversity and capacity of the Supervisory Board members was expressed. Meetings are conducted in a structured manner and in an open atmosphere, facilitated by timely provision of good quality information. One of the conclusions was that the Supervisory Board would like to spend more time discussing strategic themes.

The Executive Board and Supervisory Board also expressed the desire to further strengthen the advisory role of the Supervisory Board. This has already begun in 2021, partly as a result of the Supervisory Board's evaluation of 2020. It was then decided that, in addition to regular Supervisory Board meetings, interim meetings would also be scheduled, in which together with the Executive Board one topic would be examined in more detail. This will give more shape to the advisory role of the Supervisory Board. Topics discussed in depth 2021 in these interim Supervisory Board meetings included the (intended) cooperation with MN and PFZW's decision to terminate its investments in FGRs.

The Supervisory Board takes the view that permanent education adds substantial value to the performance of the Board. The board then also has its own training plan. In-depth discussion of subjects took place around the regular meetings. In 2021, a number of topics were explored in depth, including equity policy, cybercrime, the new pension agreement and pensiontech.

Together with directors of the cooperative and PFZW, supervisory directors also take part in management modules organised by PGGM. Four times per year, these focus on current developments at clients, among participants or in the internal organisation of a PGGM business unit. Examples include the PFZW investment policy and developments in the pension system and relevant development in laws and regulations.

Attendance at regular meetings

The Supervisory Board held regular meetings on six occasions in 2021. The majority of the meetings took place via video calling, in line with the RIVM's Covid-19 measures. Members of the Executive Board attended the meetings of the Supervisory Board.

Members of the EC attended the meetings of the Supervisory Board for topics for which their expertise was required. The relationship with the Executive Board and the EC and between the Executive Board and the EC is perceived as good and transparent.

Additional meetings of the Supervisory Board and/or its committees were scheduled due to the discussion of the impact of the Covid-19 crisis, the (intended) cooperation with MN and PFZW's decision to terminate its investments in FGRs.

In-depth sessions were also held with the Executive Board in 2021 on PGGM's strategy, the adjusted equity policy, PGGM's cost budget for 2022-2025, the proposal for services to PFZW for 2022-2024 and cybersecurity. No member of the Supervisory Board was absent from the regular meetings of the Supervisory Board.

Composition of Supervisory Board and committees and attendance rates for regular meetings of relevant members

	Supervisory Board	Audit Committee	M&O Committee
Number of meetings	6	5	5
Marjanne Sint	100% (Chair)		100%
Miriam van Dongen (until 12 June 2021)	100% (until 12 June 2021)	100% (Chair) (until 12 June 2021)	
Doede Vierstra (as of 13 June 2021)	100% (as of 13 June 2021)	100% (Chair) (as of 13 June 2021)	
Eric de Macker	100%		100% (Chair)
Jan van Rutte	100%	100%	
Micky Adriaansens (until 6 January 2022)	100%		100%
Henk Broeders	100%	100%	

Subjects of regular meetings in 2021

Fixed agenda items at every regular meeting include PGGM's strategy, developments in the environment, the business operations, the status regarding our clients, the relationship with PFZW, the innovation and change capacity and asset management and service provision. In addition to the annual discussion and approval of the Directors' Report, the financial results and the main risks associated with the business operations are reviewed every quarter, on the basis of the performance and audit reports. Attention is also devoted to customer satisfaction on a quarterly basis. Following the Supervisory Board self-evaluation for 2020, the Supervisory Board held additional interim (informal) meetings in 2021 to discuss current issues in depth.

The Supervisory Board operates a diversity policy for the composition of the Supervisory Board and the EC. The Supervisory Board is delighted to observe that PGGM has broadly addressed the concept of Inclusive Employment Practice, including by giving these aspects a place in the EC profile and by actively creating awareness of the concept of inclusivity and diversity. A Diversity Board has also been appointed within PGGM to monitor progress in the units and PGGM but also to challenge each other with respect to progress on diversity and inclusivity in the units themselves.

The Supervisory Board devotes a great deal of attention to PGGM's strategy. The developments in the pension system are very important in this context. The Supervisory Board held periodic discussions with the Executive Board on the new pension agreement, its significance for PGGM's business operations and the innovations that could be developed for the future. PGGM's culture and leadership also play a major role in making the organisation more efficient and flexible. In 2021 - as in other years - the Supervisory Board spoke with the Executive Board about tax dilemmas and tax policy. The Supervisory Board is periodically informed about the various aspects of the strategy of Asset Management, Pension Management, Institutional Business and IT.

The Supervisory Board also receives information periodically on developments in the asset management market. In this way, the board has a timely view of any developments that may affect PGGM's business operations and reputation. Several times a year the Supervisory Board also informs itself extensively and in depth on various aspects of Vermogensbeheer's strategy, such as the internal or external management of asset management mandates. Another important aspect discussed in the Supervisory Board are the requirements and conditions for being able to deliver best-in-class asset management. At each Supervisory Board meeting of Vermogensbeheer a member of the Supervisory Board is present as an observer.

In 2021, the modified Own Funds Policy was formed for PGGM. The Supervisory Board discussed this with the Executive Board and adopted the policy on the advice of the audit committee. The new policy fulfils the goal of ensuring (financial) business risks, stable compensation, continuity and an investment policy aimed at continuity and high-quality operations. In the spring of 2022, PGGM will determine its target capital for the first time using this methodology.

Effective 1 January 2021, the group-wide remuneration policy for PGGM employees was amended. PGGM therefore operates a careful, controlled and sustainable remuneration policy that fits in with its strategy, risk appetite, objectives and cooperative character. The remuneration policy is primarily the responsibility of the Executive Board. The Supervisory Board is specifically responsible for the remuneration policy with respect to the Executive Board. The Supervisory Board also monitors compliance with PGGM's remuneration policy. The Supervisory Board's People and organisation Committee (M&O Committee) provides advice in this regard. The Supervisory Board believes it is important to be congruent in dealing with remuneration issues within PGGM. This applies both to employees and to the remuneration received by the Executive Board.

The principles of the Executive Board's remuneration policy are the same as those established by the Supervisory Board for the group-wide remuneration policy for PGGM employees. The Supervisory Board approved the remuneration policy for the Executive Board in 2021, which sets a framework for the maximum remuneration for the CEO and CFRO function within PGGM. The remuneration policy was adopted by the shareholder on the proposal of the Supervisory Board and with the positive advice of the Works Council. The remuneration policy is in line with the market but also reflects the intention of achieving prudent, controlled and sustainable remuneration in line with PGGM's strategy, risk appetite and co-operative objectives. The remuneration policy of the Executive Board is clear and understandable, focused on the long-term value creation of PGGM and the company associated with us. Following a benchmark study and in line with the principles of PGGM's remuneration policy, the shareholder adopted an adjusted remuneration framework for the Supervisory Board.

Committees of the Supervisory Board

The Supervisory Board has formed two preparatory committees from among its members: the Audit Committee and the M&O Committee

Audit Committee

The Audit Committee supports the Supervisory Board in its supervision of the activities of the board in (among other things) the area of quality of financial reporting, internal risk management and the risk policy and risk management. The Audit Committee consists of Doede Vierstra (chairman as of 13 June 2021, succeeding Miriam van Dongen, chairman until 12 June 2021), Henk Broeders and Jan van Rutte.

The duties of the Audit Committee include advising and preparing the decision-making of the Supervisory Board and supervising and monitoring (in advance or otherwise) the Executive Board with regard to the integrity and quality of financial reporting and the effectiveness of PGGM's internal risk management and control systems, including supervising compliance with relevant legislation and regulations and the operation of the PGGM Code of Conduct (including insider trading rules).

The Audit Committee held five regular meetings in 2021. The regular meetings were attended by the Executive Board members, the Director of Internal Audit and the external auditor. The Director Finance & Control and the Director Risk & Compliance were present during the discussions of the quarterly reports. The Audit Committee reviewed, among other things, the effectiveness of the internal and external audit process, the functioning of the internal auditor, the functioning of the Internal Audit unit and the instruction to the external auditor in closed meetings.

The committee has discussed the findings of the regular performance reports (including risk and compliance) and the audit reports. These findings include the effectiveness of internal risk management and control systems and findings and observations that have a material impact on the risk profile of PGGM and its affiliated company. The Audit Committee monitored the actions on various findings, including compliance with laws and regulations. The committee discussed with the board strengthening the role of the second line within the three lines of defence. Significant steps have been taken in further improving the control of relevant processes (for the financial statements) that relate to the administration organisation itself. The Audit Committee also requested the Executive Board to resolve audit findings in a timely and prioritized manner.

During the discussion of the management letter with the external auditor at the end of 2021, it was concluded that the implementation and control of regular client processes was adequate. Furthermore, a lot of work is being done to strengthen the IT infrastructure.

The Audit Committee devotes attention to PGGM's risk profile in relation to the risk appetite. Each year, the Audit Committee discusses the risk appetite set by the EC and advises the Supervisory Board on its approval. External factors such as changes in the pension landscape have a major impact on PGGM's operations. Internal aspects include risks related to the desired transition of the organisation and IT risks (infrastructure and security). PGGM's services are data and IT-driven to a significant extent, which is why PGGM has an increased exposure to IT and cyber risks. This has been regularly discussed at length in the Audit Committee.

In 2021, the modified Own Funds Policy was formed for PGGM. The Audit Committee discussed this with the Executive Board and advised the Supervisory Board to adopt the policy. The new policy fulfils the goal of ensuring (financial) business risks, stable compensation, continuity and an investment policy aimed at continuity and high-quality operations. In the spring of 2022, PGGM will determine its target capital for the first time using this methodology.

The Supervisory Board receives the reports and meeting documents of the audit committee. At the meetings of the Supervisory Board, the Audit Committee chairman provides verbal feedback on the discussions. Supervisory Board members, those not being members of the Audit Committee, have a permanent invitation to attend the meetings. The CFRO and the chairman of the Audit Committee continued to have regular contact in addition to the meetings in 2021 on current issues and preparing for the meetings.

People and Organisation Committee (M&O Committee)

The M&O Committee consists of Eric de Macker (chair), Marjanne Sint and Micky Adriaansens (stepped down on 6 January 2022).

The M&O Committee held five regular meetings in 2021. At least one member of the committee must have knowledge of and experience with a remuneration policy of a similar nature to that applied within the PGGM. This is being fleshed out within the M&O Committee.

In June 2021, the Supervisory Board adopted the amended M&O Committee regulations.
The name of the committee was changed from the Remuneration, Selection and Appointments Committee to the People and Organisation Committee. The new name reflects the committee's broader mission. The M&O Committee supports the Supervisory Board in, for example, preparing the decision-making on the composition and (re)appointment of members of the Executive Board and the remuneration of members of the Executive Board and PGGM's remuneration policy. The M&O Committee's duties also include supervising strategic HR policy aimed at ensuring PGGM's continuity, the adequacy of staffing in relation to PGGM's strategic course, as well as also supervising and advising on activities relating to subjects such as diversity policy and organisational culture, talent management & development, job mobility, employee development, working conditions, the results of the employee survey and the quality of employee participation.

The M&O Committee sought input from the other members of the Supervisory Board as part of the 2021 assessment of the Supervisory Board's members. The members of the Supervisory Board also speak regularly with various stakeholders throughout the year. Based on these observations of the members of the Supervisory Board, the M&O Committee can form a good picture of the performance of the members of the Executive Board.

In addition, an annual 360-degree feedback method is used to gain insight into the development points of the Executive Board member in question. This in order to further objectify the assessment process. The committee then advised the Supervisory Board on the assessment of the members of the Executive Board for 2021 and the remuneration of the individual members of the Executive Board. There was also a reflection on the outcomes of the review of the Top 30. Based on the outcomes of the review, the quality and potential of the Top 30 within PGGM was discussed. The CEO and the M&O Director attended the M&O Committee to provide an update on progress.

The Supervisory Board is responsible for monitoring the implementation of the group-wide remuneration policy and the approval of the general principles of the remuneration policy. Internal Audit conducts a central and independent internal assessment each year to assess the implementation of this policy in terms of compliance and procedures. Based on this information, the committee concluded that there were no deviations from the current policy and procedures and it informed and advised the Board of this.

At each meeting since the start of the COVID-19 crisis, the M&O Committee was informed about business continuity and safeguarding the welfare and health of employees during the COVID-19 crisis.

From the start, PGGM took various measures to facilitate remote working in the best way possible. The committee was also updated on the policy and ground rules for hybrid working, the redesign of the building and arranging for IT supplies.

The Supervisory Board receives the reports and meeting documents of the M&O Committee. At the meetings of the Supervisory Board, the committee chair provides verbal feedback on the discussions. Members of the Supervisory Board, not being members of the M&O Committee, have a standing invitation to attend the meetings.

Relationship with stakeholders

As well as the regular meetings of the Supervisory Boards and committees, there were frequent contacts between the chair and other members of the Supervisory Board and the Executive Board. The Supervisory Board members also had contact on various occasions with the other members of the EC, the Works Council, employees, management and stakeholders within and outside PGGM to get an idea of the concerns of the various populations, fora and stakeholders.

Relations with the shareholder

The contacts that the Supervisory Board maintains with the shareholder, PGGM Coöperatie, primarily take place at the meetings of the shareholder. At least twice a year, the Supervisory Board conducts talks with the shareholder or a delegation acting on behalf of the shareholder on developments at PGGM. In 2021, the boards of PFZW, the cooperative PGGM and the Supervisory Board met in what is known as the ONE Agenda Consultation. The Supervisory Board was present in its entirety. Constructive dialogue was held on strengthening a base of support for the strategy and a further development of this, focusing on a (more) meaningful role in the healthcare and welfaresector. The availability and use of data (within statutory limits) also offer possibilities for providing products and services for (vitality within) the healthcare and welfare. It is important to maintain a dialogue with employers, employees and the social partners.

Relations with the Works Council

Both the Supervisory Board and the Works Council consider it important to maintain good mutual contacts and provide sufficient time and space to speak with each other informally. A Supervisory Board member is in attendance at meetings on the general progress of the business.

In addition, the commissioner, appointed on the recommendation of the Works Council (Eric de Macker), meets informally with the Works Council several times a year. The involvement of and consultation with the Supervisory Board regarding handling requests for advice and consent by the Works Council take place at the request of the Works Council or the Supervisory Board and in compliance with the Works Councils Act (WOR). The basic principle is that it concerns applications that affect a large part of the organisation.

In the autumn, new members were appointed to the Works Council. The Supervisory Board thanks the departing
members of the OR warmly for their efforts and commitment in recent years. In 2021, the annual 3-board meeting took place. This year's theme was 'Culture at PGGM".

The starting point for consultations between Supervisory Board and the Works Council is that contributing ideas or advice during the consultation process is never binding for the body in its supervisory (Supervisory Board) or advisory (Works Council) role in the later (approval) phase.

Relations with the external auditors

The Supervisory Board and the Audit Committee experience the cooperation with PwC as positive. Good use was made of a process-oriented and internal audit-oriented approach for the audit of the 2021 financial statements. The quality of the reports issued is good. The external auditor attends the Audit Committee meetings. The input of the external auditors during these meetings and the sharing of initial observations is regarded as positive.

Relationship with Internal Audit

Once a year, the Audit Committee reviews the performance of the Internal Audit Director and the role and performance of the Internal Audit Unit. The picture of the unit is positive. The relationship of the unit and the Director of Internal Audit with the external auditor is good. The Director of

Internal Audit attends the Audit Committee meetings. The annual audit plan and the audit reports provide the Supervisory Board with a good insight into the business activities and processes.

Proposal to the general meeting of PGGM, PGGM Coöperatie

In accordance with the provisions of PGGM's articles of association and regulations, the Supervisory Board discussed the financial statements, approved PGGM's 2021 financial statements and the Supervisory Board report and remuneration report included therein, and, following advice from the Audit Committee to that effect, resolved to have the members of the Supervisory Board (co)sign the financial statements.

The Supervisory Board discussed these documents with the Executive Board, the Internal Audit unit and the external auditor (PwC), and noted PwC's intention to issue an unqualified audit opinion on PGGM's 2020 financial statements. The Supervisory Board proposes that the general meeting adopt PGGM's 2021 financial statements and discharge the members of the Executive Board in office during the financial year for the policy conducted during the reporting year as shown in the financial statements. Furthermore, the Supervisory Board requests the general meeting to discharge the members of the Supervisory Board from liability for their supervision.

Conclusion

The Supervisory Board warmly thanks all PGGM employees for their efforts in the challenging financial year 2021, in which through everyone's commitment and flexibility PGGM was able to maintain service levels for clients despite the Covid-19 crisis.

Zeist, 20 April 2022

Marjanne Sint, Chair

Henk Broeders, Vice Chairman

Eric de Macker

Jan van Rutte

Doede Vierstra

PGGM N.V. Financial Statements 2021

Consolidated balance sheet as of 31 December 2021

before profit appropriation
(amounts in thousands of euros)

	Ref.	31 December 2021	31 December 2020
Assets			
Fixed assets			
Intangible fixed assets	3	3,221	3,157
Property, plant and equipment	4	61,591	73,449
Financial fixed assets	5	19,121	20,974
Total fixed assets		**83,933**	**97,580**
Current assets			
Receivables	6	32,508	40,956
Securities	7	94,388	59,837
Cash and cash equivalents	8	136,156	131,083
Total current assets		**263,052**	**231,876**
Total assets		**346,985**	**329,456**
Liabilities			
Equity	9		
Paid and called-up capital		200	200
Revaluation reserve		0	1,309
Statutory reserve		243	5
Share premium reserve		158,712	158,712
Other reserves		70,743	41,584
Undistributed profit		20,868	29,010
Total equity		**250,766**	**230,820**
Provisions			
Provisions	10	25,559	21,205
Total provisions		**25,55**	**21,205**
Current liabilities			
Current liabilities	11	70,660	77,431
Total current liabilities		**70,660**	**77,431**
Total liabilities		**346,985**	**329,456**

Consolidated income statement for 2021

(amounts in thousands of euros)

	Ref.	*2021*	*2020*
Management fees	*13*	335,328	308,218
Other revenue	*13*	1,373	1,258
Total operating income		**336,701**	**309,476**
Costs of outsourced work and other external expenses	*14*	53,989	48,370
Personnel expenses	*15*	184,367	180,034
Amortisation of intangible fixed assets and depreciation of property, plant and equipment	*16*	13,295	7,077
Other operating expenses	*17*	61,522	53,495
Total of operating expenses		**313,173**	**288,976**
Operating result		**23,528**	**20,500**
Financial income	*18*	5,453	140
Financial expenses	*18*	-1,334	-765
Result before tax		**27,647**	**19,875**
Tax	*19*	-6,863	-4,005
Result of participating interests	*5*	84	13,140
Result after tax		**20,868**	**29,010**

Consolidated cash flow statement for 2021

(amounts in thousands of euros)

	Ref.	2021	2020
Cash flow from operating activities			
Operating result		23,612	20,500
Adjustments for:			
Amortisation, depreciation and impairment	*3.16*	13,295	7,077
Changes in tangible fixed assets	*4*	1,706	13,300
Changes in financial fixed assets	*5*	2,253	-5,127
Changes in securities	*7*	-34,551	-29,742
Changes in provisions	*10*	4,354	594
Changes in receivables	*6*	8,448	-20
Changes in current liabilities	*11*	-13,634	11,384
Change in equity	*9*	-921	-9,064
Cash flow from operating activities		**4,562**	**8,901**
Interest received		5,453	140
Interest paid	*18*	-1,334	-765
Corporate tax paid		-	-
		4,119	**-625**
Total cash flow from operating activities		**8,681**	**8,276**
Cash flow from investment activities			
Investments in and acquisitions of			
Intangible fixed assets	*3*	-1,099	-1,967
Property, plant and equipment	*4*	-2,208	-4,675
Acquisitions of participating interests	*5*	-400	-600
Disposals, repayments and sales			
Property, plant and equipment	*4*	99	60
Sale of participating interests	*5*	-	15,189
Total cash flow from investment activities		**-3,608**	**8,007**
Cash flow from financing activities			
Cash flow from financing activities		-	-
Total cash flow from financing activities		**-**	**-**
Net cash flow		**5,073**	**16,283**
Changes in cash and cash equivalents			
Cash and cash equivalents at the beginning of period	*8*	131,083	114,800
Cash and cash equivalents at the end of period	*8*	136,156	131,083
Change in cash and cash equivalents		**5,073**	**16,283**

Notes to the consolidated financial statements for 2021

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. All shares in PGGM N.V. are held by PGGM Coöperatie U.A. (PGGM Coöperatie).

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

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

Covid-19 pandemic

The Covid-19 outbreak also led to measures in 2021 that involved a (partial) shutdown of social traffic for part of the year. PGGM identified and adequately managed the risks and uncertainties arising from the Covid-19 pandemic. All services were maintained during the crisis, but the project calendar was delayed by the impact of working from home. PGGM expects to be well prepared in the future for the ongoing operational effects of Covid-19 and related risks. The assumed risks resulting from prolonged home working, such as an increased risk of operational errors and accumulation of work in progress, have not (yet) manifested themselves. Partly due to an increase in sickness absence, PGGM sees a risk in prolonged working from home, such as employee dropout, loss of solidarity and less bonding. Preparations have been made so that PGGM can immediately start hybrid working as soon as the coronavirus measures are lifted.

Statement of compliance

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

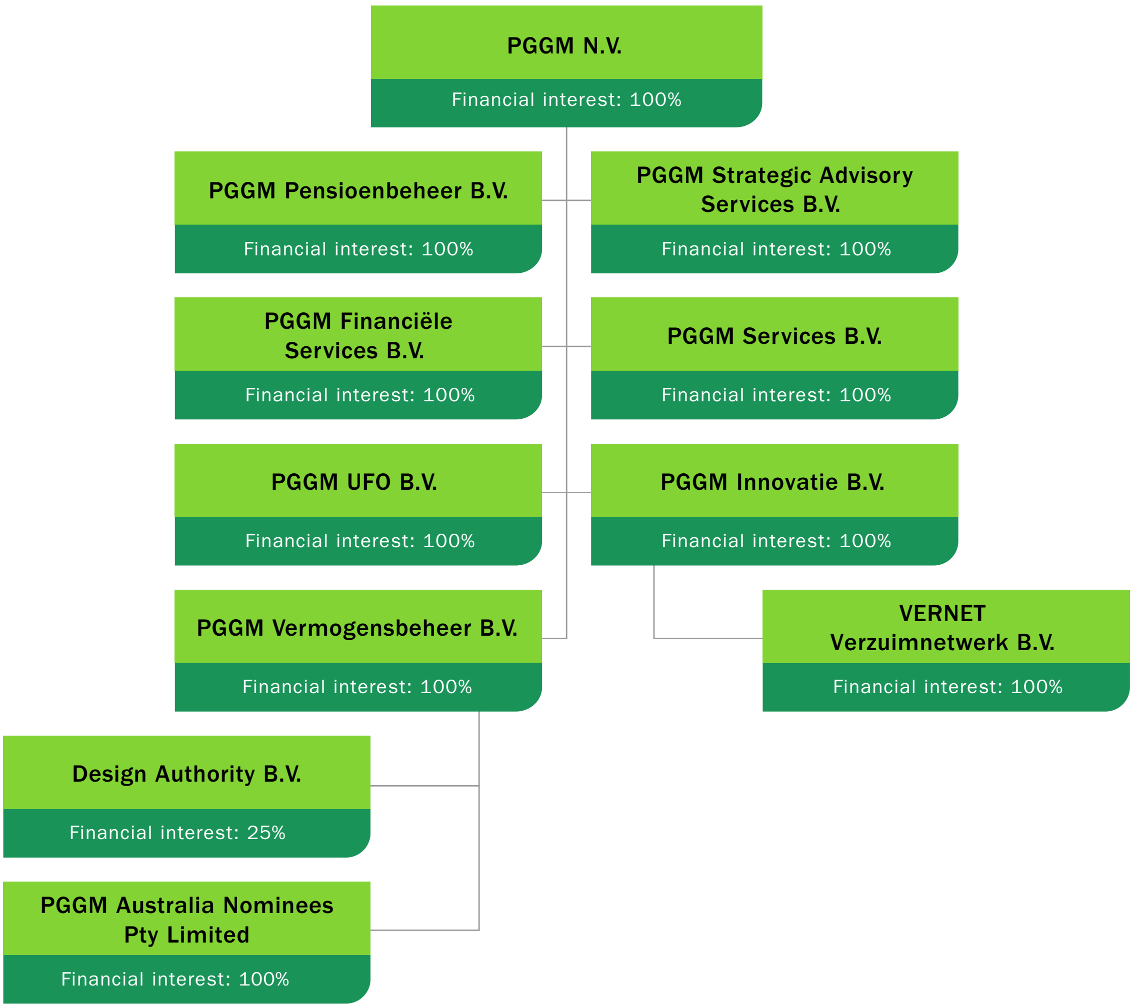
Group structure

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

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

The overview below shows the legal structure of PGGM Coöperatie, PGGM N.V. and its subsidiaries and associates ('PGGM group') as at 31 December 2021.

Group structure of PGGM



PGGM Vermogensbeheer B.V.

The asset management activities are vested in PGGM Vermogensbeheer B.V. (Asset management). We support pension funds from two complementary services: fiduciary management and asset management.

AFM licence

Asset Management has an AIFM licence from the AFM pursuant to Section 2:67 of the Financial Supervision Act (Wft) to act as manager of an investment institution within the meaning of Section 1:1 of the Wft with effect from April 4, 2014. The licence is limited to offering the rights of participation to professional investors.

Also, pursuant to Section 2:67a(2) Wft, Asset Management is permitted to perform the following activities or provide services under the aforementioned AIFM licence:

- 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, receive and transmit client orders related to financial instruments.

PGGM Australia Nominees Pty Limited

Vermogensbeheer is the sole shareholder of PGGM Australia Nominees Pty Ltd. (PAN). The shares were acquired on May 13, 2009. On that account, the assets and liabilities as well as the result are fully included in the consolidated annual report of Vermogensbeheer.

Design Authority B.V.

Vermogensbeheer held a 50 percent interest in Design Authority B.V. from its inception on June 2, 2020. Two participants were subsequently added, giving Vermogensbeheer a 25 percent equity interest as at 31 December 2021. The participating interest is not consolidated in the financial statements since there is no dominant control.

PGGM Pensioenbeheer B.V.

The pension administration activities have been transferred to PGGM Pensioenbeheer B.V. (PGGM Pensioenbeheer). These activities consist of client management and pension administration.

AFM licence

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 insurance;
- Pension contribution receivables; and
- Capital.

PGGM Strategic Advisory Services B.V.

PGGM Strategic Advisory Services B.V. (PSAS) provides governance support (accountability, reporting and relationship management) and advisory services to institutional clients. These include services in the areas of investment policy, pension policy and fiduciary, financial & actuarial advice. PSAS surrendered its licence as referred to in Article 2:96 of the Wft to the AFM as of February 22, 2021.

PGGM Financiële Services B.V.

PGGM Financiële Services B.V. Financiële Services (Financial Services) is a financial services provider that offers financial products and services from its collaborative partners to members of PGGM Coöperatie U.A.

AFM licence

Financial Services has a Wft licence from the AFM for advising (article 2:75 Wft) and acting as an intermediary (article 2:80 Wft) in current accounts, consumer credit, electronic money, mortgage credit, income insurance, personal and business non-life insurance, savings accounts, assets and health insurance.

PGGM Innovatie B.V.

PGGM Innovatie B.V. (Innovatie) was founded on 21 February 2019 and focuses on implementing processes that include in any event innovations within the health and social care sector. An important product within PGGM Innovatie relates to the Toekomstverkenner. The Toekomstverkenner enables participants and their partners to gather all their personal financial data including other income, mortgages and savings.

Vernet Verzuimnetwerk B.V.

Innovatie took over Vernet Verzuimnetwerk B.V. (Vernet) in January 2020. Since then, Innovatie has been the sole shareholder of Vernet. Vernet has the object of producing and supplying national absence and financial risk information, offering a network and/or platform for the provision and sharing of knowledge and advice and advising in the areas of absence, absence prevention and sustainable employability.

PGGM Services B.V.

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

PGGM UFO B.V.

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

Reporting period
These financial statements cover the 2021 financial year which ended on the balance sheet date of 31 December 2021.

Accounting standards
The consolidated financial statements have been prepared in accordance with the legal requirements of Title 9 of Book 2 of the Dutch Civil Code and the Guidelines for Annual Reporting issued by the Dutch Accounting Standards Board. References are included in the balance sheet, income statement and cash flow statement. These references refer to the explanatory notes.

Effective in the 2022 reporting year, a transition will be made in revenue recognition in the income statement based on amended articles in Directive RJ 270 as expressed in RJ-Uiting 2020-15. The impact of this on PGGM is currently nil.

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

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

Related parties
All legal entities over which dominant control, joint control or significant influence can be exercised are deemed to be related parties. Legal entities that can exercise predominant control are deemed to be related parties. Members of the Executive Board under the Articles of Association, other key officers in the management of PGGM N.V. or PGGM Coöperatie and those closely allied are also related parties.

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

2. Principles

2.1 Accounting principles

Comparison to previous year

There has been one change in the accounting policies for the valuation of assets and liabilities used in 2021 and in the comparative figures for 2020. This concerns the setting-off within the receivables and payables positions on the balance sheet with respect to accounts receivable (debit) and pre-invoiced amounts (credit) that relate to one and the same legal entity and may therefore - in line with RJ 115.305 - be set off against each other.

Foreign currency

The financial statements are presented in euros, PGGM N.V.'s functional currency. All financial information in euros is rounded off to the nearest thousand. Assets and liabilities denominated in foreign currencies are converted into euros at the exchange rate prevailing on the balance sheet date. This valuation forms part of the fair value valuation. Income and expenses relating to transactions in foreign currencies during the reporting period are converted at the exchange rate prevailing on the transaction date. All foreign currency translation differences are recognised in the statement of income and expenses.
The assets, liabilities, and income and expenses of consolidated participating interests with a functional currency other than the presentation currency are converted at the exchange rate prevailing on the balance sheet date. The resulting translation gains and losses are directly recognised under equity in the statutory foreign currency translation reserve.

Use of estimates

The preparation of the annual financial statements in accordance with Part 9 Book 2 of the Dutch Civil Code requires the Executive Board to make judgements, estimates and assumptions which affect the application of the accounting principles and the reported value of assets and liabilities and of income and expenses. The actual results may differ from these estimates. The estimates and underlying assumptions are continuously assessed. Revisions of estimates are applied in the period during which the estimate is revised and in the future periods for which the revision has consequences. If insight is required as stated in section 2:362(1) of the Civil Code, the nature of these judgements and estimates including the uncertainties associated with the assumptions will be presented in the explanation on the relevant financial statement items.

Basis of consolidation

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

Newly acquired participating interests are consolidated from the date on which policy-making influence can be exercised. Divested participating interests are consolidated until the date this influence ceases. In the consolidated annual financial statements, mutual liabilities, receivables and transactions are eliminated, as are any profits made within the group. The group companies are integrally consolidated, whereby the third party minority interests are recorded separately.

Valuation principles for group companies and other legal entities included in the consolidation are changed where necessary to obtain consistency with the applicable valuation principles that apply for the consolidation.

The following companies are included in the consolidation:

Companies

Name	Place of business	Share in subscribed capital
PGGM N.V.	Zeist, The Netherlands	100%
PGGM AUSTRALIA NOMINEES PTY LIMITED	Sydney, Australia	100%
PGGM Financiële Services B.V.	Zeist, The Netherlands	100%
PGGM Innovatie B.V.	Zeist, The Netherlands	100%
PGGM Pensioenbeheer B.V.	Zeist, The Netherlands	100%
PGGM Strategic Advisory Services B.V.	Zeist, The Netherlands	100%
PGGM Services B.V.	Zeist, The Netherlands	100%
PGGM UFO B.V.	Zeist, The Netherlands	100%
At the end of 2019, PGGM Vermogensbeheer B.V.	Zeist, The Netherlands	100%
Vernet Verzuimnetwerk B.V.	Amsterdam, Netherlands	100%

Acquisitions

An acquisition is a transaction in which the group obtains control over the equity (assets and liabilities) and the activities of an acquired party.
Acquisitions are processed based on the ‘purchase accounting’ method on the date on which the ownership is transferred to the group (the acquisition date). The acquisition price is set according to the agreed cash amount or equivalent for the acquisition of the acquired party, or the fair value of the consideration provided at the acquisition date. The costs that are directly attributable to the acquisition will be added to the acquisition price. In the case of deferred payment of the purchase price, the acquisition price is set at the present value of the purchase price.

Acquisitions and disposals of group companies

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

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

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

2.2 Accounting principles for the valuation of assets and liabilities

Recognition of an asset or liability

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

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

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

Financial instruments

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

The securities included under current assets, as far as these relate to the trade portfolio or to the equity instruments outside the trade portfolio, will be stated at the fair value. All other financial instruments included in the balance sheet are valued against the amortised cost.

Fair value

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

Intangible fixed assets

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

Goodwill

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

Software

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

Property, plant and equipment

Buildings and land

Buildings and land are stated at current purchase price. At the time of acquiring or manufacturing the asset, valuation takes place at acquisition or manufacturing price. Valuation then takes place based on the current value model, this being the lowest current purchase price or the realisable value after deduction of cumulative depreciation. If a decision is taken to sell property, plant or equipment, the value is recognised at the net realisable value.

Buildings are subject to straight-line depreciation over their estimated economic life with a residual value of 20% of the current purchase price. Buildings are subdivided into the categories of 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 actual value will be checked regularly according to the guidelines. PGGM uses the following schedule for this check:

- year 2021 a reappraisal by the external appraiser;
- year 2022 a desktop valuation by the external appraiser;
- year 2023 a full valuation by the external appraiser;
- year 2024 a review of parameters for triggers by PGGM and the external appraiser;

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

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

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

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

The costs of major maintenance to and replacement of (parts of) company buildings are capitalised at acquisition price net of cumulative depreciation. The costs of regular maintenance and repairs are directly accounted for as an expense in the income statement annually.

Plant and equipment

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

Other operating assets

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

Financial fixed assets

Participating interests in which significant influence is exercised

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

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

Participating interests with a negative net asset value are stated at nil. A provision is created when PGGM N.V. wholly or partially guarantees the relevant participating interest's debts, or has the constructive obligation (for its share) of enabling the participating interest to pay its debts.

This provision is primarily formed against the receivables from the participating interest and for the remainder, under the provisions according to the size of the share in the losses sustained by the participating interest, or for the expected payments by PGGM N.V. in respect of this participating interest.

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

Participating interests in which there is no significant influence

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

Subordinated loans

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

Impairments of fixed assets

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

Impairments occur when the book value of an asset is higher than the realisable value; the realisable value is the higher of the net selling price or the value in use. An impairment loss is directly processed in the income statement with a simultaneous reduction of the carrying amount of the relevant asset.

The net realizable value is initially derived from a binding sales agreement; if there is no such agreement, the net realizable value is determined using the active market where normally the prevailing bid price is used as the market price. The costs to be deducted in determining the net realizable value are based on the estimated costs directly attributable to the sale and necessary to bring about the sale.

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

Receivables

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

Securities

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

Transaction costs that are attributable to securities that are stated at fair value after an initial processing against actual value with processing the value changes via the equity will be processed in the first valuation. On the sale of the securities to a third party, the transaction costs will be processed in the income statement. Transaction costs attributable to securities measured at amortised cost after initial recognition are included in the initial valuation. Securities that are part of the current assets have a term of less than a year.

Cash and cash equivalents

Cash and cash equivalents are stated at face value.

Provisions

General

Provisions are formed for legally enforceable or actual obligations that exist on the balance sheet date, in which it is likely that an outflow of resources is necessary and of which the size can reliably be estimated. Provisions are stated at the face value of the expenditure expected to be necessary to settle the liabilities, unless stated otherwise.

Restructuring provision

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

Provision for anniversaries

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

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

Provision for onerous contracts

The provision for onerous contracts relates to the negative difference between the expected benefits from the performance to be received by PGGM N.V. after the balance sheet date and the unavoidable costs of fulfilling all the obligations. At a minimum, the unavoidable costs are the costs which have to be incurred to get out of the agreement, being the lower of the costs of fulfilling the obligations and the compensation or penalties which must be paid if the obligations are not fulfilled. A provision is formed for onerous contracts if it is probable that the inevitable costs of compliance with the obligations exceed the economic benefits of those contracts.

Provisions for DVI

PGGM N.V. has included a provision for Deferred Variable Income (DVI). DVI is intended to reward key employees of Asset Management. This form of remuneration exists alongside the variable remuneration scheme.

Other provisions

The other provisions are shown at face value.

Current liabilities

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

2.3 Principles for determination of the result

Recognition of income and expenses

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

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

The result is determined as the difference between the net realizable value of the services rendered and the costs and other expenses for the year. Transaction revenues are recognised in the year in which they are realised.

Management fees

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

Other revenue

Results are included under other business revenue that are otherwise associated with the supply of goods or services in the context of normal, non-incidental business activities.

Costs of outsourced work and other external expenses

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

Personnel expenses

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

or partially unable to perform work due to illness or occupational disability. The liability is recognised as the best estimate of the amounts that will be needed to settle the relevant liability on the balance sheet date. Additions to and the release of liabilities are charged or credited to the income statement, respectively.

Other operating expenses
Other operating expenses include those costs that are recognised for the year and that are not directly charged to the cost price of the supplied goods.

Financial income and expenses
PGGM N.V. and its subsidiaries account for interest income and expenses related to cash and cash equivalents as a result of the interest compensation system at PGGM N.V. In the financial statements, the interest income and expenses are assessed for each individual credit institution and, ultimately, the net position is presented as an interest income or expense.

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

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

The coverage at the end of 2021 is 106.6% (2020: 92.6%). As a consequence of the 2020 coverage, a recovery plan is in effect for the period 2020-2029. The following is included in this recovery plan:
- PFZW will increase the contribution with a contribution markup of 2 percentage points throughout the recovery period. This markup is intended to enable the coverage to recover more quickly and return to a financial position in the long term in which it is again possible to increase pensions (indexation).
- PFZW will not fully increase the pensions during the recovery plan. According to legal requirements an increase can only take place from a coverage of 110% and then only gradually. PFZW can index pensions completely if coverage is approximately 130%. Indexing pensions does, however, result in recovery being slower. If PFZW does not recover in time, it can still adjust the indexation policy (for example by indexing later).

The premium due to be paid to the pension fund by PGGM N.V. is recognised in the income statement as an expense, and, if this premium has not yet been paid to the pension fund, it is accounted for as a liability in the balance sheet.
PGGM N.V. is not obliged to pay additional contributions in the event of a shortfall in the pension fund, other than to meet any higher future premium contributions.

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

Leasing

PGGM N.V. and its subsidiaries may enter into financial and operating 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. Lease payments are processed on a linear basis in the income statement over the term of the contract, taking into account the fees received from the lessor.

Taxes

The tax over the result is calculated over the result before taxes in the income statement, taking into account the available, tax offsettable losses from the previous financial years (as far as these are not included in the deferred tax liabilities) and released profit components and after adjustment of non-deductible costs. Changes that occur in the deferred tax liabilities and deferred tax debts based on the changes in the tax rate used have also been taken into account.

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 collectable for prior years. For up to 50 percent of profits there is no time limit for offsetting losses but these are limited in size to an amount of €1.0 million.

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

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

A deferred tax liability is recognised for taxable temporary differences concerning group companies, foreign non-independent entities, participating interests and joint ventures, unless the company is able to determine at what moment the temporary difference will expire and it is likely that the temporary difference will not expire in the foreseeable future.
A deferred tax asset is recognised for offsettable temporary differences concerning group companies and participating interests, but only to the extent that it is probable that the temporary difference will expire in the foreseeable future and that taxable profit will be available to compensate for the temporary difference. Deferred tax assets and liabilities are valued at face value.

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

2.4 Principles for the cash flow statement

Cash flow statement

The cash flow statement is prepared in accordance with the indirect method. Cash flows in foreign currencies are restated in euros on the basis of the average exchange rates for the relevant periods. Income and expenses arising from interest, dividends received and tax on profits are included in the cash flow from operating activities. Dividends paid are recognised under the cash flow from financing activities. The acquisition price of the acquired group company is included under the cash flow from investment activities, if the payment was made in cash. The cash and cash equivalents present in the acquired group company have been deducted from the purchase price.

3. Intangible fixed assets

	Goodwill	*Software*	*Internal developed software*	*Prepaid on intangible fixed assets*	*Total*
Balance as at 1 January 2021					
Acquisition price or production cost	141,374	10,525	35,944	15	187,858
Accumulated amortisation and impairment	-140,021	-8,736	-35,944	0	-184,701
Book value as at 1 January 2021	**1,353**	**1,789**	**0**	**15**	**3,157**
Changes					
Investments	0	859	238	2	1,099
Disposals	0	0	0	-15	-15
Impairments	0	0	0	0	0
Amortisation	-150	-870	0	0	-1,020
Balance	**-150**	**-11**	**238**	**-13**	**64**
Balance as at 31 December 2020					
Acquisition price or production cost	141,374	11,384	36,182	2	188,942
Accumulated amortisation and impairment	-140,171	-9,606	-35,944	0	-185,721
Carrying amount as at 31 December 2021	**1,203**	**1,778**	**238**	**2**	**3,221**

Depreciation terms

Goodwill 10 years

Software 5 years

Goodwill

The goodwill arose following the acquisition of the administrative organisation by PGGM in 2008 and the acquisition of Vernet in 2020 and concerns the positive difference between the acquisition price and the acquired assets and liabilities. Capitalised goodwill is subject to straight-line amortisation on the basis of the useful economic life of the asset.

Software

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

4. Property, plant and equipment

	Buildings and land	*Plant and equipment*	*Other operating assets*	*Total*
Balance as at 1 January 2021				
Acquisition price or production cost	88,417	3,663	26,351	118,431
Accumulated depreciation and impairment	-21,701	-3,241	-20,040	-44,982
Carrying amount as at 1 January 2021	**66,716**	**422**	**6,311**	**73,449**
Changes				
Investments	333	90	1,784	2,208
Disposals	0	0	-99	-99
Impairements	-12,733	0	0	-12,733
Depreciation of disposals	0	0	53	53
Adjustment of and depreciation revaluation	3,529	0	0	3,529
Depreciation	-2,871	-101	-1,843	-4,815
Balance	**-11,742**	**-11**	**-105**	**-11,858**
Balance as at 31 December 2021				
Acquisition price or production cost	72,600	3,753	28,036	104,389
Accumulated depreciation and impairment	-17,626	-3,342	-21,830	-42,798
Carrying amount as of 31 December 2021	**54,974**	**411**	**6,206**	**61,591**

Depreciation terms

Land and sites:	no depreciation applicable
Buildings - shells:	40 years
Buildings - completed:	25 years
Buildings - building-related systems:	15 years
Plant and equipment:	5-10 years
Other operating assets:	5-10 years

PGGM N.V. is the economic owner of the land and buildings, PGGM Coöperatie is the legal owner. In accordance with the policy, a reappraisal by the external appraiser was conducted at the end of 2021. On this basis, the gross current cost price decreased by €12.4 million (downward value adjustment of €12.7 million plus the investments of €0.3 million). This results in a carrying amount as at 31 December 2021 of €55.0 million (2020: €66.7 million). The net effect on equity after deducting tax amounts to €1.3 million. The remainder has been recognized as an expense in the income statement.

5 Financial fixed assets

	Participating interests	*Deferred tax assets/liabilities*	*Loan Volo Pension*	*Total*
Balance as at 1 January 2021	**150**	**18,484**	**2,340**	**20,974**
Investments	400	3	0	403
Disposals	0	0	0	0
Result of participating interests	84	0	0	84
Value changes	0	0	-2,340	-2,340
Balance as at 31 December 2021	**634**	**18,487**	**0**	**19,121**

Participating interests

Asset Management held a 50 percent interest in Design Authority B.V. from its inception on 2 June 2020. Two participants were subsequently added, giving Vermogensbeheer a 25 percent equity interest as at 31 December 2021. In 2021, an capital contribution of €0.4 million was made in Design Authority B.V. The participating interest produced a result of €0.1 million positive in 2021.

Deferred tax assets/liabilities

The deferred tax assets mainly relate to temporary differences in the tax valuation and commercial valuation that apply to the building as well as to the processing of goodwill. Of these deferred liabilities, an amount of €2.7 million (2020: €2.7 million) is expected to be settled within 1 year.

Volo Pension loan

At the end of 2016, PGGM N.V. made additional capital available in the form of a subordinated loan with an indefinite term to finance the start-up costs of Stichting Algemeen Pensioenfonds Volo pensioen (Volo). The amount of the subordinated loan is nil because of the repayment which has taken place (2020: € 2.34 million). For this loan, Volo paid interest equal to the EURIBOR rate with a 50 basis point mark-up. The interest was owed quarterly in arrears on the last day of each quarter and was calculated on the basis of a 30-day month and a 360-day year.

6. Receivables

	31 December 2021	31 December 2020
Accounts receivable	17,185	15,151
Receivables from group companies	0	2,610
Amounts to be invoiced	4,310	8,211
Prepayments and accrued assets	11,013	14,984
Total	**32,508**	**40,956**

Accounts receivable

The accounts receivable primarily consist of pre-invoiced amounts to institutional clients relating to pension management, asset management, policy advice and board support in 2022. An amount of €1.7 million (2020: €2.8 million) relates to the settlement of the Deferred Performance Interest (DPI) scheme and consists of a claim on PGGM's Private Equity funds. Of this, an amount of €1.7 million (2020: €1.7 million) has a term of more than 1 year.

There has been one change in the presentation of the 2021 valuation and in the 2020 comparative figures. This refers to the offsetting of the accounts receivable position with the pre-invoiced amounts within the current liabilities position of the balance sheet (see note 11). The positions have been set off against each other in line with RJ 115.305. As a parent company, PGGM N.V. is legally able to settle the receivable (formed at PGGM UFO B.V.) simultaneously with the debt positions formed (formed at the other subsidiaries).

Receivables from group companies

The receivables from group companies relate to the current account with PGGM Coöperatie U.A. No interest is charged on the receivables.

Amounts to be invoiced

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

Prepayments and accrued income

The prepayments and accrued income primarily consist of prepaid expenses to suppliers. Of this, an amount of €0.8 million (2020: €0.6 million) has a term of more than 1 year.

7. Securities

In 2019, PGGM N.V. decided to invest some of the cash in money market funds. To achieve further risk diversification, PGGM N.V. added a second money market fund in 2021 in addition to the current Blackrock money market fund, being that of Goldman Sachs. Investing in money market funds achieves a distribution of the banking counterparty risk. In 2021, in accordance with the cash and cash equivalents policy €94.4 million (2020: €59.8 million) was invested in money market funds.
Investments in money market funds are freely tradable on a daily basis. Of the securities, all funds are at free disposal.

8. Cash and cash equivalents

Cash relates to credit balances which are held in Dutch credit institutions. The company's own cash and cash equivalents form part of the balance and interest set-off system within PGGM. As a result of participation in the interest set-off system, the company is jointly and severally liable for all obligations arising from this. Of the cash and cash equivalents, the entire amount is at free disposal at the end of 2021.

Vermogensbeheer is the asset manager for external clients and for the PGGM investment funds. Partly due to the positions taken by the AFM and the developments in regulation with respect to derivatives and the desires of counterparties, the decision was taken in 2019 to switch to having cash management set up locally, to execute derivatives transactions decentrally and to dismantle PGGM Treasury B.V. At the end of 2021 an amount of €7.0 million (2020: €7.0 million) was still received which is earmarked for PGGM funds. These monies received were passed on to the relevant funds at the beginning of January.

9. Equity

The equity is further explained in the notes to the balance sheet of the company financial statements. The movement in the group equity and insight into the overall result (group result and direct changes) is as follows:

		2021	***2020***
Balance as at 1 January		**230,820**	**210,874**
Group result after tax		**20,868**	**29,010**
Revaluation of property, plant and equipment	-	-1,309	-9,975
Correction corporate tax		387	911
Total result of the income and expenses recognized directly in equity		**-922**	**-9,064**
Total result of the legal entity		19,946	19,946
Dividend payment		0	0
Total direct changes in the equity on account of relations with shareholders		**0**	**0**
Balance as at 31 December		**250,766**	**230,820**

10. Provisions

	Restructuring	Anniversaries	Onerous contract	DVI	Total
Balance as at 1 January 2021	**6,431**	**347**	**1,205**	**13,222**	**21,205**
Changes					
Allocation	3,959	0	230	6,510	10,699
Withdrawal	-1,503	-329	-1,205	-1,351	-4,388
Release	-1,939	-18	0	0	-1,957
Balance as at 31 December 2021	**6,948**	**0**	**230**	**18,381**	**25,559**

An amount of €20.9 million from the provisions is recognised as long term (longer than a year).

Restructuring provision

The restructuring provision consists of a restructuring initiated within Pensioenbeheer, within Vermogensbeheer and regular redundancies. With regard to the reorganization within Pensioenbeheer, a restructuring plan was already set in motion in 2020 as part of the multi-year Pensioenbeheer plan for the period up to 2026. On the basis of this plan a provision for severance pay for collective and individual processes was included in the restructuring provision. The provision formed for this purpose amounts to €5.1 million (2020: €5.3 million). The decrease of € 0.2 million is the balance of, on the one hand a release of € 2.3 million from the provision mainly due to attrition within the organization, and on the other hand an increase of € 2.1 million in the provision, mainly due to changed insights in the principles used for the settlement agreements. The most important estimates in calculating the reorganisation services relate to the number of jobs that will disappear (20-25%), the average payout according to the social plan and the average in additional costs that will be included per employee, such as legal assistance and training costs. The provision for the restructuring will be accounted for at PGGM N.V. The costs will be accounted for via the current account in Pensioenbeheer.

The remaining amount of €1.8 million of the restructuring provision concerns an amount of €1.1 million for a restructuring provision formed within Vermogensbeheer (of which €0.2 million is related to the change in the top structure within Vermogensbeheer as a result of a strategic reorientation) and an amount of €0.7 million which relates to individual processes (amount 2020: €1.1 million).

Provision for anniversaries

The anniversary provision is based on the calculation according to the 2018 collective agreement and expired in 2021.

Provision for onerous contracts

In accordance with the reporting guidelines, PGGM N.V. recognized a provision at year-end 2021 for the unavoidable costs of onerous contract with Stichting Rabo PGGM Premiepensioeninstelling (Rabo PGGM PPI). The unavoidable costs are based on the current viability of these services, taking into account any circumstances thatmay apply to the remaining period of the onerous contract. By 2021, the remaining term of the provision was less than 1 year.

Provisions for DVI

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

The most important estimates at the DVI and DVI-GAF relate to the average payment percentage of the targets as well as the estimate of the compound interest (only for DVI-GAF), taking into account change of employees leaving.

11. Current liabilities

	31 December 2021	*31 December 2020*
Fees from institutional clients received in advance	32,533	31,698
Creditors	1,706	2,653
Taxes and social security contributions	9,322	13,430
Amounts owed to group companies	1,447	0
Accuals and deferred income	25,652	29,650
Total	**70,660**	**77,431**

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

Fees from institutional clients received in advance

The amounts received in advance mainly relate to the fee received in advance from clients for services in 2022. The fee received in advance has increased due to renewed contract agreements in relation to the amount of the fee.

There has been one change in the presentation of the 2021 valuation and in the 2020 comparative figures. This refers to the offsetting of the accounts receivable position (see note 6) with the pre-invoiced amounts within the current liabilities position of the balance sheet. Positions relating to one and the same legal entity have been offset against each other in line with RJ 115.305.

Taxes and social security contributions

Taxes and social security contributions relate to payroll taxes and social security costs payable. The amount decreased due to lower remittance of turnover tax.

Amounts owed to group companies

Debts to group companies relate to a debt to PGGM Coöperatie as at 31 December 2021.

Accruals and deferred income

The item accruals and deferred income primarily consists of amounts payable €4.9 million (2020: €3.9 million), reservation of holiday entitlements of €5.7 million (2020: €5.1 million), reservation of variable remuneration to personnel of 6.3 million (2020: €5.5 million) and interest payments. An amount of €1.7 million (2020: €2.8 million) relates to the Deferred Performance Interest (DPI) scheme. Of this, an amount of €1.1 million (2020: €1.7 million) has a term of more than 1 year.

12. Off-balance sheet assets and liabilities

Claims

At the end of 2021, PGGM has no outstanding claims.

Credit facility PFZW

PGGM N.V. has a credit facility with Stichting Pensioenfonds Zorg en Welzijn (PFZW). PGGM N.V. pays interest equal to the EURIBOR rate with a 50 basis point mark-up for any withdrawals from this credit facility. The maximum of the total credit facility is set at €150 million. The credit facility was made available from 1 January 2008 for an indefinite period. No repayment arrangement has been agreed. PGGM N.V. made no use of the credit facility with PFZW in 2021.

Balance and interest compensation system

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

Liability of a tax entity

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

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

Operational lease liabilities

The operational lease liabilities relate to lease cars provided to personnel. The liability runs until 2026. The total liability as at 31 December 2021 amounted to €3.9 million (2020: €4.5 million). An amount of €1.4 million (2020: €1.6 million) expires within 1 year. There are no commitments longer than 5 years.

Buildings liability

The total liability as at 31 December 2021 amounted to €4.7 million (2020: €3.3 million).
The liability runs until 2026. An amount of €1.4 million expires within 1 year,

Hardware and software liability

The total liability as at 31 December 2021 amounted to €55.6 million (2020: €46.3 million).
The liability runs until 2026. An amount of €33.8 million expires within 1 year.

Issued guarantee Design Authority

PGGM has a (minority) interest in Design Authority B.V. and, if income lags behind, is legally obliged to finance its pro rata share in the costs of Design Authority B.V. in order to cover these costs for a financial year. These costs are accounted for by PGGM in the financial year to which these costs relate. In 2021, the capital contribution to Design Authority B.V. amounted to €0.4 million.

13. Revenue

Management fees

	2021	2020
Management fees for asset management	173,382	149,805
Management fees for pension administration	123,064	120,399
Management fees for policy advice and board support	38,882	38,014
Total	**335,328**	**308,218**

Management fees for asset management

The fees for asset management relate to the asset management activities for institutional clients and the PGGM funds. A management fee is charged for these services. These fees are renegotiated each year. The increase in revenue was mainly due to new fee agreements in 2021 with additional performance fees.

Management fees for pension administration

The fees for pension administration concern administration and management services for pension funds The increase in revenues is mainly due to new fee agreements in 2021.

Management fees for policy advice and board support

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

Other revenue

	2021	2020
Revenue from members	371	298
Other revenue	1,002	960
Total	**1,373**	**1,258**

Revenue from members

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

Other revenue

Other revenue includes the Vernet activities and concerns revenue relating to sickness absence registration.

14. Costs of outsourced work and other external expenses

	2021	*2020*
External personnel	52,757	47,233
Consulting costs	1,232	1,137
Total	**53,989**	**48,370**

15. Personnel expenses

	2021	*2020*
Salaries	142,249	137,929
Social security costs	13,772	14,627
Pension expenses	16,848	15,807
Other personnel costs	11,498	11,671
Total	**184,367**	**180,034**

Personnel costs increased due to CLA increase of 2 percent and the effect of periodic increases.

On the basis of a headcount, the average number of employees at year-end was as follows:

	2021	*2020*
Pensioenbeheer	564	622
Vermogensbeheer	451	424
Information, Finance, Control	149	139
Institutional Business	141	144
Information Technology	102	97
Corporate Staff Services	79	95
Members' Organization PGGM&CO	17	15
Total	**1,503**	**1,536**

The average number of FTEs for 2021 was 1,470 (2020: 1,477). Of these, no employees were employed outside the Netherlands in 2021 (2020: 0).

Remuneration of executive and supervisory directors

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

2021	**Periodically paid remuneration**	**Remuneration payable in the future**	**Total**
E. Velzel	537	20	557
W.J. Brinkman	484	20	504
Total	**1,021**	**40**	**1,061**

2020	**Periodically paid remuneration**	**Remuneration payable in the future**	**Total**
E. Velzel	519	19	538
W.J. Brinkman	466	18	484
Total	**985**	**37**	**1,022**

The periodically paid remuneration is the sum of the gross salary, social security costs and holiday allowance.

Pension costs are shown in ‘Remuneration payable in the future'. The remuneration of board members is stated in accordance with Article 2:383c of the Dutch Civil Code. For a more detailed explanation of the remuneration of the members of the Executive Board, see the Directors’ Report.

Each member of the Supervisory Board receives an annual fee of €30.6 thousand (2020 €30.0 thousand). The Chair receives remuneration of €35.4 thousand (2020: €34.7 thousand). These fees include work undertaken for the Audit, Risk and Compliance Committee and the Remuneration, Selection and Appointments Committee and are exclusive of travel expenses and VAT. In 2021, the total remuneration of the Supervisory Board was €189.2 thousand excluding VAT (2020: €183.6 thousand). The remuneration of the Supervisory board was indexed by 2 percent in 2021 (2020: indexation 2 percent.

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

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

	2021	**2020**
Amortisation of intangible fixed assets	1,019	881
Depreciation of property, plant and equipment	4,814	6,196
Impairments	7,462	0
Total	**13,295**	**7,077**

The item impairments relates to property, plant and equipment. At the end of 2021 a new appraisel of the premises was carried out by the external appraiser, resulting in a downward valuation. The decrease is caused by an increase in vacancy due to lower sustainable space requirements of PGGM related to hydrid working. The increased vacancy rate makes the property less attractive as an investment. Downward value adjustments are recognised directly in the income statement to the extent that they cannot be charged to a previously formed revaluation reserve. The valuation therefore results in a revaluation of €9.2 million. Of this revaluation, €1.3 million is recognized directly through the revaluation reserve in equity and €0.4 million through the deferred tax liability.

17. Other operating expenses

	2021	*2020*
Accommodation expenses	5,193	5,629
IT costs	42,453	40,606
Marketing expenses	284	612
Other expenses	13,592	6,648
Total	**61,522**	**53,495**

Other expenses

The item other expenses includes the changes in the provision for onerous contracts.

18 Financial income and expenses

	2021	*2020*
Interest charges	-1,145	-784
Exchange rate differences	-148	37
Other financial expenses	-41	-18
Other financial income	5,453	140
Total	**4,119**	**-625**

Other financial income

PGGM N.V. and Rabobank ceased operations as founding partners in Rabo PGGM PPI and transferred them to Allianz. The actual transfer took place on 1 August 2021 and the name of Rabo PGGM PPI was changed to Allianz PPI. The sale price was €10.8 million and this resulted in a profit for PGGM N.V. of €5.4 million based on a 50% stake.

19 Taxes

	2021	2020
Current tax	6,042	913
Adjustment of deferred tax liabilities due to reduction in corporation tax rates	1,049	-1,102
Change in deferred tax assets	-228	4,194
Total	**6,863**	**4,005**

	2021	2020
Nominal tax liability	25.00%	25.00%
Adjustment of deferred tax liabilities due to reduction in corporation tax rates	3.79%	-5.54%
Non-taxable revenue and expenses	-3.97%	0.69%
Effective tax rate	**24.82%**	**20.15%**

The nominal tax liability of 25% is calculated by dividing the current taxes and changes in deferred taxes by the result before taxes. The effective tax rate deviates by 0.18% from the applicable tax rate of 25% due to the application of the deferred tax as a consequence of corporation tax rate changes and non-deductible costs.

20. 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. With regard to the remuneration of directors, please refer to the notes on personnel costs.

21 Auditors' fees

In the financial year, the following amounts (including VAT) in auditor fees were charged to the result:

	2021	2020
Audit of the financial statements	208	218
Other assurance activities	1,783	1,357
Other non-audit services	40	15
Total	**2,031**	**1,590**

The above fees relating to the audit of the Financial statements relate exclusively to the audit of PGGM N.V. and consolidated entities, by the audit firms and external auditors as referred to in the section 1(1) of the Wet toezicht accountantsorganisaties (Wta, Audit Firms Supervision Act).S

22 Post-balance-sheet-date events

Crisis in Ukraine

Russia's invasion in Ukraine on 24 February marked a serious escalation of the Ukraine crisis. The consequences of this for Europe, our society and for PGGM are difficult to foresee at present. This crisis is not expected to be over quickly and it will have long-lasting and profound effects on geopolitical relations and tensions around the world. We are already seeing the negative impact on the investments we manage for our clients. More sanctions are expected to follow. Impaired returns have a negative impact on the coverage and probability of indexation. Participants will also be facing the same issues. At PGGM, we are monitoring these developments as a high priority.

23. Risk management

PGGM risk framework

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

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

Solvency risk

PGGM N.V. and its subsidiaries that qualify as financial companies as defined in the Wft are designated as the guideline group. This means that they are subject to prudential supervision by DNB. Under this Act, requirements are stipulated for capital adequacy.

PGGM has opted to use the method whereby the capital adequacy is calculated on the basis of the difference between the equity of the guideline group and the sum of the solvency requirements of the group divisions. On this basis, PGGM N.V. complies with the statutory requirements.

The regulatory authorities also have imposed a solvency requirement on Vermogensbeheer. The existing and required solvency positions at group level are as follows.

Solvency	***31 December 2021***	***31 December 2020***
Total equity	250,766	230,820
Statutory requirement	70,191	64,151
Surplus	**180,575**	**166,669**

Market risk
Market risk is the price risk of a fall in the value of investments due to a change in market factors. In 2020, PGGM N.V. decided to invest some of the cash in money market funds. In 2021, €94.4 million (2020: €59.8 million) was invested in money market funds. These investments are explained in the Financial statements under securities. Money market funds are highly liquid.

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

Interest rate risk
Interest rate risk is the risk that the balance of the value of bonds and/or loans changes as a result of changes in market rates. This may result in higher interest charges. Since PGGM group has no bonds or equities, the interest rate risk is negligible.

Credit risk
The credit risk is defined as the risk that counterparties will be unable to fulfil their contractual obligations. This concerns other participating interests, loans, receivables, including accounts receivable and cash. In respect of the bad debts risk, this primarily relates to the management fees due, which are laid down in the Service Level Agreements (SLA) that PGGM N.V. has concluded with its clients. Since PGGM N.V.'s clients are Dutch pension funds, the risk as a consequence of insolvency is low.

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

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

Concentration risk
Concentration risk exists if an organization is dependent on one customer for the continuity of its business. PGGM N.V. is exposed to concentration risk due to the relative importance of its largest client. This risk is mitigated by fleshing out this strategic partnership in constant dialogue with the largest client and by pursuing active stakeholder management.

Company financial statements for 2021

Company balance sheet as at 31 December 2021

before profit appropriation
(amounts in thousands of euros)

	Ref.	31 December 2021	31 December 2020
Assets			
Fixed assets			
Intangible fixed assets	24	762	938
Property, plant and equipment	25	61,553	73,409
Financial fixed assets	26	142,968	140,253
Total fixed assets		**205,283**	**214,600**
Current assets			
Receivables	27	16,341	21,980
Securities	28	94,388	59,837
Cash and cash equivalents	29	39,679	46,973
Total current assets		**150,408**	**128,790**
Total assets		**355,691**	**343,390**
Liabilities			
Equity	30		
Paid and called-up capital		200	200
Revaluation reserve		0	1,309
Statutory reserve		243	5
Share premium reserve		158,712	158,712
Other reserves		70,743	41,584
Undistributed profit		20,868	29,010
Total equity		**250,766**	**230,820**
Provisions			
Other provisions	31	25,559	21,105
Total provisions		**25,559**	**21,105**
Current liabilities			
Current liabilities	32	79,366	91,465
Total current liabilities		**79,366**	**91,465**
Total liabilities		**355,691**	**343,390**

Company income statement for 2021

(amounts in thousands of euros)

	Ref.	*2021*	*2020*
Result of participating interests	***26***	18,770	27,542
Other result after taxes	***34***	2,098	1,468
Result after tax		**20,868**	**29,010**

Notes to the company financial statements 2021

General Notes

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

24. Intangible fixed assets

	Goodwill	*Software*	*Prepaid on intangible fixed assets*	*Total*
Balance as at 1 January 2021				
Acquisition price or production cost	139,871	5,367	15	145,253
Accumulated amortisation and impairments	-139,871	-4,444	0	-144,315
Book value 1 January 2021	**0**	**923**	**15**	**938**
Changes				
Investments	0	222	0	222
Disposals	0	0	-15	-15
Impairments	0	0	0	0
Amortisation	0	-383	0	-383
Balance	**0**	**-161**	**-15**	**-176**
Balance as at 31 December 2021				
Acquisition price or production cost	139,871	5,589	0	145,460
Accumulated amortisation and impairments	-139,871	-4,827	0	-144,698
Carrying amount as at 31 December 2021	**0**	**762**	**0**	**762**
Amortisation period	**5 years**			

Software
The investments mainly concern licences of the back office system for the pension and investment administration.

25. Property, plant and equipment

	Buildings and land	Plant and equipment	Other operating assets	Total
Balance as at 1 January 2021				
Acquisition price or production cost	88,417	3,663	26,152	118,232
Accumulated depreciation and impairments	-21,701	-3,241	-19,881	-44,823
Book value as at 1 January 2021	**66,716**	**422**	**6,271**	**73,409**
Changes				
Investments	333	90	1,719	2,142
Disposals	0	0	-99	-99
Impairments	-12,733	0	0	-12,733
Depreciation of disposals	0	0	53	53
Adjustment of an depreciation revaluation	3,529	0	0	3,529
Depreciation	-2,871	-101	-1,776	-4,748
Balance	**-11,742**	**-11**	**-103**	**-11,856**
Balance as at 31 December 2021				
Acquisition price or production cost	72,600	3,753	27,825	104,178
Accumulated depreciation and impairments	-17,626	-3,342	-21,657	-42,625
Carrying amount as at 31 December 2021	**54,974**	**411**	**6,168**	**61,553**

Depreciation terms

Land and sites:	no depreciation applicable
Buildings - shells:	40 years
Buildings - completed:	25 years
Buildings - building-related systems:	15 years
Plant and equipment:	5-10 years
Other operating assets:	5-10 years

PGGM N.V. is the economic owner of the land and buildings, PGGM Coöperatie is the legal owner.

26 Financial fixed assets

	Participating interests	*Deferred tax assets/liabilities*	*Loan VOLO Pension*	*Total*
Balance as at 1 January 2021	**119,985**	**17,928**	**2,340**	**140,253**
Dividend payment	-15,000	0	0	-15,000
Share premium payments	1,000	0	0	1,000
Result of participating interests	18,770	0	0	18,770
Value changes	0	285	-2,340	-2,055
Balance as at 31 December 2021	**124,755**	**18,213**	**0**	**142,968**

Participating interests

The balance relates to the following participating interests:

Companies

Name	Place of business	Share in subscribed capital
PGGM N.V.	Zeist, The Netherlands	100%
PGGM AUSTRALIA NOMINEES PTY LIMITED	Sydney, Australia	100%
PGGM Financiële Services B.V.	Zeist, The Netherlands	100%
PGGM Innovatie B.V.	Zeist, The Netherlands	100%
PGGM Pensioenbeheer B.V.	Zeist, The Netherlands	100%
PGGM Strategic Advisory Services B.V.	Zeist, The Netherlands	100%
PGGM Services B.V.	Zeist, The Netherlands	100%
PGGM UFO B.V.	Zeist, The Netherlands	100%
At the end of 2019, PGGM Vermogensbeheer B.V.	Zeist, The Netherlands	100%
Vernet Verzuimnetwerk B.V.	Amsterdam, Netherlands	100%

For the Equity Policy and analysis of the capital position of subsidiary entities, PGGM N.V. made a share premium payment of €1 million in 2021 to Financiële Services. PGGM Vermogensbeheer B.V. made a dividend distribution of €15 million to PGGM N.V.

Deferred tax assets

The deferred tax assets mainly relate to temporary differences in the tax valuation and commercial valuation that apply to the building as well as to the processing of goodwill.

Loan Volo

At the end of 2016, PGGM N.V. made additional capital available in the form of a subordinated loan with an indefinite term to finance the start-up costs of Stichting Algemeen Pensioenfonds Volo pensioen (Volo). Volo 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. The amount of the subordinated loan was zero at 31 December 2021 (2020: €2.34 million). The contract with Volo was terminated and the subordinated loan was repaid upon liquidation of Volo.

27. Receivables

	31 December 2021	31 December 2020
Receivables from group companies	10,778	15,906
Accounts receivable	574	56
Amounts to be invoiced	9	1,527
Other receivables, prepayments and accrued income	4,980	4,491
Total	**16,341**	**21,980**

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

Receivables from group companies

	31 December 2021	31 December 2020
PGGM Vermogensbeheer B.V.	4,205	3,220
PGGM Pensioenbeheer B.V.	3,338	1,924
PGGM Strategic Advisory Services B.V.	1,272	903
PGGM UFO B.V.	1,352	6,519
PGGM Financiële Services B.V.	343	329
Vernet Verzuimnetwerk B.V.	110	117
PGGM Innovation B.V.	86	124
PGGM Services B.V.	72	-
PGGM Coöperatie U.A.	-	2,770
Total	**10,778**	**15,906**

All receivables on group companies have a remaining term of less than one year. No interest is charged on the receivables from group companies.

28. Securities

In 2019, PGGM N.V. decided to invest some of the cash in money market funds. To achieve further risk diversification, PGGM N.V. added a second money market fund in 2021 in addition to a current Blackrock money market fund, being that of Goldman Sachs. Investing in money market funds achieves a distribution of the banking counterparty risk. In 2021, in accordance with the cash and cash equivalents' policy, €94.4 million (2020: €59.8 million) was invested in money market funds. Of the securities, € nil (2020: nil) is not at free disposal.

29. Cash and cash equivalents

Cash relates to credit balances which are held in Dutch credit institutions. The company's own cash and cash equivalents form part of the balance and interest set-off system within PGGM. As a result of participation in the interest set-off system, the company is jointly and severally liable for all obligations arising from this. Of the cash and cash equivalents, the entire amount is at free disposal at the end of 2021.

30. Equity

	Paid-up and called-up capital	Revaluations reserve	Statutory reserve	Share premium reserves	Other reserves	Undistributed result	Total
Balance as at 1 January 2020	**200**	**11,284**	**5**	**158,712**	**33,080**	**7,593**	**210,874**
Appropriation of profit for 2019	0	0	0	0	7,593	-7,593	0
Revaluation reserve property, plant and equipment	0	-9,975	0	0	0	0	-9,975
Change resulting from reduction in corporation tax rates	0	0	0	0	911	0	911
Result 2020	**0**	**0**	**0**	**0**	**0**	**29,010**	**29,010**
Balance as at 31 December 2020	**200**	**1,309**	**5**	**158,712**	**41,584**	**29,010**	**230,820**
Appropriation of profit for 2020	0	0	0	0	29,010	-29,010	0
Revaluation reserve property, plant and equipment	0	-1,309	238	0	-238	0	-1,309
Change resulting from reduction in corporation tax rates	0	0	0	0	387	0	387
Results 2021	**0**	**0**	**0**	**0**	**0**	**20,868**	**20,868**
Balance as at 31 December 2021	**200**	**0**	**243**	**158,712**	**70,743**	**20,868**	**250,766**

Paid and called-up capital

The paid and called-up capital encompasses the paid-up nominal amounts on issued shares.
The authorised capital is €1 million (2020: €1 million), consisting of 1,000 shares, each with a nominal value of €1 thousand. As of 31 December 2021, 200 shares were subscribed and paid up.

Revaluation reserve

At the end of 2021 a new appraisel of the premises was carried out by the external appraiser, resulting in a downward valuation. The write-down of the property is due to market developments in the office market and reduced use of the property due to, among other things, the hybrid work policy. The downward value adjustment of €1.3 million was charged to the revaluation reserve formed and the remainder to the income statement (see note 16).

Statutory reserve

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. The change in 2021 concerns the legal reserve which is held for internally developed software Vernet.

Share premium reserve

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

Other reserves
The other reserves consist of the profit determined and the changes resulting from a corporation tax rate change in relation to the valuation of the property.

Undistributed profit
The result after tax for 2021 is part of the undistributed profit of the equity item.

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

31 Provisions

	Restructuring	*Anniversaries*	*Onerous contract*	*DVI*	*Total*
Balance as at 1 January 2021	**6,431**	**347**	**1,205**	**13,222**	**21,205**
Changes					
Additions	3,959	0	230	6,510	10,699
Usage	-1.503	-329	-1,205	-1,351	-4,388
Release	-1,939	-18	0	0	-1,957
Balance as at 31 December 2021	**6,948**	**0**	**230**	**18,381**	**25,559**

An amount of €20.2 million from the provisions is recognised as long term (longer than a year).

Restructuring provision
The restructuring provision consists of a restructuring initiated within Pensioenbeheer, within Vermogensbeheer and regular redundancies. With regard to the restructuring within Pensioenbeheer, a restructuring plan was already put into effect in 2020 as part of the multi-year Pension Management Plan for the period up to 2026. On the basis of this plan a provision for severance pay for collective and individual processes was included in the restructuring provision. The provision formed for this purpose amounts to €5.1 million (2020: €5.3 million). The decrease of €0.2 million is the balance of, on the one hand a release of €2.3 million from the provision mainly due to attrition within the organization, and on the other hand an increase of €2.1 million in the provision, mainly due to changed insights in the principles used for the settlement agreements. The most important estimates in calculating the reorganisation services relate to the number of jobs that will disappear (20-25%), the average payout according to the social plan and the average in additional costs that will be included per employee, such as legal assistance and training costs. The provision for restructuring will be accounted for at PGGM N.V. and the costs will be accounted for via the current account in Pension Administration.

The remaining amount of €1.8 million of the restructuring provision concerns an amount of €1.1 million for a restructuring provision formed within Vermogensbeheer (of which €0.2 million is related to the change in the top structure within Vermogensbeheer as a result of a strategic reorientation) and an amount of €0.7 million which relates to individual processes (amount 2020: €1.1 million).

Provision for anniversaries

The anniversary provision is based on the calculation according to the 2018 collective bargaining agreement and fully expired in 2021.

Provision for onerous contracts

In accordance with the reporting guidelines, PGGM N.V. recognized a provision at year-end 2021 for the unavoidable costs for the onerous part of the Rabo PGGM PPI contract. The unavoidable costs are based on the current viability of these services, taking into account any circumstances that may apply to the remaining period of the onerous contract. At the end of 2021, the remaining term of the provision was less than 1 year.

Provisions for DVI

PGGM N.V. has included a provision for Deferred Variable Income (DVI). DVI is intended to reward key employees. This form of remuneration is in addition to the variable remuneration scheme.
The most important estimates for the DVI and DVI-GAF relate to the average payment percentage of the targets as well as the estimate of the compound interest (only for DVI-GAF), taking into account the new job loss risk of employees.

32. Current liabilities

	31 December 2021	31 December 2020
Amounts owed to credit institutions	41,984	57,360
Fees from institutional clients received in advance	6,218	111
Creditors	905	2,257
Taxes and social security contributions	9,304	13,417
Amounts owed to group companies	579	284
Accruals and deferred income	20,376	18,036
Total	**79,366**	**91,465**

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

Fees from institutional clients received in advance

The amounts received in advance mainly relate to the fee received in advance from clients for services in 2022. The fee received in advance has increased due to renewed contract agreements. A larger portion of the PFZW fee directly relates to PGGM N.V. as of 2022.

There has been one change in the presentation of the 2021 valuation and in the 2020 comparative figures. This refers to the offsetting of the accounts receivable position with the pre-invoiced amounts within the current liabilities position of the balance sheet. Positions relating to one and the same legal entity have been offset against each other in line with RJ 115.305.

Taxes and social security contributions

This relates to payroll taxes and social security contributions still to be paid. The amount decreased due to lower remittance of turnover tax.

Amounts owed to group companies

	31 December 2021	31 December 2020
PGGM Coöperatie U.A.	579	0
PGGM Services B.V.	0	284
Total	**579**	**284**

All liabilities on group companies have a remaining term of less than one year. No interest is charged on the amounts owed to group companies.

Accruals and deferred income

The accrued liabilities item consists mainly of amounts still to be paid of €4.9 million (2020: € 3.9 million), reservation of holiday entitlements of € 5.7 million (2020: € 5.1 million), reservation of variable remuneration to personnel of € 6.3 million (2020: € 5.5 million) and interest payments. An amount of €1.7 million (2020: €2.8 million) relates to the Deferred Performance Interest (DPI) scheme. Of this, an amount of €1.1 million (2020: €1.7 million) has a term of more than one year.

33. 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.

34. Other results after taxes

	31 December 2021	*31 December 2020*
Other income and expenses	-79,670	-79,013
Charged-on expenses	82,392	79,834
Taxes on result	-624	647
Total	**2,098**	**1,468**

35. Post-balance-sheet-date events

For the disclosure on post-balance sheet date events, see note 22 ‘Post-balance sheet date events’ in the consolidated financial statements.

Zeist, 20 April 2022

Executive Board:

Edwin Velzel, chair

Willem Jan Brinkman

Supervisory Board:

Marjanne Sint, Chair

Henk Broeders, Vice Chairman

Eric de Macker

Jan van Rutte

Doede Vierstra

Other information

Independent auditor's report

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

Report on the financial statements 2021

Our opinion

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

What we have audited

We have audited the accompanying financial statements 2021 of PGGM N.V., Zeist. The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The financial statements comprise:

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

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

The basis for our opinion

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

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

Independence

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

Report on the other information included in the annual report

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

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2of the Dutch Civil Code.

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

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

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

Responsibilities for the financial statements and the audit

Responsibilities of management and the supervisory board for the financial statements

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

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

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

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

Amsterdam, 20 April 2022
PricewaterhouseCoopers Accountants N.V.

J.M. de Jonge RA

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

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

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

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

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

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

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

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

Article 35 of the Articles of Association reads as follows:

35.1 Distribution of profits shall be made following the adoption of the financial statements showing that such distribution is warranted.

35.2 The profits shall be at the free disposal of the General Meeting of Shareholders.

35.3 On the recommendation of the Executive Board, the General Meeting shall be authorised to resolve to make a distribution from the reserves, without prejudice to Article 35.4.

35.4 The company may only make distributions to the shareholders and other persons entitled to the profit intended for distribution to the extent that the equity exceeds the subscribed capital plus the reserves which must be maintained pursuant to the law.

35.5 The company may make interim distributions provided that the requirement of Article 35.4 is complied with as evidenced by an interim statement of assets and liabilities as referred to in Section 2:105(4) of the Dutch Civil Code.

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

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

General

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Executive Board

Edwin Velzel (CEO)
Willem Jan Brinkman

Independent Auditor

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

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

Information

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

Supervisory Board retirement schedule

Members	Start of first term	End of first term	Start of second term	End of second term
Ms M. (Marjanne) Sint (*Chair)*	01.04.2018	31.03.2022	Still n/a	Still n/a
Mr H. M. T. (Henk) Broeders (Vice Chair)	01.11.2018	31.10.2022	Still n/a	Still n/a
Mr H. M. L. M. (Eric) de Macker	01.10.2015	30.09.2019	01.10.2019	01.10.2023
Mr J. C. M. (Jan) van Rutte	17.05.2017	16.05.2021	17.05.2021	16.05.2025
Mr D.G. (Doede) Vierstra	13.06.2021	12.06.2025	Still n/a	Still n/a
Ms M.A.M. (Micky) Adriaansens / *vacancy*	01.01.2018	06.01.2022		

Regulations governing the retirement of supervisory directors in PGGM N.V.'s articles of association.
Article 23. Resignation, suspension and dismissal of members of the Supervisory Board 23.1(1):
A supervisory director shall step down no later than the date of the first General Meeting held after the end of four years following his or her latest appointment. At the end of his or her term of office, a supervisory director may be reappointed, on the understanding that he or she shall step down no later than the date of the first General Meeting held after he or she has served for eight years as a supervisory director, consecutively or otherwise; thereafter, he or she may not be reappointed.

Ancillary positions held by members of the Supervisory Board

Marjanne Sint (1949)

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

Executive and supervisory positions

- Chair of the Supervisory Board and member of the Human Resources & Organisation Committee of PGGM N.V.
- Chair of the Supervisory Board of BNG Bank N.V. (terminated 22 April 2021)
- Member of the Supervisory Board of Bergman Clinics B.V. (terminated 1 September 2021)
- Chair of the Supervisory Board of Bergman Medical Care B.V. Netherland (started 1 September 2021)
- Member of the Corona Crisis Guidance Committee, Onderzoeksraad voor veiligheid
- Chair of VNG Financial Controllability Social Domain (terminated 31 December 2021)
- Chair of AMF Steering Committee of the Ministries of Interior and Kingdom Relations and Defence (will be terminated 31 March 2022)
- Chair (temporary) Steering Group Financial Control Measures Youth Act (terminated 15 April 2021)
- Chair of the supervisory board of Stichting Open Nederland (started 1 September 2021)

Doede Vierstra (1958)

Nationality: *Dutch*
Main position: *Managing Director Phoibos Finance B.V.*

Executive and supervisory positions

- Member of the Supervisory Board and Member of the Audit, Risk and Compliance Committee of PGGM N.V.
- Chair of the Supervisory Board of Stedin Holding N.V.
- Chair of Audit Committee and Board Member of Stichting Nyenrode
- Chair of the Supervisory Board of KNGF Geleidehonden
- Member of the Supervisory Board and chairman of the audit committee Leiden University Medical Centre (LUMC)
- Treasurer and Board Member, Stichting Hermitage a/d Amstel (Amsterdam)

Micky Adriaansens (1964)

Nationality: **Dutch**
Main position: ***CEO of Twijnstra Gudde***

Executive and supervisory positions

- Member of the Supervisory Board and member of the Human Resources & Organisation Committee of PGGM N.V.
- Member of the Upper House VVD and Chair of the Standing Committee for Health, Welfare and Sport (VWS)
- Member of the Board of Stichting Snippe Beheer
- Director of Spalandt B.V. (consulting and support companies)

Henk Broeders (1964)

Nationality: **Dutch**
Main position: ***Supervisory Director/Supervisor***

Executive and supervisory positions

- Member of the Supervisory Board (Vice Chair) and Member of the Audit, Risk and Compliance Committee of PGGM N.V.
- Member of the Supervisory Board and Chair of the Audit Committee of Alexander Monro Breast Cancer Hospital
- Chair of Supervisory Board and member of Stater N.V. Audit Committee
- Chair of the Board of Stichting Hanarth Fonds
- Board Member of Stichting Steun VUmc Alzheimer Centrum
- Director Broeders Board Services
- External advisor McKinsey & Company
- Management Consultant iClusion
- Member of the Advisory Board of Stichting Zorg na Werk in Coronazorg (ZWiC)
- Member of the Advisory Board Hersenonderzoek.nl
- Member of the Supervisory Board and Member of the Audit Committee Stichting Leger des Heils Welzijn en Gezondheidszorg (from July 2021)

Eric de Macker (1960)

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

Executive and supervisory positions

- Member of the Supervisory Board and Chair of the People and Organisation Committee of PGGM N.V.
- Vice Chair of the Supervisory Board, Chair of the M&O Committee and Member of the Finances Audit Committee of
  Stichting Rivierduinen GGZ
- Member of the Advisory Council of Nederlandse Vereniging van Arbeidsdeskundigen

Jan van Rutte (1950)

Nationality: Dutch

Main position: Supervisory Director/Supervisor

Executive and supervisory positions

- Member of the Supervisory Board and Member of the Audit, Risk and Compliance Committee of PGGM N.V.
- Chair of the Supervisory Board and Member of the People & Organization Committee of Volksbank N.V. (terminated 13 August 2021)
- Member of the Supervisory Board (deputy chair) and member of BNG Bank N.V. Audit Committee
- Member of the Board of ABN AMRO Foundation
- Member of the Supervisory Board of Stichting Health Center Hoenderdaal

Ancillary positions held by members of the Executive Board

Edwin Velzel (1963)

Nationality: **Dutch**
Main position: ***Chief executive officer PGGM N.V.***

Executive and supervisory positions

- Chair of the Executive Board of PGGM N.V.
- Chair of the Supervisory Board of PGGM Vermogensbeheer B.V.
- Member of the Supervisory Board of Klaverblad Verzekeringen
- Member of the Supervisory Board of Gelre Ziekenhuizen
- Chair of Expertteam Covid-zorg
- Member of the Supervisory Board of Omring (Verzorging en Verpleging) (terminated 21 June 2021)

Willem Jan Brinkman (1973)

Nationality: **Dutch**
Main position: ***Chief Financial & Risk Officer 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 FNV investment advisory committee